A Look at Liability Coverage

Liability coverage is no substitute for sound program design and execution

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Risk is inherent in business as in life. For this reason – and particularly in sensitive industries – companies who engage the services of IT Asset Disposition (ITAD) providers sometimes demand contracts that provide extremely high liability coverage to protect against a potential asset loss or data breach.

During contract negotiations, this demand often takes the form of a clause stating the provider will agree to cover "any" asset and data related liabilities the company suffers, and will either include an unrealistically high liability cap or have no stated monetary limit on the amount of damages for which the provider may be liable.

Some ITAD providers are willing to agree to such terms to win business, operating under the assumption nothing will go wrong. But, since a lawsuit can never yield monetary damages greater than the absolute liquidation value of a company and its assets, if there is a judgement against such a company that's too large for the company to cover through insurance or its assets the company will simply close down, leaving its customers without any recourse for damages.

In contrast, major ITAD companies with responsible corporate governance will generally walk away from contracts that demand unlimited or unrealistically high liability commitments…but not because they doubt their ability to provide secure and competent services or aren't prepared to stand behind their contractual commitments in the event of a claim. Appropriate accounting controls and the cost of open-ended liability insurance coverage would have to be factored into the company's service fees and would push those fees beyond what the market would bear. Further, the balance of risk to reward in making a coverage promise *without* appropriate insurance coverage wouldn't be considered since it would run counter to prudent business practices.

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How are ITAD providers insured?

Companies purchase insurance to defray the potential cost of making things right if something does, in fact, go wrong.

Large businesses will invariably maintain industry-appropriate coverage for both routine and extraordinary claims as a matter of course. At a minimum, most carry commercial general liability, auto, workers compensation/employers' liability, errors and omissions, and umbrella insurance coverage. In the ITAD industry, many providers hold premises pollution liability insurance, while sophisticated companies may go one step further and offer "cyber-insurance" to cover potential data loss and related liabilities arising from the malicious acts of hackers or cyber criminals.

Insurance, however, doesn't prevent problems… it only serves to mitigate the financial repercussions. Doesn't it make more sense to avoid risk in the first place?

Goal: limit your exposure to risk

A well-managed ITAD provider will minimize risk by putting in place a set of sophisticated and robust process controls. They'll fully train and closely manage employees who work with client assets, they'll use industry and process-specific management systems, and they'll maintain all relevant certifications.

Under the law, ultimate responsibility for protecting and keeping data safe belongs to the company who collects or generates the data: no contract language can shift this responsibility. In seeking to offset inherent risk, companies sometimes lose sight of the fact that high-limit liability coverage – and even robust insurance to back up liability commitments – does nothing to reduce actual risk of asset and data losses and the business damage that would follow a loss. An experienced ITAD provider is not only acutely aware of the risk factors around asset end-of-service, they also have a strong incentive to minimize that risk.

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How should you choose an ITAD provider? Rather than search for a company that promises unlimited or financially unsustainable liability coverage, instead choose an ITAD partner who has strong financial resources to back up any commitments, carries industry-appropriate levels of insurance, has an excellent security track record, and offers strong chain-of-custody and process controls. A provider with those attributes, plus advanced onsite service capabilities, will be able to work with you to build end-to-end security measures into your ITAD program before the first asset is collected.

If you're in a regulated industry – or have a specific risk profile that requires extraordinary security measures – your best and most cost-effective option will be to implement onsite hard drive erasure and/or onsite device destruction services. When data is destroyed before assets leave your premises, you eliminate any potential risk of a data breach during transportation and processing.

For general data security, a tightly-controlled chain-of-custody may provide sufficient safeguards at a lower per-asset price point than onsite services. An established ITAD provider will have a range of options available so you may customize your program based on the data and security scenarios specific to your business. And, when you choose an e-Stewards certified ITAD partner, you also eliminate any risk that your end-of-service assets will be improperly recycled. Your ITAD partner will provide a serialized Certificate of Data Erasure & Destruction for each asset they process.

By actively partnering with a major provider like Ingram Micro ITAD – and by implementing data security measures as foundational elements of your ITAD program – you'll achieve a security solution tailored to your specific requirements that will proactively remove risk and protect your business.

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About Ingram Micro ITAD Services

Ingram Micro Commerce & Lifecycle Services' ITAD group is a leading worldwide provider of enterprise IT asset disposition (ITAD), lifecycle support services, onsite data destruction, and e-waste recycling services that reduce the risk, cost, and complexity associated with securely managing IT assets throughout their lifecycle in compliance with environmental and data security regulations.

With the ability to provide service in a growing portfolio of over 80 countries, we manage the entire asset chain-of- custody seamlessly to provide secure and sustainable reverse logistics solutions for over 1,000 customer organizations.

For more information, please visit www.ingrammicroservices.com/itad.