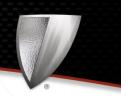
RISK MANAGEMENT CORNER



The Unpleasant Side of Cyber Space

The Internet connects businesses of all sizes to data networks and computer systems around the world. It also exposes companies to hackers, viruses, and other computer attacks. And, let's face it, there is no such thing as perfect computer security. Whether by hacker, glitch, or employee error, **many businesses will experience a data breach incident at some point.**

Knowing a breach is practically inevitable, and the recovery cost potentially devastating from a financial, public image, and regulatory enforcement standpoint, how does a business owner protect his or her organization?

A few years back, Hartford Steam Boiler Inspection and Insurance Company (HSB) teamed up with The Ponemon Institute to conduct a study of small businesses and the impact of data breaches. Their findings are eye-opening and informative, and can serve to inspire business owners everywhere to take steps to protect their valuable data.

- Fifty-five percent of small companies have experienced at least one data breach; 53 percent have experienced multiple breaches.
- Only a third of small businesses notified people that their personal information had been compromised, even though 47 states require notification.
- Nearly three-fourths of companies that experienced a breach were not able to fully restore their company's computer data.

Most common causes of data breaches:

Employee error
Lost/stolen hardware
Inadequate safeguarding
procedures

The research also revealed the three most likely causes of data breaches. More than half were due to employee mistakes. Forty-two percent involved lost or stolen hardware (laptops, smart phones, tablets, and storage media such as USBs and back-up drives). And, more than a third were a result of procedural inadequacies.

But, the breaches aren't caused only by internal errors. There is also a significant exposure when exchanging information with outside entities:

• Eighty-five percent of businesses share customer and employee data with third parties, such as those providing services for billing, payroll, employee benefits, and information technology. Most do not have contracts that require third parties to cover all the costs associated with a data breach.

As cyber-crimes get more sophisticated, your defense against them needs to keep pace. Federated Insurance can help you learn ways to minimize the risk of a breach, and, if you are a Federated client, you also have access to a seven step cyber security plan through Federated's Shield Network. To learn more, visit www.federatedinsurance.com.

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