

# Why Small-Business Owners Need Cyber Liability Insurance

By: Sara Hanavan, CIC, & Tara Potzler

Regardless of a business's size or type, owners must secure their data and their customers' and employees' personal information against the possibility of a cyber attack. One step business owners of any type should consider taking is purchasing cyber liability insurance, which helps to protect a business's assets should a cyber attack occur.

A best-in-class cyber liability policy will include complimentary access to a variety of cyber professionals who offer tips on data security best practices and can provide legal advice to help businesses comply with applicable laws and regulations. It can help mitigate the risk of civil litigation and other penalties if a data loss or theft does occur.

Though most publicity for cyber hacking is directed to large corporations and banks, 62% of all cyber attacks hit small- and mid-sized businesses (SMBs), according to Property Casualty 360.com. Internet security firm Kaspersky Labs estimates the average cost of a small-business data breach at \$86,500.

SMBs are attractive to cyber criminals because many business owners accept credit cards, store customer information and conduct business online or in the cloud. Small-business owners are also less likely to have a strong defense against hackers. For almost any size business, a "cyber incident" usually includes one of the following scenarios:

- Employees save their data to a network, which puts the entire business at risk if a virus infects the system.
- Customer information, such as credit card information and bank account data, is stored on the computer. An employee steals the information to sell on the "dark" web, a part of the internet that can only be accessed with special software, enabling users and operators to be anonymous or untraceable.
- An unencrypted device, such as a smart phone or laptop, that contains personally identifiable information is lost or stolen.

With any of these scenarios, the work of a cyber criminal can damage a business by infiltrating networks, holding data hostage or accessing sensitive information, such as credit card numbers, passwords, addresses and Social Security numbers. The task of running the day-to-day operation of the business can be severely

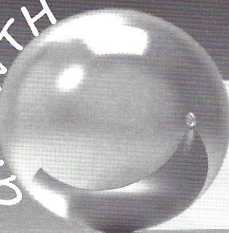
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impacted when a business has to recover from an attack. Reputations and revenues suffer. Businesses have to consider federal or state laws that have been enacted to protect consumers. They must comply with regulations, knowing they could face fines if a breach occurs, and they have not taken the necessary steps to try to protect their customers.

There are other costs to consider as well. Many businesses must provide free credit monitoring services to affected customers for a specified period of time. Product discounts or promotions may be offered as a goodwill gesture to regain the trust of a customer. Additional costs may be incurred to update security software and train personnel.

The biggest cost a business may face is closure. Many small businesses close within a few months of a data breach due to negative publicity, loss of clients and regulatory or legal fines. Up to 60% of small businesses go out of business within six months of a cyber attack, according to NAS Insurance Services.

After considering all of this, small-business owners may think there's nothing they can do, but they're wrong! Cyber liability insurance is designed to assist a business in surviving a breach or attack.

Cyber liability policies are available in a range of prices and ultimately represent only a small portion of the business's overall insurance costs. Business owners should consider how much insurance they need, how much risk they can afford, what types of coverage are available, what types of incidents are covered and what type of data is included in the coverage. Solid cyber insurance policies should include services such as a "breach coach," who can walk business owners through their response and work with other experts to investigate how and when the breach happened, what was accessed and who was affected.

In addition, owners should look for coverage that includes public relations/advertising support and reimbursement for expenses incurred for breach notification, call center and website support and credit monitoring and identity theft restoration services.

Finally, business owners should realize that insurance will not prevent breaches from occurring. All businesses have a duty to protect themselves with security software and a comprehensive overall plan to safely store protected information. Small businesses need to look beyond the cost of cyber liability insurance and recognize its importance in maintaining a successful, profitable business for years to come. ■

*Sara Hanavan, CIC, is a product manager with Merchants Insurance Group.*

*She has more than 20 years' experience in the insurance industry. She received a M.A. degree in organizational leadership from Medaille College in Buffalo, N.Y.*

*Tara Potzler is the senior corporate communications specialist with Merchants Insurance Group. She has a bachelor's and master's degrees in mass communications and has more than 15 years' experience in the property-casualty insurance industry.*

# No business is too small for a cyber attack.

Half of all small and mid-sized businesses experienced a data breach in the last year — 55 percent experienced a cyber attack.

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Source: Insurance Information Institute