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## IDENTITY THEFT: THE PROBLEM AND THE SOLUTION

BY GREG VLAZNY

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In 2004, identity theft was the number one source of consumer fraud complaints filed with the Federal Trade Commission (FTC) for the fifth straight year. Nine million people become identity theft victims in 2004 in addition to the 10 million the year before. A new source of identity theft called “phishing” appeared in much greater numbers last year. Phishing is a form of fraud in which an e-mail is sent asking the recipient for personal information, usually under the guise of a bona fide provider, with that information used to steal the identity of the victim for the purpose of committing fraud. By October 2004 it was estimated that five million phishing e-mails per month were being sent.

Still, by far, the majority of identity thefts continue to be low tech. Traditional means, such as lost or stolen wallets, checkbooks and credit cards represent 68 percent of all identity thefts. Anyone with a

name and social security number can become a victim, including children and teens.

The financial services industry has addressed the problem of identity theft in several ways—one through the development of identity theft protection products. These programs generally offer benefits in four categories: prevention, detection, resolution and insurance. Sometimes benefits are offered to the customer on a paid-for basis, and sometimes a more limited benefit product is provided to the customer at no cost. Benefits generally include some combination of software, paper shredder, credit reports, credit alerts, online information and tools, online/e-mailed newsletters, 1-800 counseling and/or restoration service and expense reimbursement insurance, among others. The monthly cost is in the \$8 to \$15 range.

Identity theft protection can be offered easily through many different distribution channels because ID theft protection is not considered an insurance product. Marketing to consumers directly via point of sale, direct marketing or worksite marketing are all viable alternatives. Both retail turnkey programs and wholesale (sponsor marketed) arrangements are available. The corporate market also offers interesting service opportunities related to security, recovery from catastrophic events and training of employees. Some corporations provide their employees ID theft protection as an employee benefit.

Efforts to market ID theft protection have met with much success to date and these programs are now generating excellent revenue flow for providers, sponsors, marketers and third-party administrators. With the growing concern that the problem of identity theft presents, the market is ready, willing and able to market this innovative product to meet the needs of today’s consumers. ■



Greg Vlazny is regional sales director for Coverdell and Company. He can be reached at 502.895.8944 or [gvlazny@coverdell.com](mailto:gvlazny@coverdell.com).