

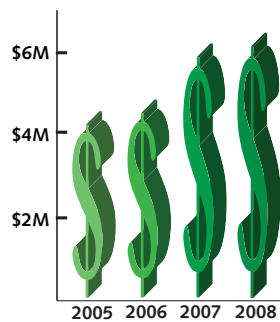
# Cost Of Data Breaches Continue To Climb.

*Not only are security and data breaches continuing to grow to staggering numbers, but the cost associated with a breach also continues to climb. Keeping security and privacy liability coverage in line with risk potential is critical.*

The latest U. S. Cost of a Data Breach Study, sponsored by the Ponemon Institute and PGB Corporation, indicates a significant increase in not only the out of pocket cost of data breach incidents, but also the cost of lost business created by the turnover of customers due to the breach.

According to the study, which looked at organizations crossing 17 different industry sectors, data breach incidents cost U.S. companies \$202 per compromised customer record in 2008, up from \$197 in 2007. The largest cost increase concerns lost business, showing a nearly 40% increase in the past three years. The average per incident costs in 2008 were \$6.65 million, up from \$6.3 million in 2007 and ranged from \$613,000 to almost \$32 million.

Average Total Cost of A Breach Continues to Climb



*Healthcare and Financial Services Organizations Show Highest Losses.* No matter how comprehensive an organization's information security practices are, it is still vulnerable to a breach of confidential information. Healthcare and financial services companies have been shown to suffer the highest customer loss. The average cost of a healthcare breach is \$282 per compromised customer which is twice that of the average retail breach of \$131 per compromised customer.

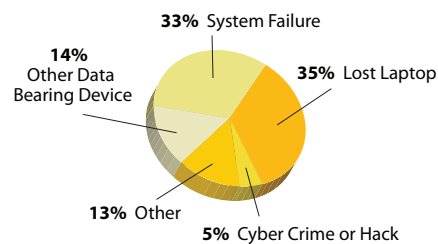
Top 10 Types of Organizations Suffering Highest Customer Loss Rates



Other key findings of the survey include:

- Third party organizations accounted for more than 44% of all cases.
- More than 88% of all cases involved insider negligence.
- Lost business is the most costly effect, averaging \$4.59 million or \$139 per record compromised.
- Data breaches experienced by "first timers" are more expensive than those experienced by organizations that have had previous data breaches.
- Training and awareness programs lead companies' efforts to prevent future breaches.

Main Causes of Electronic Data Breaches



## Most Security Breaches Involve Paper

Stories about missing laptops and stolen passwords appear daily, but a recent study shows that most data breaches involve paper. According to the study, 49% of respondents whose companies have been affected by a data breach said that one or more of the breaches involved the loss or theft of paper-not electronic-documents. And, 80% of respondents indicated their company had experienced one or more breaches in the past 12 months alone.

Departments Most at Risk



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When a breach does occur and customers must be notified, several key issues must be addressed including the potential legal costs, cost of lost customers and brand damage, costs relating to the detection, investigation, notification and possible services offered to affected individuals.

S.H. Smith & Company, a nationally recognized expert with regard to the placement of Cyber, Security and Privacy policies, is taking a leadership position in recognizing the importance of educating its customers on issues that are confronting organizations of all sizes. For more information and materials to share with your clients, contact:

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