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Digital Risk Exclusions Fuel Demand for New Insurance

London, UK, 2:30pm GMT 18th February 2002 – Business customers suffering from uninsured digital risks will increasingly opt for specialist digital risk insurance products in 2002. As of January this year, reinsurance companies around the world have now specifically excluded data and other digital liabilities from their cover, along with terrorism. This follows warnings and announcements made in 2001.

In turn, global corporate insurers have decided to exclude data from policies to protect themselves from ruinous losses. Most businesses are unaware that digital risk exposure is in many cases no longer covered by the standard set of insurance policies, such as business interruption, workers' compensation, property and liability.

“Many insurers would argue that they never intended to provide cyber cover and that the exclusionary language is purely to clarify the original intent. When these policies were originally issued, data was not part of physical property, and viruses and hacking were not issues,” said David Ovenden, Group Underwriting and Claims, Royal & SunAlliance. David Ovenden is also Chairman of the Digital Risk Working Party of the International Underwriting Association.

Since 1998, **mi2g** and global insurance houses have been collaborating to define the new digital risk exposures, disruptive technologies and model correctly priced risk management solutions. “Substantial take-up of digital risk insurance is expected in 2002 and beyond, as the new digital exclusions and their ramifications become better understood by insurance buyers and sellers,” said DK Matai, Chairman and CEO, mi2g.

“WTC created massive data traffic losses for business interruption insurers. A modern corporate runs the risk of trading without having effective business interruption or disaster cover in place. Shareholders will not accept that risk; neither should the board,” said Steve Reynolds, Commercial Insurance Partner, Hammond Suddards Edge, the leading law firm, with offices at Lloyd's of London.

US and UK digital legislation has tightened against hackers who penetrate online computer systems, and such malevolent activity, if motivated by political or ideological belief, is now treated as terrorism. This has fundamental impact on the wording of insurance policies. The events of 11th September have further hardened the insurance industry's stance on tightly coupled complex risk exposures, which can lead to mega-loss scenarios.

“Cyber risk is the ‘soft underbelly’ of many corporate businesses. When cyber terrorism is moving to a new level, companies need to check that their insurance covers them fully for all types of digital attack as the outfall could prove far more damaging than any cyber terrorist may have intended,” said Trevor Moss, Executive Director, Alexander Forbes, the Lloyd's of London broker and global risk management group.

[ENDS]

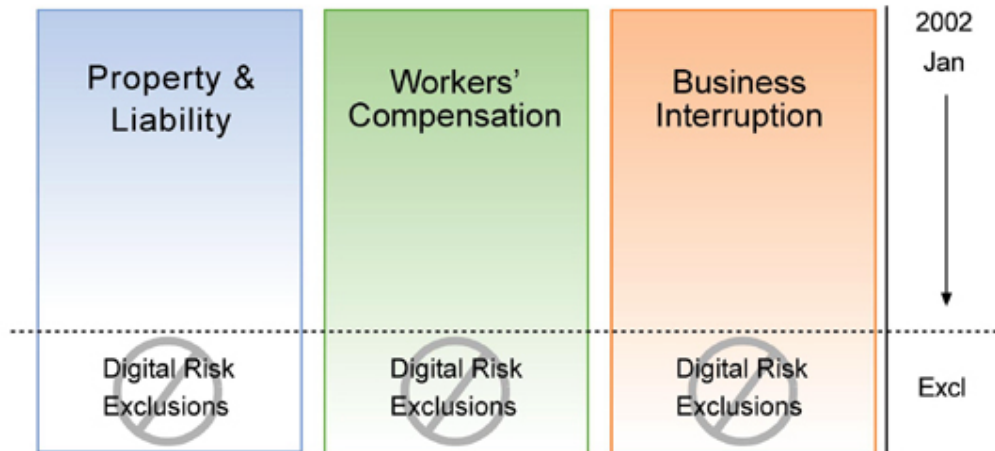
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Bespoke Security Architecture™ • eRisk Management • eCommerce Systems Engineering

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Editor's Notes:

Main insurance areas



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About mi2g:

mi2g Digital Solutions Engineering pays particular regard to security. **mi2g** advises on the management of eRisk and incorporates Bespoke Security Architecture in its SMART sourcing solutions.

mi2g builds highly secure intranets and extranets, digital communities and data warehouses that are specifically constructed for data mining, customer relationship management and enhancing the network effect. For further information – www.mi2g.com

What is Bespoke Security Architecture?

Bespoke Security Architecture brings together firewall layers, intrusion detection and other defensive structures, as well as automated intelligence techniques with legal, human resource and company policies.

What is Digital Risk Management?

Digital Risk Management deals with a variety of issues associated with implementing digital solutions and integrating Service Level Management. It includes selecting the optimum technology set, managing external partners and alliances, linking payments to targets, defining rigorous quality control procedures, managing the growth in online traffic post launch, achieving the expected return on investment, and bringing about the changes in the corporate culture required for successful eBusiness.

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