

PC Encryption Regulatory Compliance

Meeting Statutes for Personal Information Privacy

SOLUTION BRIEF



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Personal Information at Risk

Legislating the threat

Since the 90s, personal data stored on the servers, desktops, and laptops of organizations has been under attack by unauthorized parties intent on identity theft and misuse. The need for protection of confidential consumer/health information has always been recognized. However, an uneven response to the threat resulted in breaches of increasing size and frequency.

Public outcry eventually compelled Federal and State legislators to adopt regulations to protect privacy. But loosely written laws intended to motivate organizations to secure personal data, such as the Health Insurance Portability and Accountability Act (HIPAA), failed to stem the rising tide of breach incidents due to a lack of specificity and enforcement.

In response, new and increasingly more stringent laws with greater specificity and enforcement provisions covering stored personal information (data at rest) have been enacted at both the Federal and State level. Multiple industries, from healthcare to financial services to retail, are directly impacted by one or more of these statutes.

Three Categories of New Law

Encryption, Data Breach and Fuzzy Statutes

Category 1: Laws that Mandate Data Encryption

The first category includes laws that legislate data encryption of personal data at rest. Failure to comply may result in penalties (civil and criminal). Among these laws are Payment Card Industry Data Security Standard (PCI/DSS), state laws in Massachusetts and Nevada (as well as proposed laws in Michigan and Washington), and HIPAA.

Category 2: Data Breach Laws

A second category requires organizations not in compliance with encryption-oriented rules to notify those whose personal information may have been compromised. Encryption provides these organizations with a safe harbor, exempting them from notification and consequent negative publicity. At least 45 states have already passed such laws.

Category 3: Vague Statutes

Finally, there are statutes that mandate protection of personal data without specifying how the organization should achieve that goal. While encryption is a proven means for protecting data, it is not a legislated requirement. These laws may also be vague with respect to enforcement and penalties. Examples include Gramm-Leach-Bliley, Sarbanes Oxley (SOX), and the Fair and Accurate Credit Transactions Act (FACTA). As with HIPAA, of course, the specificity of these laws may increase over time.

Is my organization in compliance?

The remainder of this document looks at a number of key statutes (PCI/DSS, HIPAA, and laws enacted by Massachusetts, Nevada, and other states), how they affect organizations, and what organizations can do to meet compliance, avoid costly penalties and/or notification, and reduce customer defection.

Stringent laws with greater specificity and enforcement are now relevant for multiple industries, from healthcare to financial services to retail.

One of IT's many roles is to ensure regulatory compliance, and it's becoming increasingly difficult to keep pace with new legislation and requirements.

Payment Card Industry Data Security

Standard (PCI DSS)

Shopping for security

Developed and managed by the Security Standards Council and its founders (American Express, Discover Financial Services, JCB International, MasterCard Worldwide, and Visa Inc.), the Payment Card Industry Data Security Standard (PCI DSS) secures cardholder data that is stored, processed, or transmitted by merchants and other organizations. PCI DSS includes requirements for Protecting Cardholder Data and Implementing Strong Access Control Measures.

Compliance is not an Option

For organizations covered by these requirements, compliance is not an option. Stiff penalties may be levied for failure to meet them. Merchants or processors can be fined up to \$50,000 per day for non-compliance. And if cardholder data is compromised due to a security breach, an organization can face fines of up to \$500,000 per incident, plus any fraud losses incurred from the use of compromised account numbers. Other costs include the cost of re-issuing compromised cards, as well as the cost of any additional fraud prevention and detection activities.

PCI Requirements

One of the major requirements in PCI DSS is to Protect Cardholder Data by rendering it unreadable anywhere it is stored (including data on portable media, in logs, and data received from or stored by wireless networks) using strong cryptography. PCI additionally requires that encryption keys be protected against disclosure and misuse, and that old keys be destroyed.

CenterBeam's DataDefense provides strong cryptography. Organizations can easily enforce encryption of data on PCs enterprise-wide. DataDefense ships configured with government-approved 256-bit Advanced Encryption Standard (AES), and Triple Data Encryption Standard (3DES) is also available.

Also under Protecting Cardholder Data, PCI requires organizations to protect encryption keys from disclosure or misuse and carry out the mandated destruction of old keys. DataDefense escrows keys, allowing administrators to remotely destroy the local key, preventing data access to any designated PC.

Another major requirement within PCI DSS is to Implement Strong Access Control Measures. DataDefense effectively addresses these requirements at the PC level. For example, PCI DSS calls for the immediate revocation of access for terminated users, and the removal of inactive user accounts every 90 days or less. By remotely destroying the local key, DataDefense can immediately remove access to these users. The organization can optionally choose to permanently remove access to sensitive data stored on a PC.

Additionally, under Implement Strong Access Control Measures, PCI includes a number of requirements related to user passwords:

- Passwords must be changed every 90 days
- They must be at least seven characters long and contain both numeric and alpha characters
- New passwords must not be repeated for at least four cycles
- Protective

Not only is data breach a PR nightmare, now there are stiff penalties for exposure.

Fines for non-compliance can be up to \$50k per day, and a breach can cost up to \$500k per incident.

And that doesn't include fraud losses incurred from the use of compromised cards.

1 in 3 users write down their password. Many are stored with the PC. Any unauthorized person with the password has access to the data, regardless of encryption.

CenterBeam's DataDefense allows remote destruction of the local PC key should a laptop be lost or stolen.

All of these rules are intended to make hacking passwords more difficult. Unfortunately, they introduce behavior that too often defeats the intent, driving users to write down these difficult-to-remember passwords (studies have shown that 1 in 3 users do exactly that). Many are stored with the PC or nearby. Any unauthorized individual who has the password has access to the data, regardless of encryption. Should a laptop be lost or stolen, however, DataDefense enables administrators to destroy the local PC key and prevent unauthorized access to that data.

Other PCI requirements for Implementing Strong Access Control Measures stipulate locking out users after no more than six login attempts. DataDefense provides this capability in addition to other security responses by locking access to data, even if the user has the password, until cleared by the administrator. Another requirement sets lockout duration to 30 minutes or until an administrator enables the user ID, and forces users to re-enter their password after 15 minutes of inactivity. DataDefense provides these control measures to combat unauthorized PC data access.

Massachusetts and Nevada

More states to follow

Massachusetts

Concerned by the rising level of identity theft and fraud, individual states are beginning to enact legislation to aggressively protect their citizens' personal information. One of the most notable is Massachusetts (home base for TJ Maxx, which experienced one of the largest personal data breaches in history in 2007). Taking effect January 1, 2010, a new state law [201 CMR 17.00] specifying data encryption of Massachusetts residents' personal data is one of the strictest in the country.

The law requires any firm (regardless of where they are located) that is conducting business with Massachusetts residents to deploy encryption and protect against data leakage. A combination of a person's name along with their Social Security number, bank account number, or credit card number must be encrypted when stored on portable devices, such as laptops.

Penalties can add up quickly. Organizations can be fined \$100 per name, up to \$50,000 per incident, for disposing of a computer with unencrypted personal data. A lost PC could lead to a fine of \$5,000 per incident. And failure to comply with the encryption laws leaves organizations subject to suit by the Massachusetts Attorney General with damages levied for willful or knowing violation of the law.

Nevada

Nevada passed similar personal data encryption laws, which took effect on January 1, 2010. The law (NRS 603A) adds specificity to an existing encryption law and applies to any organization doing business in Nevada that collects an individual's first name or initial and last name plus Social Security number, employee identification number, driver's license number, or credit or debit card number or financial account number that has a security code. Because virtually every employer collects employee Social Security numbers, the law applies to all employers. In addition, the new law mandates compliance with PCI DSS for businesses that accept payment cards. NRS 603A requires businesses to disclose in writing any exposure of personal data to affected consumers. The disclosure process can be costly, but failure to disclose can open businesses up to civil and criminal actions.

The laws not only apply to companies located within these states, but to all companies that conduct business with residents to deploy encryption and protect against data breaches.

"As a Massachusetts company with a nationwide customer base, Vicor needed to ensure we meet the most stringent state's law for protecting customer information.

Leveraging CenterBeam's DataDefense provides us with peace of mind; we have a comprehensive solution in place to meet PC data encryption requirements, as well as the ability to remotely destroy data in the event a PC is lost or stolen."

Doug Richardson
CIO, Vicor Corporation

Other states are following the lead of Massachusetts and Nevada, requiring businesses to proactively protect sensitive data with encryption and provide more substantial penalties for failure to do so, and exposing companies to general legal liability for data losses. Michigan, which has an existing law (Senate Bill 309) mandating disclosure of breaches, is considering more stringent legislation similar to Massachusetts, stipulating the use of encryption to protect personal data. Encryption legislation is also under consideration in Washington State.

DataDefense allows organizations to enforce encryption to meet compliance with Massachusetts and Nevada privacy laws, and those states that pass data protection laws in the future.

States with Breach Disclosure Laws 43 and counting

While Massachusetts and Nevada have taken the lead in securing personal information by delineating encryption of that data, 43 other states already have Breach Disclosure Laws on the books.

These laws are modeled after California's groundbreaking Security Breach Information Act (SB 1386) that took affect in July 2003. These laws mandate data protection of consumer data and, while encryption isn't necessarily specified, its use does offer a safe harbor for meeting disclosure requirements. SB 1386 doesn't impose fines or minimum prison sentences, but it does permit customers injured by a violation of the law to recover damages. The greatest threat, however, may be to the bottom line, as the cost of notification alone is estimated to cost a violating organization \$202 per record, an increase of 2.5% from 2007. Most importantly, data loss has considerable negative impact on a company's brand and reputation.

CenterBeam's DataDefense allows organizations to enforce encryption, the most often specified way for protecting personal data and meeting state breach disclosure laws. Organizations that encrypt personal data are typically not required to notify breach-affected individuals in the event that a PC or other device with personal information is lost or stolen, thereby avoiding media exposure, damage to their reputation, and financial loss.

HIPAA

Prescription for personal data security

Growing concern over the privacy of electronically stored patient health information (ePHI) led to the enactment of the Healthcare Insurance Portability and Accountability Act in 1996. The Act regulates Covered Entities (CEs), which include any health plans, healthcare clearinghouses, and healthcare providers that transmit health information electronically. Over the years, critics complained that HIPAA lacked specificity and, because penalties were rarely levied, organizations took the position that compliance was discretionary.

The Interim Final Rule, which took affect in September 2009, added clear direction to HIPAA regarding breaches of unsecured ePHI, as well as very specific requirements for securing that data. CEs and their business associates that hold unsecured ePHI must notify affected individuals, the Department of Health and Human Services (HHS) and, in some cases, the media, when a breach occurs. The Interim Final Rule also stipulates monetary penalties, which can be significant. A violation due to willful neglect, for example, can result in fines of \$50,000 per incident to as much as \$1.5 million

States with Breach Disclosure Laws

Alaska
Arizona
Arkansas
California
Colorado
Connecticut
Delaware
Florida
Georgia
Hawaii
Idaho
Iowa
Illinois
Indiana
Kansas
Louisiana
Maine
Maryland
Michigan
Minnesota
Montana
Nebraska
Nevada
New Hampshire
New Jersey
New York
North Carolina
North Dakota
Ohio
Oklahoma
Oregon
Pennsylvania
Rhode Island
South Carolina
Tennessee
Texas
Utah
Vermont
Virginia
Washington
West Virginia
Wisconsin
Wyoming

* Washington D.C.

in a calendar year. CEs deemed compliant are relieved from having to notify in the event of a breach.

The Interim Final Rule specifies encryption and destruction as the means for rendering protected data unusable, unreadable, or indecipherable to unauthorized individuals [as defined by NIST Special Publication 800-111]. CenterBeam's DataDefense, powered by Beachhead Solutions®, enables CEs to meet HIPAA requirements for encryption by enforcing encryption across their inventory of PCs.

DataDefense further allows administrators to make data unusable or unavailable to users. It even anticipates future compliance requirements with the additional ability to destroy data remotely if an unauthorized individual gains access to a PC. A terminated employee or someone who had stolen a laptop with the password conveniently left with or near the computer could easily access encrypted data. DataDefense can make that data unavailable.

CenterBeam's DataDefense

Complete data protection

CenterBeam's DataDefense, powered by Beachhead Solutions®, enables organizations to enforce encryption of sensitive data on their inventory of PCs quickly, easily, and without significant IT burden or user impact. It also provides the capability to destroy data (permanently or recoverably) remotely if an unauthorized individual gains access to that data.

Because DataDefense is delivered and managed through secure internet communications (via the "Cloud"), compliance can be achieved in literally one day. There is no need to locally install encryption on each PC and there is no investment or support necessary for IT hardware/software infrastructure. Finally, users have no involvement in the operation of the tool, so they continue to operate their computers in exactly the same manner. DataDefense is an innovative approach to data encryption that provides compliance without impacting the productivity of employees.

CenterBeam invites you to learn more about the comprehensive protection offered by DataDefense, delivering unprecedented control and security of personal data on your inventory of PCs. To contact a CenterBeam representative, please visit www.centerbeam.com/datadefense.

CenterBeam's DataDefense enables organizations to enforce encryption of sensitive data on their PCs quickly, easily, and without significant IT burden.



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