Q&A: Data breaches escalating, but steps available to stop them

Phoenix Business Journal
Feb 27, 2015, 4:00am MST

Hayley Ringle
Reporter- *Phoenix Business Journal*
Email | Twitter | LinkedIn | Google+

Data breaches of both large and small businesses are occurring at an increasing rate.

No business is immune, more companies are suffering breaches, and the size and cost of those breaches are increasing, said Paul Stoller, a shareholder and data privacy and security attorney at Gallagher & Kennedy's Phoenix office.

Stoller said as of last year, a business could expect to incur $145 per record lost or stolen, a number up 9 percent from the prior year.

"The immediate out-of-pocket losses, however, are not the only costs to businesses," Stoller said. "The loss of customer confidence can and often does result in lost future business and a bleaker bottom line."

Stoller pointed out that **Target Corp.**, a victim of one of the largest data breaches, continued to report significant earnings losses more than six months after its breach.

Stoller answers questions on data breaches:

Why are data breaches becoming more common? The biggest reason is more companies are keeping information electronically and that information resides on systems that increasingly are connected to the Internet. Before electronic files and the Internet, a criminal who wanted to steal a company's confidential information had to physically break into the company's offices to steal its confidential files. Today, a hacker can sit in a chair literally anywhere in the world, break through a company's electronic defenses and have the company's confidential information delivered to him or her back over the Internet.

Second, hackers are becoming more sophisticated and are typically ahead of most businesses' protections for their confidential information. For example, many companies rely on "malware" to protect their systems, but such software is typically protection only against known and existing attacks and viruses and not against the "day one" efforts of hackers to breach the systems. Similarly, sophisticated hackers attempt multiple points of access to obtain a company's data, and many companies are significantly behind in implementing the policies, procedures, practices and training that provide the best defense to potential data breaches.

What steps can businesses take to reduce the risk of suffering a data breach? One thing every business can and should do is develop a comprehensive data privacy and security plan. That starts with an audit of the company's data to determine what data it has, how and where different types of information are stored and used, the person responsible for each type, and what requirements the company has or should have for the information.

From there, the company needs to work with its legal and IT professionals to develop policies, procedures and practices that ensure the proper treatment of private and confidential information in order to reduce the risks of it being subject to a breach. Employee education and training are also essential to data breach prevention. Businesses should also review their relationships and contracts with any vendors who access or utilize the company's data and information.

What should a business do if it suffers a data breach? The first priority of that team or anyone responsible to respond to a breach is to identify its source and to fix the issue that caused it in order to prevent further loss or theft of data. After that, the company should work with expert IT professionals to conduct a forensic investigation of the cause of the breach, to preserve all relevant evidence, and to document how the breach occurred and the company's actions taken in response.

If the breach was a criminal one, the company should work with its legal professionals to notify law enforcement. It should also determine with its legal counsel what legal obligations the company has as a result of the breach, including the notification of government agencies and authorities, as well as potentially affected employees, customers and other third parties.

Hayley Ringle covers technology and startups for the Phoenix Business Journal.