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Insuring Cyber Risk

DESPITE ADVANCED, END-TO-END ENCRYPTION, CORPORATE COMPUTER SYSTEMS WILL NEVER BE TOTALLY SECURE, WRITES ROSS GOW.

U nauthorised remote access to corporate systems and embedded malware in computers and PDAs are the greatest cyber risks today, according to insurance executives polled in a recent review of "Emerging Risks" by insurance broker Gallagher London. But you don't have to be a FTSE 250 company to be the target of hackers or the victim of insidious viruses. Indeed, nearly 90 per cent of all companies experienced some form of computer security incident last year, according to government figures.

Gallagher London's, Ray Barlow, observes that, "We put locks on our doors and install alarm systems in our homes, but still the majority of us purchase home insurance, nonetheless. The same should be true in a business context as there is no 100 per cent electronic defence for systems or data - despite sophisticated protections. You may have firewalls, virus protection, anti-spam systems, and prudent procedures to protect passwords and prevent employees from downloading dangerous material. But these measures are not foolproof."

Rik Ferguson, Senior Security Adviser at Trend Micro, believes that existing signature-based information security controls are not effective against sophisticated cyber threats and exploits, which are evolving at a phenomenal rate. "The key technologies to protect personal information in the corporate environment of today are end-to-end email encryption, ensuring that only the sender and recipient of a mail can view the contents, file and folder level encryption of data in storage to guard against loss and theft."

Barlow concludes: "Hackers are a persistent bunch and if security is compromised, that's when cyber insurance kicks in. The most obvious need is to pay for cleaning up after a worm or a hacker attack. But companies may also suffer resulting Business Interruption and can also be held liable for allowing copyrighted material or private information about clients to fall into the wrong hands. The prudent administrator is well-advised to take a belt and braces approach to mitigate the threat of cyber risk."



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