

Is Your Firm Prepared for a Data Breach?

The number—and cost—of data breaches are on the rise across the country. Learn how you can protect your firm from the risks and expenses associated with a data breach.

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How data breaches—whether intentional or accidental—occur within engineering firms vary: laptops get stolen; emails are unencrypted; computers get infected with a virus; hackers hack into the system; security software fails; former employees intentionally distribute information. The reasons are endless.

The results, however, are almost always the same. Sensitive information, such as customer or employee Social Security numbers, are exposed. The data breach can lead to identity theft, reputational damage to the company, and lawsuits. Additionally, there are significant expenses, paperwork, and time involved in complying with state and federal notification regulations.

No company is immune from a data breach, not even the U.S. Securities and Exchange Commission (SEC), which in May 2011, accidentally exposed the Social Security numbers and payroll information of approximately 4,000 SEC employees. In this case, an email that was sent by a contractor at the department's National Business Center, which manages payroll, human resources and financial reporting for dozens of federal agencies, was not properly encrypted and the software in place to catch such errors failed.

Not only is the number of data breaches nationwide on the rise, so too is the average cost associated with each record breached. According to the Ponemon Institute's annual studies, the per-record cost of a data breach rose by more than 47 percent from 2005 to 2009.

What is a data breach?

A data breach is a loss, theft, accidental release or accidental publication of personally identifiable information, such as:

- Full name
- Social security number
- Salary information
- Bank account number(s)
- Email address
- Driver's license number
- Credit/debit card numbers

Although organizations of all sizes are at risk of a data breach, 85 percent of the breaches that have occurred are within small businesses.¹ Unfortunately, these are the organizations that are often the least prepared to handle the fallout from a data breach.

If a data breach happened to your firm, what would you do? Does your firm have a procedure in place for complying with federal (and possibly state) notification laws? Can you spare the expense and time required to deal with the breach and its effects?

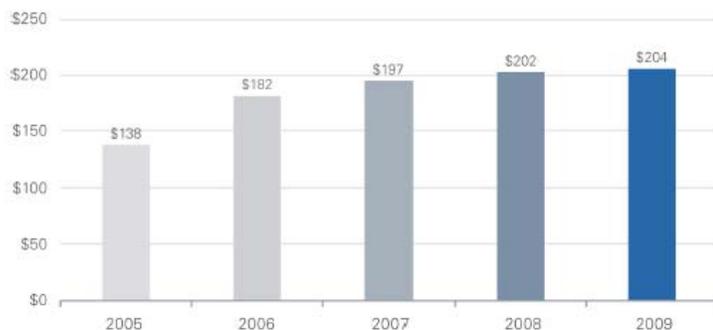


Figure 1: Average per-record cost of a data breach, 2005–2009

¹ Source: Visa

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Prevention tips

Many cases of lost or stolen data could have been prevented with simple security measures, such as:

- **Laptop security.** Laptops have become a target for thieves because they're easy to move and hide. To guard against this risk, keep laptops locked up at all times. Don't leave them in an unlocked car or even in a meeting room. Never check a laptop in your baggage, and consider purchasing a theft alarm system specifically made for laptops.
- **Security for physical backup media.** Backing up files is a critical security step. If your firm uses physical media as a backup, make sure it's secure. For starters, identify the data on the backup media to help determine what type of security measure is appropriate. Then establish security procedures for moving the backup media to the secure storage site, including a sign-in/sign-out procedure and two-person control.
- **Electronic encryption programs.** Data encryption programs can also improve the security of information. Encryption programs can be used with physical media (such as tapes or memory sticks), as well as at the application, database, operating system or network level. Data can also be encrypted via backup software.

Identity Theft Statistics

- There are more than 10 million identity theft victims in the U.S.
- An identity is stolen every four seconds in the U.S.
- The average cost to restore a stolen identity is \$8,000.
- Victims spend an average of 600 hours recovering from this crime.

Data breach insurance

The rising number and costs associated with data breaches are causing many engineering firms to look for data breach insurance. Most often, this coverage is part of business owners' liability insurance.

Data breach coverage can help your firm:

- Adhere to state/federal regulations by paying for notification expenses;
- Quickly restore its reputation and trust by covering public relations and good faith advertising expenses;
- Protect its viability if sued (and found liable for damages) as a result of the breach; and
- Gain confidence and control by providing valuable advice on preparing for and reducing the potential for a data breach occurrence.

When researching providers of data breach insurance, look for an insurer with an established track record of providing this type of coverage for engineers' unique needs. The ACEC Business Insurance Trust team, for instance, offers data breach coverage designed specifically for engineers through The Hartford Insurance Company.

Questions about data breach insurance?

To learn more about data breach coverage, contact Jeff Connelly, the ACEC BIT Program Manager, at 800.338.1391. Or visit www.acecbit.com.

Don't wait until it's too late

Regardless of the source, a data breach can be devastating to a company and its reputation. Don't wait until after a problem arises to manage this exposure. A number of risk management strategies can be implemented today to protect your organization from the threat of a future data breach. Protect yourself and your organization today with data breach coverage from a trusted, reputable insurer.

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