

Internet Crime - An Underestimated Threat To Business

Oliver Prior, research and development director of Willis Group Limited believes that the risks from e-commerce and usage of the Internet are little understood and potential crippling. He says: "there are very real risks to trading over the Internet that are only now being recognised. As companies become increasingly knowledge-based, there are particular types of risk, for example to reputation and intellectual property so far not addressed by conventional insurance.

"Credit card fraud, inadvertent transmission of viruses and the potential to reputation that could follow rapid spread of bad news, could be disastrous. Whilst some of these risks are familiar, the scale, speed and global spread of the Internet magnifies the danger. In five years we could be speaking of losses from e-commerce of hundreds of millions of dollars."

Oliver outlined some of the dangers when he spoke at the Insurance Institute of London. He told delegates that by the end of this year some 250 million people worldwide will have access to the Internet and over the next five years they will have completed transactions worth an estimated £350 billion. He warned that this vast and valuable expanding market, presents criminals with a whole range of new opportunities, many as yet unrecognised by commerce and industry.

He outlined two basic types of E-Businesses. "Virtual" businesses such as Amazon.com and First E-Bank that have been created for Internet trade and "Clicks and Mortar" businesses such as 'Dixons' that started life being "premises" driven but are now growing faster in the area of Internet trade.

He urged both types of business to take action quickly to protect themselves from Internet crime. "Both groups represent major new business opportunities for the risk consultant and insurance broker. 'Virtual' businesses are more likely to be interested in issues such as intellectual property, web site high-jacking, and business interruption following an actual or attempted "hacking" incident than in standard insurance programmes. "With a 'clicks and mortar' company a traditional risk manager will be confronted with an area that has "risk" exposures that he will need to learn about quickly."

Oliver Prior continues: " One of the problems of the new e-businesses is that they do not have the time or the resources to fully consider the risks associated with their venture, nor enter into a lengthy dialogue with their insurers to create the ideal insurance contract. The insurance industry has shown that it can respond to the needs of E-Business by the number of excellent insurance "products" it has issued. The next stage is for the buyers to enter into a dialogue with these insurers so that the "products" can be adapted to suit the true needs of modern business."

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