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Business, interrupted: The cost of screeching to a halt

One minute it's business as usual, and the next it's all systems down.

This is the grim reality victims of cyberattacks face, and it's costing businesses a lot of money. A report released in 2019 by IBM Security¹ found that the average cost of a data breach around the globe is \$3.92 million, and the U.S. has the highest average of any country: \$8.19 million.

At a loss

Businesses can suffer widespread loss in the aftermath of a cybersecurity attack. First, they may experience a loss of business income during the period their systems are down. In addition, businesses continue to incur normal operating expenses while they're unable to function, such as payroll and costs related to running their facilities.

The cost of identifying the breach, assessing it, reporting it and responding to it can be staggering, too.

The financial impact can extend far beyond these direct losses. Depending on the kind of cyber event a business experiences and its business model, customers may lose confidence, which can result in a slide in future sales. If customer data was involved in the breach, the business may be required to offer credit report monitoring to potential victims, adding another expense to the bottom line.

A slow recovery

Coming back from a cyberattack is no easy job, and it takes time. The IBM Security study found that in 2019 it took 279 days to identify and recover from a data breach, an increase of nearly 5 percent over the prior year.

The lifecycle of a data breach isn't over after that initial response period, either. In fact, 11 percent of costs associated with the cybersecurity attack happen two or more years after the incident. Once your data is breached, you're in it for the long haul.

That's why important to be prepared. Companies that have incident response plans in place—and test them regularly—recover from data breaches and other types of cyberattacks more quickly than their underprepared counterparts. It's also important to have a dedicated incidence response team prepared to implement the plan in the event of cyberattack.

Of course, this should be done in addition to ongoing cybersecurity efforts at your business. These include software and hardware firewalls, secure wireless networking, regular operating system and software patching, and other standard cybersecurity measures. Small businesses may consider outsourcing these functions if they do not have this expertise in house.

Mitigating business interruption exposure

Despite a business's best efforts to protect itself, sometimes cyberattacks can't be avoided.

Nationwide's 2020 Agent Authority Survey² revealed that 26 percent of business owners surveyed have been the victim of a cyberattack. More than half of these business owners said the cyberattack impacted or jeopardized their finances, with 58 percent reporting that it took longer than a month for them to resume normal business practices.

Because of how commonplace cyberattacks have become, it's important to be prepared. Business interruption (BI) coverage from a cyberattack, which is usually part of a cyber risk policy, can help your business stay afloat when disaster strikes.

While policies may vary, BI insurance typically covers income loss and extra expenses, including payroll and other normal operating expenses incurred to reduce or avoid loss of business income. Having a cyber risk insurance policy with this coverage can make or break the survival of your business should a devastating cyber event occur.

When considering a cyber risk insurance policy, it's important to calculate how much coverage you need. One thing to consider is the type of cyberattack that may lead to business interruption. A ransomware attack that truly interrupts your business is often the largest exposure. While a data breach may not halt your operations, it can create expenses related to a forensic investigation and notifying customers of the breach, which makes it worth preparing for, too.

After you've run through potential scenarios of the many ways cyberattacks can impact your business, talk to a trusted professional to discuss the cyber risk insurance options available to help you protect yourself.

While cyberattacks can happen despite the best efforts of cybersecurity professionals, there are proactive measures you can take to help reduce your exposure and get your business up and running as quickly as possible after an incident.

1 - IBM 2019 Cost of a Data Breach Report

2 - Nationwide's 2020 Agent Authority Survey

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