

Preventing Risk From Becoming Reality

Article by Jonathan Bari

As the economy was poised for a global melt-down and Federal Reserve Chairman Ben Bernanke worked to fortify the financial markets in August 2008, Dr. Bernanke's attention was also focused on a more personal financial problem - he and his wife were the victims of identity theft.¹

According to the Identity Theft Resource Center, "identity theft is a crime in which an impostor obtains key pieces of personal identifying information such as Social Security numbers and driver's license numbers and uses them for their own personal gain."

Given that broad definition, there is no "one size fits all" classification for the varying types of identity theft cases. Each identity theft case has its own set of specific facts, variables, parties, actors or perpetrators and victims. In turn, each identity theft case has its own set of issues, ramifications and costs for those involved including for individuals and companies, often times its innocent victims.

Unfortunately, any person or corporation can be a target of identity theft, and the theft of personally identifiable information can manifest itself in multiple ways.



For example, the Bernankes became the victims of identity theft as result of a purse snatching at Starbucks. Additionally, in today's online world, cyber threats including sophisticated computer attacks and phishing (pronounced "fishing") schemes are unfortunately a way too common means by which identity theft occurs. In 2008, Dr. Bernanke was just one of the 9.9 million adult Americans who were the victims of identity theft, and this represented a 22 percent increase from 2007.²

From a macro perspective, theft of personal information from computer systems is one of the fastest growing crimes in America. Between January 2005 to December 2009, there were more than 342 million records containing sensitive personal information that have been involved in security breaches in the United States.³ When this happens, companies generally incur great costs to respond to such incidents including for lawyers, consultants, corrective actions, loss of customers, and loss of reputation and goodwill. In 2008, the average cost of a data breach was \$202.00 per record compromised, and this equated to an average total cost per data breach of \$6.6 million.⁴

To combat this problem and in an effort to mitigate damages for identity theft victims and potential victims, forty-five states, the District of Columbia, Puerto Rico and the Virgin Islands have enacted legislation requiring notification of security breaches involving personal information.⁵

As is often said in the security industry, "security is a journey, not a destination." As such, companies cannot rest on the presumptive longevity that their previous and existing privacy and security procedures will be sufficient to ward off future threats. On a forward-looking basis, firms must be ever more vigilant in their privacy



and security policies and processes to safeguard non-public personally identifiable information. Preventing risk from becoming reality is the goal, however; all companies should take a proactive stance and have a detailed contingency plan by which they will act in the unfortunate event that the company is a victim of a data breach which might involve the theft of customer information.

❖ For more information on how Bari Consulting Group can work with you to prevent risk from becoming reality, please contact us at 215.735.1000 or info@BariConsulting.com.

¹ Newsweek, "Bernanke Victimized by Identity Fraud Ring," By Michael Isikoff, August 25, 2009

² Javelin Strategy & Research, "2009 Identity Fraud Survey Report," February 2009.

³ A Chronology of Data Breaches, Privacy Rights Clearinghouse, <http://www.privacyrights.org/ar/ChronDataBreaches.htm#1>

⁴ PGP Corporation/Ponemon Institute, "2008 Annual Study: Cost of a Data Breach, Understanding Financial Impact, Customer Turnover, and Preventative Solutions," February 2009

⁵ National Conference of State Legislatures, as of December 9, 2009.