

CYBERSPACE LOSS SCENARIOS

for Tech/IT Companies

Fraud and Extortion

- Eight banking web sites in the United States, Canada, Great Britain, and Thailand were attacked resulting in 23,000 stolen credit card numbers. The hackers proceeded to publish 6,500 of the cards online causing third-party damages in excess of \$3,000,000.
- A hacker stole approximately 300,000 customer credit card numbers from an online retailer. The hacker then attempted to use the stolen information to extort \$100,000 from the company. Upon the firm's refusal to cooperate, the hacker posted 23,000 card numbers online. As a result of the charge denials, credit card cancellations and re-issuance, the online retailer suffered approximately \$2,000,000 in lost income and third-party damages.
- Two hackers cracked the computer systems of a major market research firm and subsequently obtained confidential corporate records. The stolen files included employee photographs, network passwords and personal credit card numbers of numerous senior managers. The hackers threatened to reveal the security breach to the company's clients unless the Board of Directors paid them a "consulting fee" of \$200,000. Upon retaining expert cybercrime investigators, the hackers were apprehended and prosecuted. The research firm spent approximately \$1,000,000 in investigative and public relations fees.

Denial-of-Service Attacks, Sabotage and Business Interruptions

- A hacker overwhelmed several large web sites through multiple distributed denial of service (DDOS) attacks. The culprit hijacked various computers throughout the world to bombard target servers with seemingly legitimate requests for data. It is estimated that the DDOS attacks, which interrupted the sites' ability to efficiently conduct their business, caused over \$1.2 billion in lost business income.
- A disgruntled employee of a major consulting firm downloaded malicious code onto the networks of the firm, its clients and vendors. The code launched confidential information into the public domain and destroyed some critical corporate applications, resulting in more than \$10,000,000 in third-party claims.

A Web site is a lawsuit waiting to happen

Attorneys who make their living defending Internet suits charge outrageously. Most suits involve intellectual property law. Many companies are unaware of the problem and are unprepared to cope with it.

Clearly, the Internet has become an essential operational feature of trade, despite the slump in Web-based commerce and the dot-com decline. Only a few years ago only 12 million persons were accessing the Internet but now this number is over 60 million and growing at geometrical rates. Many companies are establishing websites and communicate with others by means of e-mail, chat lines and bulletin boards. Some companies have started to promote and market products and services on the Internet. Liability rules that applied to advertising injury, libel, slander, infringement of copyright and trade marks will have to be reformed to comply with changing conditions of online communication.

What complicates matters is that the Internet is producing many exposures of unknown quantity, causing insurers frequently to introduce exclusions until they can get a better handle on what these exposures may produce.

Currently looming as a future battleground with insurance implications will be the question of who rightfully owns a particular domain name for a Web site. It is not unusual for one business to encounter another business with a domain name or a Website address similar enough to cause one or both of the parties to file suit.

Somehow, many people got the idea that if it was online, it was free for the taking, and that copyright laws do not apply. This is absolutely not true. If it's online, the same kinds of laws apply as in the real world. Copyright law is actually one of the easiest and most straightforward areas of cyberspace law. You should not steal someone else's copyrighted material. Even if there is no copyright statement, you can still assume that the material is copyrighted and can't be distributed without the author's or copyright holder's explicit consent.



Viruses

- In 1999, the Melissa email virus overwhelmed systems of thousands of companies around the world. The operations of at least 60 US -based Fortune 500 companies were brought to a halt due to the inability to handle the massive amounts of incoming and outgoing messages generated by the virus. The virus collectively caused millions of dollars in lost business income.
- The Love Bug virus (also known as the "I Love You" virus) spread rapidly through corporate email systems, infecting networks of hundreds of companies around the world. This attack was followed a few days later by as many as 11 copycat versions of the virus. It is estimated that the series of attacks collectively cost billions of dollars in lost business income and extra programming time.

Intellectual Property Infringement

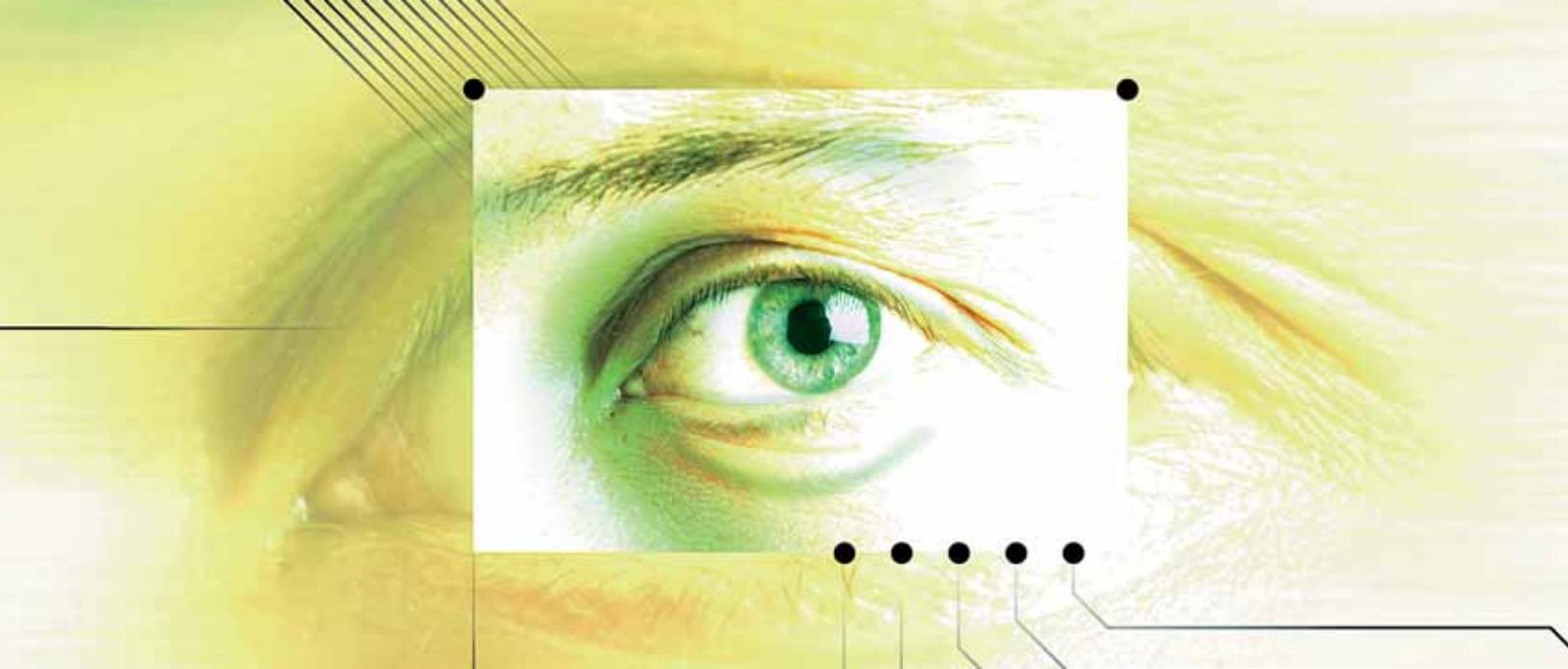
- An online service allowed a famous author to advertise a book in one of its forums. The online service was sued for copyright infringement by an artist who claimed that the author used certain artwork on the cover of his book without getting the artist's permission.
- An online news service created a web site inclusive of hyperlinks to alternate sites that were maintained by traditional print and broadcast media companies. When users clicked the links, they were linked to a framed copy of the site, rather than the site, itself. The traditional media firms sued the host site for copyright and trademark infringement on the basis that the firm was a "parasitic...site that republished the news and editorial content in order to attract both advertisers and users."
- An online insurance brokerage created a hyperlink that seemingly transferred its clients to additional pages on the site. It was later discovered that the brokerage "deep-linked" its users to the web pages of various insurance companies creating a seamless navigational experience. The insurance companies sued the online brokerage for copyright and trademark infringement.
- In an effort to drive additional users to its site, an online retailer registered meta tags that identified its firm with the names of its competitors. Upon discovery of the incident, competitors sued the retailer for copyright infringement.

Personal Injury/Privacy

- One of nation's largest health insurers in advertently sent email messages to 19 members containing confidential medical and personal information of 858 other members. Although the company immediately took steps to correct the problem, the company is now exposed to lawsuits alleging invasion of privacy.
- A utility admitted to a massive security breach that left debit card details of thousands of customers open to public scrutiny. A customer discovered the security hole when he went to pay his bill online - he discovered three files on the web server, containing the names, addresses and card details of more than 5,000 home and business users, including his own.
- An e-tailer brought suit against a web designer for damages the e-tailer sustained as the result of the unauthorized access of its private data files by a "hacker". The suit alleges that the web designer negligently designed the e-tailer's web site by not providing adequate safeguards to prevent such type of intrusion.

Online Trespass

- An online direct marketing company emailed solicitations on behalf of its clients to all users of a commercial Internet service provider (ISP). The ISP sued the marketing company for online trespassing. The court found that the marketing company was liable for trespass and damage to the ISP's reputation.



Providing Business Insurance Since 1895

InsureCast is a division of Gaston & Associates, Inc., a NY based insurance agency tracing its roots through 4 generations of family, and incorporated in 1895. InsureCast's marketing territory is national in scope, and we hold property-casualty and life-health licenses in all U.S. states & DC — except Alaska, Hawaii, Iowa, North Dakota, Oklahoma, and West Virginia.

Our customers range from start-ups to public companies. We serve about four thousand clients nationally and throughout the world. We specialize in providing personal and commercial lines of property and casualty insurance, group health coverage, and individual life insurance.

InsureCast has become a world leader in technology insurance and professional liability insurance products for Information and Network Technology companies by proactively anticipating changing client needs in order to offer the most up-to-date solution.

Mission Statement

The mission of Gaston & Associates is to provide professional insurance services to the clients we represent.

- ✓ We strive to develop a customer base that will appreciate our service orientation and value added approach.
- ✓ We provide our clients with competitive, high quality insurance oriented products.
- ✓ We endeavor to maintain long-term customer relationships that are based on coverage and service.
- ✓ We embrace automation as a means to enhance service and improve communication.

To accomplish these goals, we establish departments, standards, workflows and procedures that enable us to provide a consistently high level of service to our customers. We staff each department with competent, ethical, individuals who are dedicated to continuing education and professional development.

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