

Data Breaches Costing Consumers Billions Annually

June 6, 2013 - Javelin Strategy and Research has released a new report on data breaches and it is eye opening. In 2012 the number of reported data breaches increased by 48% over the 2011. More importantly, of consumers who have their information released in a data breach, 23% now become fraud victims as a direct result of the data breach. Needless to say, the cost to consumers is staggering.

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Just a few years ago, most data breaches were viewed as something that increased costs to businesses. In fact there have been numerous studies to show that businesses that experience a data breach lose existing customers and have increased costs associated with getting new customers. The cost to consumers was a secondary concern, but not anymore.

Part of the reason for the shift in focus is because of the rapid increase on fraud associated with data breaches. In 2010, if your information was breached, you had about a 10% chance of becoming a fraud victim.

The individual costs to consumers associated with a data breach are substantial. According to Javelin, average individual victims will spend 20 hours of time and nearly \$800 of their own money dealing with a breach. The average amount of fraud is also substantial. Stolen credit card information leaked in breaches average more than \$1,600 in fraudulent charges. But if the thieves behind the breach can gain access to your Social Security Number, the average fraud is more than \$5,000. Depending upon what type of fraud is involved, and the amount of time it takes consumers to report the fraud, the consumer cost can be substantially higher than the previously quoted \$800.

To keep these figures in perspective, Javelin looked at the data breach which took place at the South Carolina Department of Revenue last year. 3.6 million Social Security Numbers were leaked in that particular breach. Javelin placed the consumer cost of that particular breach at \$5.2 Billion.

While the report is disturbing, there are things that consumers can do to protect themselves. Don't give out your personal information to anyone who asks for it. This is especially true for your Social Security Number. And if you do find out that your information has been distributed in a data breach, at the very least you should place a fraud alert on your credit file. You will have to renew this every few months. If you don't need access to instant credit, then you should consider freezing your credit file. This is the only way to prevent someone from taking out credit in your name (NOTE: this will not protect you in cases of medical ID theft).

by Jim Malmberg

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