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## Is Risk Mitigation for Data Security Breaches Optional Anymore?

The recent widespread theft of customer data makes it clear that any business has the potential for data breaches. Just one stolen laptop, virus, hacker or lost flash drive can create enormous financial and reputational consequences for your business. You may think high-profile companies are at greatest risk, but small- to-medium sized businesses are frequently targeted, accounting for more than 72 percent of all data breaches.

Target's 2013 fourth quarter profits fell 46 percent, and a Ponemon Institute survey of 843 executives found that an organization's brand value drops between 17 to 31 percent following a breach. Could your business sustain an impact of this size?

Consider these recent real claims examples:

- While upgrading their office desktop technology, an accounting firm "cleaned" the hard drives of their old computers just as the manual suggested prior to disposal. A hacker recovered the discarded computers and restored the data on the hard drives, then threatened to disclose the financial records of the firm's private clients. The firm bought back the hard drives from the hacker for a multi-million dollar fee.
- A disgruntled employee of a manufacturer deleted the company's entire database. It cost the company \$7.8 million in lost revenues and \$2.2 million to replace the lost data

### About the Author



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2014 is a critical year for your company to assess vulnerability, tighten your safety measures and do everything you can to protect customer information. Take these two essential steps:

- 1.** Call in the experts to assess your company's network security. Partner with an IT company that specializes in data security to audit your systems for vulnerabilities and address any issues.
- 2.** As a fail-safe, mitigate risk with cyber liability insurance. Here's what you need to know.
  - Liability for loss of customer or employee data is not typically covered under a corporate insurance policy. Work with your broker to integrate cyber liability with your general policy and employment liability policy for seamless coverage.
  - Cyber liability insurance addresses first- and third-party risks. First-party coverage will pay for the cost of notifying your customers, purchasing credit monitoring services, lost revenue from business disruption, PR to manage the company's reputation, cyber extortion and more. Third-party protection covers the people and businesses behind for the systems involved in a data breach.
  - Coverage is affordable. Policies vary in cost depending on your needs, but premiums start as low as \$500 a year.

In today's world, managing cyber liability is more than a smart investment; it's business critical.

<sup>1</sup>U.S. Secret Service and Verizon Communications, Inc. 2013 Data Breach Investigations Report



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