

# European insurers discover cyber protection market

FRANKFURT, GERMANY: It's already a booming market in the United States, but in Europe, companies are now waking up to the idea of cyber insurance to protect themselves against losses through an Internet attack.



In the US, where companies are obliged to inform authorities of online attacks, the cyber insurance market is already highly developed, currently totalling US\$1.3bn a year, according to Christopher Lohmann, head of Germany and central Europe at Allianz Global Corporate and Speciality.

"Europe is a long way off that but we project strong growth in the coming years. We see the market amounting to between €700m and €900m by 2018," Lohmann said.

For companies and private individuals, the Internet risks are very real, ranging from data and identity theft to espionage.

Companies may see their infrastructure paralysed, their computer systems infected with viruses and malware and so forth. But these are not the only risks: human error and internal hiccups can also jam systems and wipe data.

Just last month, mobile phone operator Vodafone was the victim of massive data theft where personal information - including bank account details - of about two million people was stolen.

## Exponential growth brings exponential risks

And with the exponential growth of electronic messages and the increasing transfer of companies' commercial processing and data storage to cloud computing, the dangers are only going to multiply.

In Germany, a total 64,000 acts of cyber crime were officially reported in 2012, representing around €42m in damages, an increase of 7.5% over the previous year.

And that is just the tip of the iceberg, experts say, because many companies prefer to remain silent over any breaches in their security systems.

"Europe is still very much behind on this," said Nicolas Helenon, founder of the insurance broker NeoTech Assurances.

"Big companies armed themselves against these risks long ago. But most small and mid-sized companies are not insured,"

Helenon said, arguing that many businesses found cyber risks more difficult to grasp than, those of fire or water damage.

"The threat of cyber crime is primarily a concern for companies who manage a lot of client data," said Philipp Lienau at HDI Gerling. "In case of an attack by hackers or data theft, it can be they who can be held responsible. But above all, it's a major cost factor. Informing those affected by any cyber attack can be very costly," Lienau said.

## **Reputation damaged**

And it can also seriously damage a company's reputation.

In July German's Allianz launched an insurance product that covers all types of online risks to companies. And HDI Gerling, a subsidiary of the Talanx group, followed suit, offering tailor-made products to industry.

French giant Axa is scheduled to enter the market at the beginning of October, while Zurich Insurance has been offering such policies to small and medium enterprises for a year now.

Experts say the new legislation that will soon come into effect in Europe, will require companies to report cyber attacks and abide by tougher data protection rules, boosting the demand for cyber insurance.

And it is not only companies that are at risk, but the general public too as use of social media, smartphones and online transactions rises exponentially. In 2011, insurer Swiss Life launched an e-reputation insurance product to protect individuals' online reputation.

French group Axa is offering a "complete family protection" package to cover all digital risks.

"Nevertheless, the market is still not mature. Many clients do not sufficiently evaluate the difficulties they may encounter on the Internet. There's still a lot of educating to do," said a spokesman at Swiss Life.

According to software maker Norton, around 556m people were the victims of cyber crime in 2012 with the losses estimated at €80bn.

Source: AFP via I-Net Bridge

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