

Cyber Liability Insurance..What it is?

In US it is stated that 46 of the 50 states have made Data Breach Notification mandatory. As a result when a data breach even occurs the company needs to conduct an in house audit and then send out notifications to all its customers who are likely to have been affected by the breach.

The cost of such notification itself is huge since in most cases the number of data lost runs to millions.

This data breach notification is recognized as one of the key drivers to the Cyber Insurance industry in US since these costs of data breach notification is a clear cash outgo for the company to be incurred almost immediately after a data breach comes to its knowledge.

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In India, many companies are ignorant about whether there is any data breach notification obligation. Presently under Section 79 of ITA 2008, data breach incidents need to be reported to IN-CERT, though this is rarely observed and CERT-IN.

There is still however no specific obligation to notify the customers unless this is introduced as a part of the Section 79 notification on due diligence.

Recently Indian Press reported that [two companies in Mumbai suffered extortion](#) threats after some hackers threatened to reveal some illegal activities of the companies. This was also an incident of security breach in the company though we donot know if there was any customer information involved in the breach.

But public do not know if this was reported to IN-CERT. In fact the Press have been helping the companies to keep their identity under wraps which also means the crime is kept under wraps.

Sooner or later the situation will change and data breach notification will become mandatory in India. Companies need to be prepared therefore for meeting the liabilities both in terms of costs involved in setting things right, notifying parties and also meet third party liability claims.

It is time they start asking themselves where they stand in this respect since some of these companies are also filing declarations under clause 49 of SEBI rules on listing which is similar to SOX guidelines.

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