The Emerging Risks of Web 2.0

...And the Internet Itself

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Overview

Defining Web 2.0 in terms of Risk
The Emerging Blind Spots
Personal Data Explosion
Web 2.0h NO
The Flipside of rapid advancement.

"Every action has an equal and opposite reaction."
Rapid growth in a sector
Millions of new people into the environment
Many new companies and spin offs
Transfer of risk to others
Low barriers to entry
Excessive valuations
SELF GOVERNING
Result: THE CREDIT CRISIS

Record Bankruptcies – user defections

Entrenched Players Belly Up – Models Unsound

Government Intervention – Oversight?

Start Over – Rebuild at higher cost
Where are we according to me?
Presenter Bias

I Analyze / Underwrite the business risks for

(1) IT Folly  (2) Web 1.0  (3) Web 2.0

(4) Sustainability, International Law, Business Interruption, Liability

A Parallel Analysis of Venture Capital

Difference is Capital Protection vs Wealth Creation
The Evolution of Information during that time frame

1989 → ‘94 → ‘05 → 2008

- A Cost of Doing Business
- A Competitive Advantage
- Data is Currency
- Data is an Asset and a Liability

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Emerging Risks of Web 2.0
To be alive at all involves some risk.

- Harold McMillan
Defining Web 2.0

"The Web as a Platform..." - Tim O'Reilly

For Business:
1. Lightweight Applications
2. Users as Developers
3. Authentic Market Intelligence

For Users:
1. Social Connectivity
2. Read / Write / Expression
3. Online Efficiency (email, tasks, storage)
Web 2.0 Governance

For Business:
Governed by Value

For Users:
Governed by Norms

"Men Obey Laws Such That They May Free" - Cicero
Emerging Risks for Web 2.0

"The Web as a Platform...for risk"

Data Privacy  Media and Advertising

Intellectual Property
Big Risk #1

Media, Marketing and the lack of control.
Professionally published content makes up less of the Internet

Company
Controlled

Online
Data

Content and
data Created
by Users

Web 1.0

Control of Company
Message, Data, and
Brand

2000  2008  2012

Source: Drew Bartkiewicz
Web 2.0 = More Content, Less Control, More Uncertainty

Source: Drew Bartkiewicz
Few Businesses Contemplate This Fundamental Shift in Value...and Risk

Source: Drew Bartkiewicz
Web 2.0 Blind Spot

A subject about which one is prejudiced or ignorant.
Examples:

eBay vs Louis Vitton

Viacom vs YouTube

United Airlines vs Google vs Tribune (Sun Sentinel)

Data Privacy Breach in every industry since 2004
Big Risk #2

Data Privacy

Implications of Privacy Gone Wild.
Web 2.0 = a Personal Data Explosion

1996 - 2000

2002 - 2005

2008

Personal Data

Financial

Behavioral

Social

Health

Source: Drew Bartkiewicz
“Information thieves, black market buyers of data, and data brokers are definitive reference points to suggest that information has surged as a new resource, no longer protected by scarcity and location, but unleashed with abundance and access.”

Drew Bartkiewicz

Unseen Liability

2009 Release
Web 2.0 + Targeted Marketing =

Sunrise on Massive Personalization

or Sunset on Personal Privacy?
Cyber Exposures For Web 2.0 Privacy

- Concentration of Risk For Personal Data – Liability
- Concentration of Risk for Company Confidential Data – Risk and Liability
- Emerging Data Laws – Compliance Exposures
- Privacy Class actions – Information Malpractice
- Rogue Employees – cyber crime
- Reputation harm – brand and stock damage
Privacy Breach Expenses

- Notification Expense
- Regulatory Fines, Fees, Penalties
- Counsel
- Cyber Investigation
- Business Interruption
- Lost Customers
Cyber Liability Costs are the Great Unknown.

Web 2.0 Litigation is just starting.

Business Insurance Reduces Web 2.0 uncertainty.
A Major Data Spill Can Reek Havoc on Any Company, Any Size
Web 2.0h NO

Technology Developments and Uncertainty
So What’s Next?
A Pew Internet & American Life study shows almost 70 percent of Internet-using Americans use cloud computing even though many don't know what the term means. More than half of online Americans use Webmail services like Microsoft's Hotmail, Google's Gmail and Yahoo e-mail in addition to storing photos, videos and data in the cloud.

While privacy and security issues are a concern, Internet users are flocking to cloud computing because it is easy and convenient, Pew says.

- eWeek.com, 9/12/2008
Aggregation of more personal data.

Imagine your life’s data in a single test tube of data storage.
Contextual Everything

Google Chrome (BETA) for Windows
Google Chrome is a browser that combines a minimal design with sophisticated technology to make the web faster, safer, and easier.

Whether you like it or not.
Web X.0 - the future Web - will create new opportunities and risks.
“Cyber Risks Will Grow Quicker than Our Ability to Anticipate Them” – Drew Bartkiewicz
Conclusion: Web 2.0 Turbulence

Web 2.0 Technology Capabilities

Cyber Law and Regulation

Incidents

User Expectations and Behaviors
“Trust in Data Privacy is to Web 2.0 what Trust in Consumer Credit is to the Financial Markets.”

- Drew Bartkiewicz
My Advice to you

RUN! Don’t Walk to Insure Your Web 2.0 Business
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