

Costs of Breaches

Hernando Chamber of Commerce
Keys to Success 2016

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Main Areas of Cost

- Financial
- Reputation
- Downtime
- Legal



Other Areas of Cost

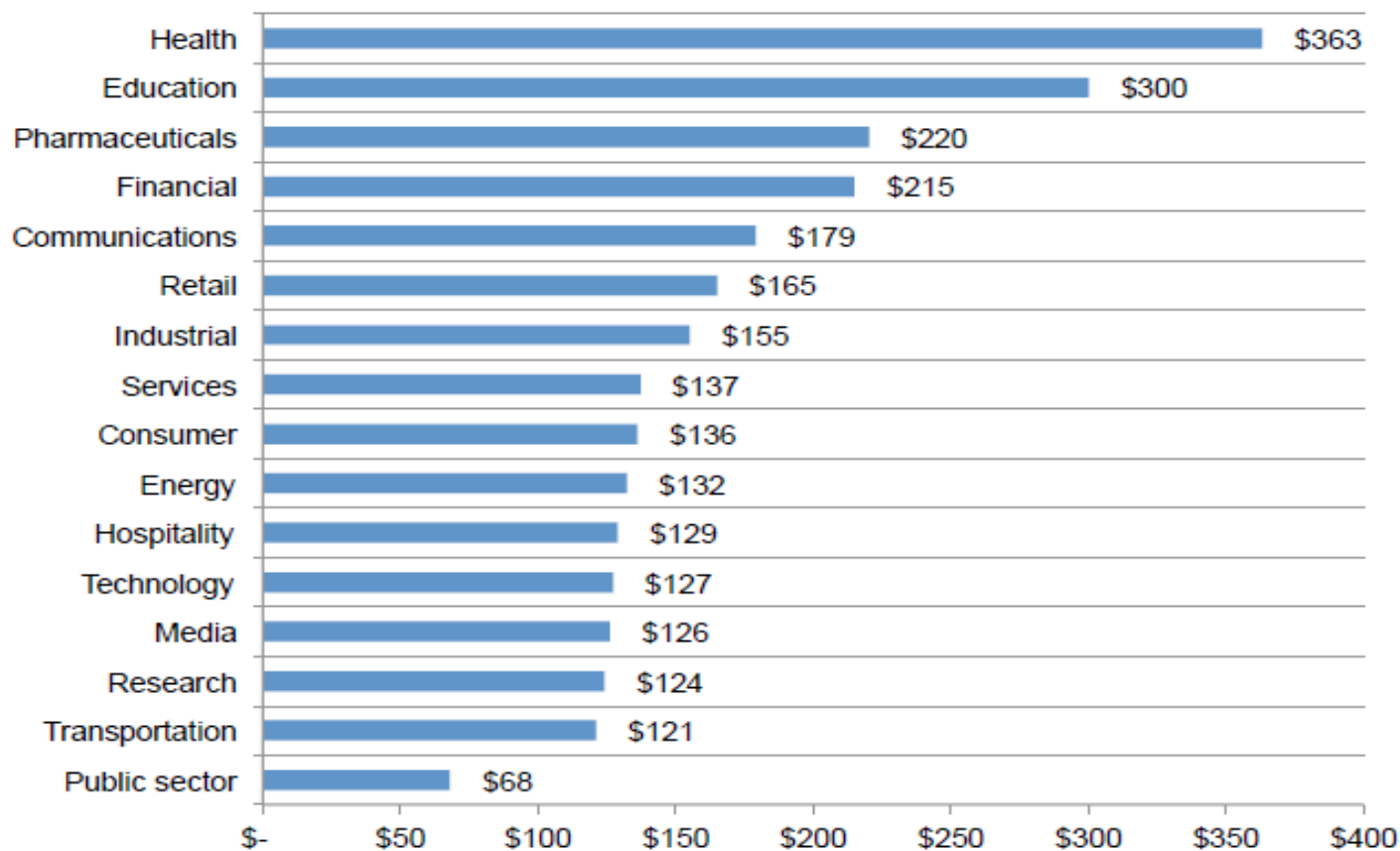
- Operational
- Forensics & Recovery
- Auditing & Documentation
- Containment
- Notification



What sectors are affected?

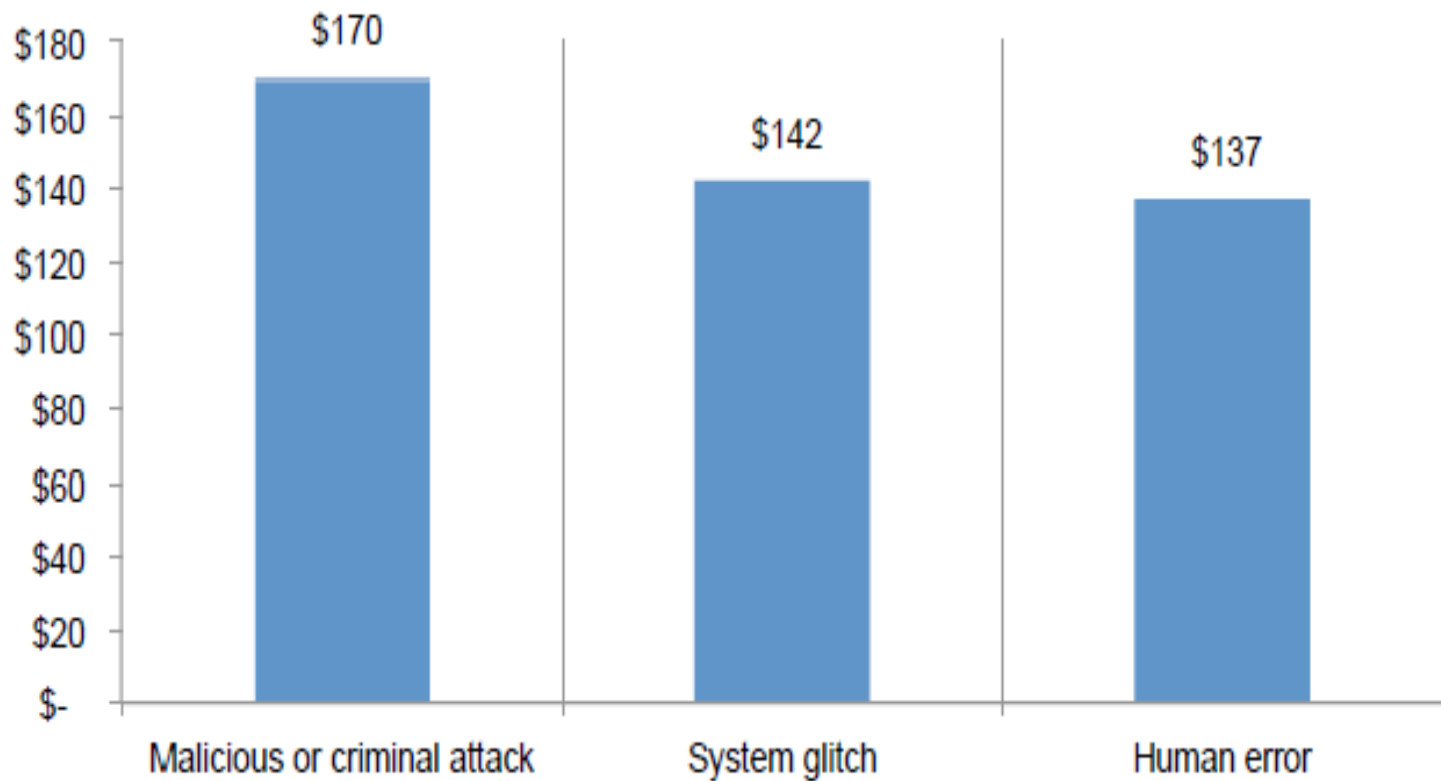
Figure 4. Per capita cost by industry classification

Consolidated view (n=350), measured in US\$



What are the root causes?

Figure 5. Per capita cost for three root causes of the data breach
Consolidated view (n=350), measured in US\$



Financial Costs

- \$3.79 million is the average total cost of data breach.
- 23% increase in total cost of data breach since 2013.
- \$154 is the average cost per lost or stolen record.
- The average per capita cost of data breach is \$217 in the US.
- The cost of data breach varies by industry. Average Healthcare costs could be as much as \$363 per record.

Reputation Costs

- Lost business has potentially the most severe financial consequences for an organization.
- The loss of customers increases the cost of data breach.
- Industries with the highest *churn* are health, pharmaceuticals and financial services.
- What is the perception?

Downtime Costs

- Can the operation continue to service clients during and after a breach?
- If not, what is the lost revenue component?
- Can the operation continue to provide internal services? (Payroll, Accounting, etc.)
- Do the computers and network function as required?
- Business Continuity Management (BCM)

Legal Costs

- Legal services for defense (Class Action).
- Legal services for compliance - HIPPA/SARBOX/PCI.
- Legal services for notification.
- \$434,354 – Average cost for legal defense.
- \$880,839 – Average cost for legal settlement.

Contributing Factors

The three major reasons contributing to a higher cost of data breach in 2015:

- Cyber attacks have increased in frequency and in the cost to remediate the consequences.
- The consequences of lost business are having a greater impact on the cost of data breach.
- Data breach costs associated with detection and escalation increased.

Key Findings

- Data breaches cost the most in the US and Germany.
- The cost of data breach varies by industry..
- Hackers and criminal insiders cause the most data breaches.
- Board involvement and the purchase of insurance can reduce the cost of a data breach.

Key Findings

- The loss of customers increases the cost of data breach.
- Notification costs remain low, but costs associated with lost business steadily increase.
- Time to identify and contain a data breach affects the cost.
- Business continuity management plays an important role in reducing the cost of data breach.

Thank You



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