



Press Release

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GDPR WILL DRIVE SURGE IN NEW CYBER CLAIMS SAYS AIG STUDY

LONDON, May 24, 2018 – AIG Europe research found that a further surge in data breach and other security failure insurance claims is expected after the EU General Data Protection Regulations (GDPR) come into force this week. A record breaking year in 2017 had as many cyber claim notifications as in the previous four years combined, the equivalent of one per working day.

AIG's latest cyber claims report, released today, found that over a quarter of European cyber claims (26%) received in 2017 had ransomware as the primary cause of loss – up from 16%.

Main breach types:

- Ransomware **26%**
- Data breach by hackers **12%**
- Other security failure/unauthorised access **11%**
- Impersonation fraud **9%**

While the proportion of claims caused by employee negligence fell marginally to 7% in 2017, human error continues to be a significant factor in the majority of cyber claims.

Mark Camillo, head of cyber for EMEA at AIG said: "In 2017 we saw a series of sophisticated, systemic malware and ransomware attacks, including WannaCry and NotPetya. The resulting business interruption was a significant issue for many European organisations – much of the financial impact was a balance sheet loss. While ransom payments only generated around \$150,000, total economic losses associated with WannaCry are estimated at \$8 billion, with half a billion dollars attributed to direct costs and indirect business disruption. The majority of these losses were underinsured.

"The arrival of GDPR will become another tool for negotiation by extortionists. They will threaten to compromise an organisation's data unless a payment is received, knowing that the consequences could be more significant under the new regime. Companies will be more inclined to report breaches, leading to an increased impact on the volume of cyber claims. This was seen in the US after state breach notification laws came into effect and where nearly every high-profile cyber breach is met with at least one class action lawsuit."

The report shows that no sector is immune to cyber attack. In 2017, cyber claim notifications were made by insureds in eight sectors that had previously not featured at all in AIG's cyber claims statistics. Professional and financial services topped the

list, with professional services showing a significant increase in its proportion of overall claims (up to 18% from 6% in 2013-2016).

Cyber claims by sector:

- Professional services **18%**
- Financial services **18%**
- Retail **12%**
- Business services **10%**
- Manufacturing **10%**

Camillo said: “There is a continuing trend, whereby a larger number of notifications each year are coming from an increasingly broad range of industry sectors and not just those traditionally associated with cyber risk. This reflects the fact that many of the recent ransomware attacks have been indiscriminate in terms of which industry they hit.

“Professional services have become more of a target. Solicitors and accountants with large databases of clients are attractive to cyber-criminals because of the quality of the data they hold, and are vulnerable to cybercrimes that target regular financial transactions.

“However, whatever their size or sector, organisations operating in today’s interconnected and increasingly digital world are becoming more attuned to the risk and aware of how good cyber hygiene, combined with cyber insurance, can play an important part in mitigating potentially dire financial consequences. To become cyber-resilient, organisations need to prepare – practise their response, implement a robust cyber risk strategy and ensure they are indemnified for the full range of cyber exposures, including network interruption.”

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