



Guiding Principle No. 12: Guard against REPUTATIONAL RISK—information security is a shared responsibility.

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**“It takes 20 years to build a reputation and just five minutes to ruin it. If you think about that, you’ll do things differently.”
—Warren Buffet**

According to a recent survey, 87 percent of business executives believe that reputation is their largest risk area, but only 19 percent think their business is protected adequately. A strong reputation has the potential to be a company’s largest asset, but just one crisis could irrevocably tarnish a company’s image and ruin the business. To be prepared, businesses need to identify and mitigate the potentially devastating risks to their reputation.

Cyberattacks, which shut down or stall your business, or which release private information about your customers or your employees, can project an image of poor or improper business practices, negative associations with third parties and regulatory investigations. And, since social media and other online sources have changed the traditional news cycle significantly, business leaders may only have minutes to respond to a crisis and protect their reputation.

The damage to a business’s reputation is sometimes the result of indirect risks. For example, a cyberattack that occurs at one of your vendor’s or supplier’s operations that then affects the delivery of your service or final product could cause customers

to think less of your business. If it involves credit-card misuse, and ensuing notifications, cancellations and credit problems, your customer does not care who in the chain caused it. They only remember your company name.

Though reputation coverage is a rather new concept in the insurance industry, a number of standalone and packaged coverage options exist that can help mitigate risk. Insurance policies can cover only losses, only crisis-management expenses or a combination of the two. Policies that provide crisis-management compensation also may provide businesses with a team of public relations experts to consult before, during and after a crisis.

For businesses that don’t need the generally large coverage of standalone policies, many traditional policies can be packaged with a crisis-management endorsement. Damage to a business’s reputation is often the result of other risks, so adding crisis-management endorsements onto specific policies can be an effective way to cover reputational risk.

However, one fact is certain. Insurance only responds after a loss has occurred. Company leadership must take proactive steps to mitigate cyber-reputational risks through effective risk management and insurance measures, or run the danger of permanent and, in some cases, irrevocable damage to the business.

Watch PIA magazine for this article and others on cybersecurity in upcoming editions.

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