

Ignorance Not Bliss: Cyber Risk Management Found Lacking

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Despite increasing cyber attacks, significant losses from operational downtime, and further governmental regulation, companies are still not taking measures for basic responsibilities for cyber governance, or even securing available insurance. A recent [Carnegie Mellon CyLab 2012 Report](#) provides the following recommendations:

Businesses should: 1) Establish policies to protect from attack, data breach, and data misuse, 2) Identify responsibilities and assign roles to management, 3) Verify qualified persons are retained to monitor privacy and security, 4) Establish periodic reviews of internal and external risks, and regulatory compliance, 5) Establish policies to respond to an attack or breach, 6) Provide adequate budgeting to allow sufficient response to risks, 7) Conduct annual audits of to determine the effectiveness of controls, and 8) Evaluate the adequacy of insurance coverage.

The [CyLab Report](#) found that even though the risk of attacks or misuse of data is higher than ever, less than one-third of the survey respondents indicated that they are taking even basic responsibilities for cyber governance. This is troubling considering recent regulations that require certain companies to disclose risks if they would materially affect a company's products, service, customers or supplier relationships or competitive conditions, or if the risks make an investment in the company risky or speculative.

Further, it is important to note that even though a company may outsource its data center, it is still incumbent upon management to provide and enforce policies to protect from cyber attack or security breach. Corporate risk managers need to scrutinize vendor contracts for data security protection measures, insurance, and indemnification for losses associated with compliance costs, theft of intellectual property, cybercrime and operational downtime.

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It is becoming increasingly clear that cyber risk management is no longer a mid-management job description, but a management imperative. Our business attorneys can help you accurately gauge the threat, help you find ways to strengthen your company's management practices, and explore insurance options. To further discuss this issue, please contact Bob Freedman at (818) 473-5720 or email your request to cabusinesslawreport@tharpe-howell.com.