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Data Breach Insurance: a Must for Resorts

by

Charles Gfeller, partner, and Shrina Faldu, law clerk
Seiger Law Gfeller Laurie LLP

The risk of data breaches from computer hacking remains an emerging issue in the insurance world and many large companies have minimized their liability in this area by purchasing data breach insurance.

While cyber-crime against large companies still exists, the incidents of data breaches against small companies are growing. According to Verizon's 2011 Data Breach Investigations Report, 63% of breaches in 2010 involved organizations with no more than 100 employees.

Resorts focus on insurance coverage for high-risk areas of their operations, such as swimming pools, ski areas, water parks and other recreational components to their resorts, but as incidents of computer hacking increase,

resorts should seek coverage for data breaches as well.

Data breaches are costly to companies. A recent breach of shoe retailer DSW's computer system compromised the information of more than 1.4 million customers, resulting in a loss of at least \$6m for the company.

A majority of the losses arose from the compromised credit card information, but the company also sustained expenses for customer communications, public relations, customer claims and lawsuits and attorney fees in connection with investigations. While most resorts do not have the same customer volume as a large nationwide retailer, a data breach can still be costly, and resorts have fallen victim to computer hacking and data loss in the recent past.

One of the first incidents of a resort experiencing data loss from computer hacking was in 2008, when hackers accessed the computer system of Vermont's Okemo Mountain Resort for a 16-day

period between February 7, 2008, and February 22, 2008.

The breach compromised the credit card information of customers who used their cards at the resort during the 16-day period and those who used their credit cards during a three-month period between January and March 2006.

More recently, in February 2012, Solitude Mountain Resort in Utah experienced a similar incident. Computer hackers accessed customer credit card information during a two-week period through the resort's computer system.

Although the data breaches at both Okemo Mountain Resort and Solitude Mountain Resort occurred over a small period of time and affected a relatively small number of customers, the incidents demonstrate a genuine risk for resorts. Data breaches are on the rise among small businesses and resorts are well advised to purchase insurance policies covering data loss from computer-related crimes. ■