

Solace Insurance Says Target Credit Card Data Breach Highlights Lack of Cyber Insurance, Leaves Businesses Vulnerable

Tuesday, January 14, 2014 02:00:00 PM (GMT)

In the wake of the massive data breach sustained by Target, the company is now the focus of several class action lawsuits. Solace Insurance says that cyber insurance mitigates financial losses caused by cybercrime incidents including class-action lawsuits, but a majority of small-medium sized enterprises (SMEs) continue to forego insurance.

CLEARWATER, Fla., Jan. 14, 2014 /PRNewswire-iReach/ -- Target's nationwide data breach, during which at least 70 million customers had of credit and debit card records stolen from the company's servers (1), began during Black Friday shopping week and lasted for several weeks before the company took notice on December 15, 2013. The aftermath has resulted in the stolen accounts surfacing in underground black markets in recent weeks, selling in batches of one million cards and going for anywhere from \$20 to more than \$100 per card (2). Award-winning Tampa Bay-based insurance agency [Solace Insurance](#) says that despite the fact that cyber-attacks such as that suffered by Target are top concerns for businesses in today's technological age, many companies are choosing to forego cyber insurance, leaving them increasingly vulnerable to business collapse and the loss of profits, reputation and public trust due to inability to remediate cyber-attacks because of costs that could become catastrophic.

(Photo: <http://photos.prnewswire.com/prnh/20140114/MN44538>)

Studies have found that while 85 percent of organizations consider cyber-attacks to be their greatest risk, less than 20 percent of companies purchase cyber insurance as a means of protection (3). Solace Insurance previously deemed [large-scale data breaches the future of class action money for lawyers](#), a sentiment echoed by the announcement that Target's data breach has resulted in three class-action lawsuits, with more than \$5 million in damages being sought in the cases (4).

According to Bob Childress, CEO of Solace Insurance and 30-year industry veteran, [cyber insurance](#) mitigates financial and reputation losses such as those sustained by internal and external data breaches.

Childress maintains that as the world has become an internet-centered arena, the propensity of cybercrime has grown, and with it, the need for small to medium-sized enterprises to protect themselves against cyber theft. Adequate cyber protection, per Childress, consists of several facets, including internet security training for employees—but most importantly, cybercrime insurance coverage. Cyber insurance has been named as the solution to business continuity plans because of its ability to maintain the financial position held prior to a cyber-attack by reducing the financial losses created by cyber-attacks, including cyber extortion, public relations to repair the insured's reputation and expenses occurred by violation of consumer privacy protection laws. Despite the benefits, Childress says that a majority of small businesses are still opting out of cyber insurance.

"Data breaches are a growing concern among businesses, yet they seemingly fail to fully grasp the potential risks," Childress said. "The loss of data is only the beginning—once you factor in the subsequent investigations, lawsuits and the loss of consumer trust, many organizations can be left in dire financial straits. Cyber coverage helps companies recoup and/or avoid those losses."

Childress encourages businesses to pursue both first- and third-party insurance: first-party coverage insures for losses to the policyholder's own data or lost income, or for other harm to the policyholder's business resulting from a data breach or cyber-attack; third-party coverage insures for the liability of the policyholder to third parties, including clients and consumers (5).

Coverage varies between insurers, and while some standard policies may provide some protection from cyber risks, it is important to understand what coverage, if any, is available under existing policies.

Childress says that businesses can limit data breach risks, as well as potential litigation risks, with three simple steps:

1. Review existing policies with an insurance agent to gauge what is already covered. This enables businesses to purchase the type of cyber insurance needed to ensure that there are no gaps in coverage.
2. Anticipate the potential costs of a data breach and obtain coverage equal to that amount.

3. Be aware of exclusions that limit necessary coverage—if a policy is poorly-worded, negotiate with the insurer to make the parameters clearer or seek assistance from a different agency.

Solace Insurance specializes in cyber coverage, as well as auto, home, flood and business insurance.

Childress states that a growing segment of his business is ensuring that SMEs are protected against the inevitable cyber-attack.

For more information about Solace Insurance and its services, visit www.restinsured.com.

About Solace Insurance:

As an independently-owned, full-service agency based in Largo, Florida, Solace Insurance has provided quality insurance products to customers for over 30 years. Solace is a licensed insurance agency within the top two percent in technology use for agencies nationwide. The company also holds Premier Partner designations with multiple carriers, with over \$1 billion in property insured. This status is what allows Solace to offer its customers the most competitive and economical programs available, all while providing expert advice and quality service. From standard auto policies to the more complex multi-tiered insurance programs for home and business, Solace has the depth of resources to find the right policy tailored to each individual and/or company. For more information, visit Solace online at www.restinsured.com.

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SOURCE Solace Insurance

Countries: United States

Industries: Banking & Financial Services, High Tech Security, Insurance

Languages: English

Primary Identifiers: TGT-US

Related Identifiers: TGT-US

Subjects: New Products & Services