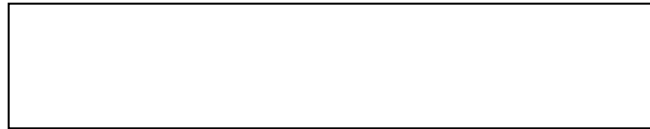


# IDENTITY THEFT A POTENTIAL MARKET?

**Work group:**  
**Ludovic Cointre**  
**Fabienne Leroy**  
**Anthony Pycke**  
**Pascale Rauline**

# Summary

- **Definition**
- **Consequences**
- **Risk perception**
- **Targets**
- **Prevention**
- **Damage**
- **Benchmarking**
- **Opportunities**
- **Conclusion**



# What is identity theft?

- **No standard definition of offline or online ID theft at the international level** (OECD ID Fraud Survey Report, 2008)
- **Obtaining **personal information** without the owner's knowledge in view of committing an offence**
- **210 000 victims in France every year** (Sources: Credoc)
  - **More than 100 000 in the UK**
  - **More than 1 300 000 in the US**

**... compared to 153 000 burglaries in France, or 130 000 car thefts**



# Legal status of identity theft

- **USA**  
**Crime**  
**Up to 2 years imprisonment**
- **Canada**  
**Crime**  
**Up to 10 years imprisonment**
- **UK**  
**Not an offence**

## France

**Not an offence in itself (as in most of OECD countries). Only the consequences of the theft can be punished in case of fraud, imitation...**

**Art. 434.23 Penal Code**

⇒ **Up to 5 years imprisonment if the offence could have led to the initiation of a criminal prosecution against the victim**

### **Inadequate Legal Status**

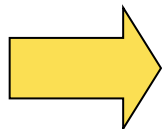
***"Loppsi II" adopted in 02/2010 by National Assembly = Art. 434-23-1***

⇒ ***Up to 1 year imprisonment if done in order to get the victim into trouble***

***Will be examined by Senate this Autumn***

# Devastating consequences

- **What a fraudster will do with your identity:**
  - **Impersonates you to:**
    - **Open a bank account, apply for a credit**
    - **Claim benefit from social services**
    - **Apply for a passport, a driving license**
    - **Buy goods and/or services**
    - **Commit a crime**
  - **Takeover your bank account**



**Which put the victim in deep trouble for debt, fraud, not to mention the psychological effects as well as damage to his/her reputation.**

# Worst case scenario

## **The True Story of Charlie, 33 years old, living near Paris**

- Charlie lost his identity card in 2006**
- Someone uses this document to represent himself as Charlie**
  - ⇒ **Charlie receives regularly cellular phone bills regarding calls that he never made**
  - ⇒ **Charlie receives fines for train journeys Paris-Strasbourg that he never took**
- In 2008, this person swindled people out of money in Germany**
  - ⇒ **Charlie, who has never been to Germany, is put under arrest**
- In 2010, Charlie can't leave France because of a European arrest Warrant**

# Risk perception

**75 % of the persons surveyed have ever heard about identity theft.  
Nearly 50 % believe its likelihood in France is high to very high.**

## Individuals:

**50 %** believe they could do more to protect their personal data but they believe that they do enough.

**10 %** admit they take risks.

**30 %** of the bins analysed contained more than 2 documents with personal Information (address excluded)

## Corporate:

**42 %** declared that their companies do not have any global policy to protect a person identity

**46 %** that their companies have not implemented adequate resources to destroy sensitive data.

**27 %** of the bins surveyed contained 1 document with personal information (clients &/or employees)

# Who can be targeted? How?

Victims

Individuals

Companies

How do fraudsters operate ?

Intercepted mails from  
a bank, social security...

Lost or stolen handbag, wallet.

Looking up for pers. info. in the bins.

Online: phishing, IP spoofing, spyware...

Forged account on social website  
(Facebook..)

Lost or stolen laptop, GSM or smartphone



# How victim information is misused ?

| Type of identity theft fraud           | Percent |
|----------------------------------------|---------|
| Credit card fraud                      | 17%     |
| Government documents or benefits fraud | 16      |
| Phone or utilities fraud               | 15      |
| Employment-related fraud               | 13      |
| Bank fraud                             | 10      |
| Attempted identity theft               | 6       |
| Loan fraud                             | 4       |
| Other identity theft                   | 23      |

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***“At least with a burglary you can see a broken window or damaged lock!”***

# Common sense as first prevention level

- **In your daily life:**

- **Never give personal information to anyone over the phone**
- **Keep non-essential cards at home, in a locked drawer or in a safe**
- **Invest in a locking mailbox**
- **Shred all documents that include your name, birth date, or other sensitive information**
- **Check your credit report periodically**

- **Online:**

- **Make sure you have firewall, anti-spyware and anti-virus programs installed on your computer**
- **Be careful to what you post on social websites**
- **Never give personal information on an insecure website (look for an **http**s address + padlock icon)**
- **Never give ID, password or PIN code by e-mail**
- **Choose a secured password and change it regularly.**



# When the damage occurred 1/2

- **Actual loss** (average cost/time):

In France: 2 229 €

In the USA:

- 3 257 \$
- up to 5 962 \$ if a fraudulent bank account is opened.

**Estimated annual cost** to the economy of a country:

- France: 474 m€ (victims only)
- USA: \$ 49.3 bn
- UK: £ 1.7 bn

- **Side effects:**

- . Difficulty in obtaining or using a credit card, being refused a check account, a loan
- . Lost out a job opportunity,
- . Be arrested for a crime the victim did not commit.
- . Face lawsuit initiated by 3rd parties,
- . Impact on the victim's reputation + emotional toll.

**Time spent to set the situation back to normal:**

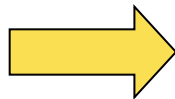
On average: 3h to 48h.

But more than 200h in case of a total hijack.

Sources: OECD Online Identity Theft report, 2008 + CREDOC, 2009 survey.  
Home Office (UK) ; Gartner statistics (USA)




# When the damage occurred 2 / 2

- **Available solutions in France (non specific):**
  - **Banks: cost of fraudulent use of credit card limited to 150 € for non negligent user**
  - **Additional facultative insurance:**
    - ID documents reinstatement costs (material damage insurance)**
  - **Legal protection policy: legal advice**



**No packaged solution.**

# Comparative market study

|                        |                                                                                                                                                                        |                                                                                                        |                                                                                                                            |
|------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>What is covered</b> | <ul style="list-style-type: none"> <li>- Financial indemnity (sometimes including loss of wages and legal fees)</li> <li>- assistance and legal advice (Id theft expert)</li> <li>- Mostly, automatic fraud alerts (access to credit report)</li> </ul> | <ul style="list-style-type: none"> <li>- Financial indemnity (sometimes including loss of wages)</li> <li>- assistance (including restoring of credit)</li> <li>- legal advice</li> </ul> | <ul style="list-style-type: none"> <li>-Financial indemnity including loss of wages</li> <li>-assistance (including restoring of credit)</li> <li>- legal advice</li> <li>- automatic fraud alerts</li> </ul> |
| <b>Price</b>           | <b>Between £ 45 and £ 85 a year</b>                                                                                                                                                                                                                     | <b>Between \$ 49 and \$ 79</b>                                                                                                                                                            | <b>Between 20 and 50 CAN \$</b>                                                                                                                                                                               |
| <b>Main insurers</b>   | <b>Pioneer : CPP<br/>HBOS group, Sainsbury's Bank, and BT</b>                                                                                                                                                                                           | <b>- FARMERS, CHARTIS, CHUBB, Citigroup, FICO</b>                                                                                                                                         | <b>CHARTIS, AVIVA, AXA</b>                                                                                                                                                                                    |
| <b>Victims</b>         | <b>100 000</b>                                                                                                                                                                                                                                          | <b>1 300 000</b>                                                                                                                                                                          | <b>11 000</b>                                                                                                                                                                                                 |
| <b>Packaging</b>       | <b>Stand alone policy<br/>Through banks, insurers and other financial institutions</b>                                                                                                                                                                  | <b>Stand alone policy</b>                                                                                                                                                                 | <b>Stand alone policy<br/>Sometimes included in Home owner's policy</b>                                                                                                                                       |

# Characteristics to be copied ... and limits



- **The reimbursement of expenses due to fraudulent use of credit card**
- **A support service to help doing administrative procedures to declare the impersonation, restore credit and obtain new credit cards, and obtain all other necessary documents**
- **The reimbursement of expenses incurred (including the loss of salary) to spend time to do all the administrative procedures**
- **A legal advice, being taken care by an ID theft expert**

**“In order to safeguard our identities, we need to start treating our identity in the same way that we treat our property or our private lives”**



- **Expenses due to fraudulent use of credit card are assumed by banks**
- **Although the impersonation generates frustration and real troubles, related expenses are usually a limited amount.**
- **The reimbursement of losses of salary are put an upper limit, at a rather low amount (mostly 1000 \$)**



**The best insurance against ID theft is prevention and assistance**

# An opportunity for the French insurance market 1 / 3

## **Strengths**

- Homeowner insurers already have client data basis (CRM).
- Legal advice and assistance standalone products already exist.

## **Opportunities**

- Buzz around online identity theft: a growing concern.
- growth opportunity in a mature market.

## **Weaknesses**

- available internal resources to manage claims.
- available losses / victims figures are not 100 % accurate.

## **Threats**

- Internet Services Providers could start first and include the offer in their firewall package.
- UK players have the product and can operate in France.

# An opportunity for the French insurance market 2/3

**Estimated loss ratio:**

**Number of victims / population  
> 15 <sup>(1)</sup> : 0,38 %**

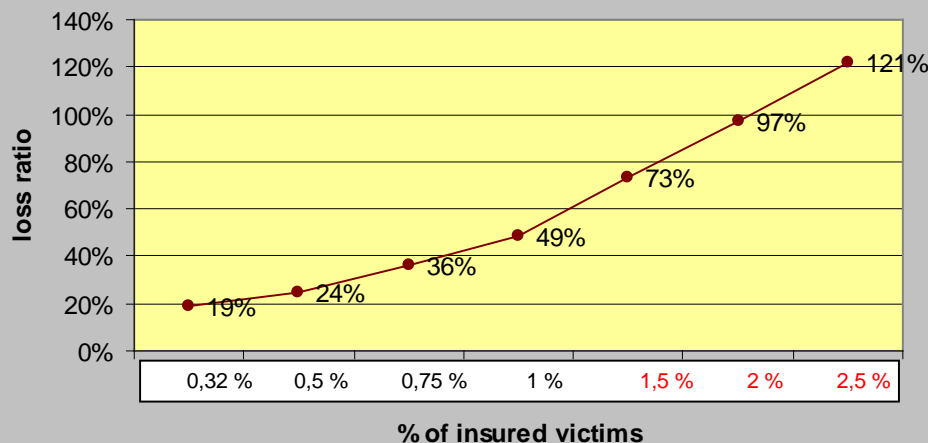
(1) Assuming that victims are above 15 years old.

**Estimated premium <sup>(2)</sup>**

**Low estimate: 45,87 €ht  
High estimate: 73,39 €ht**

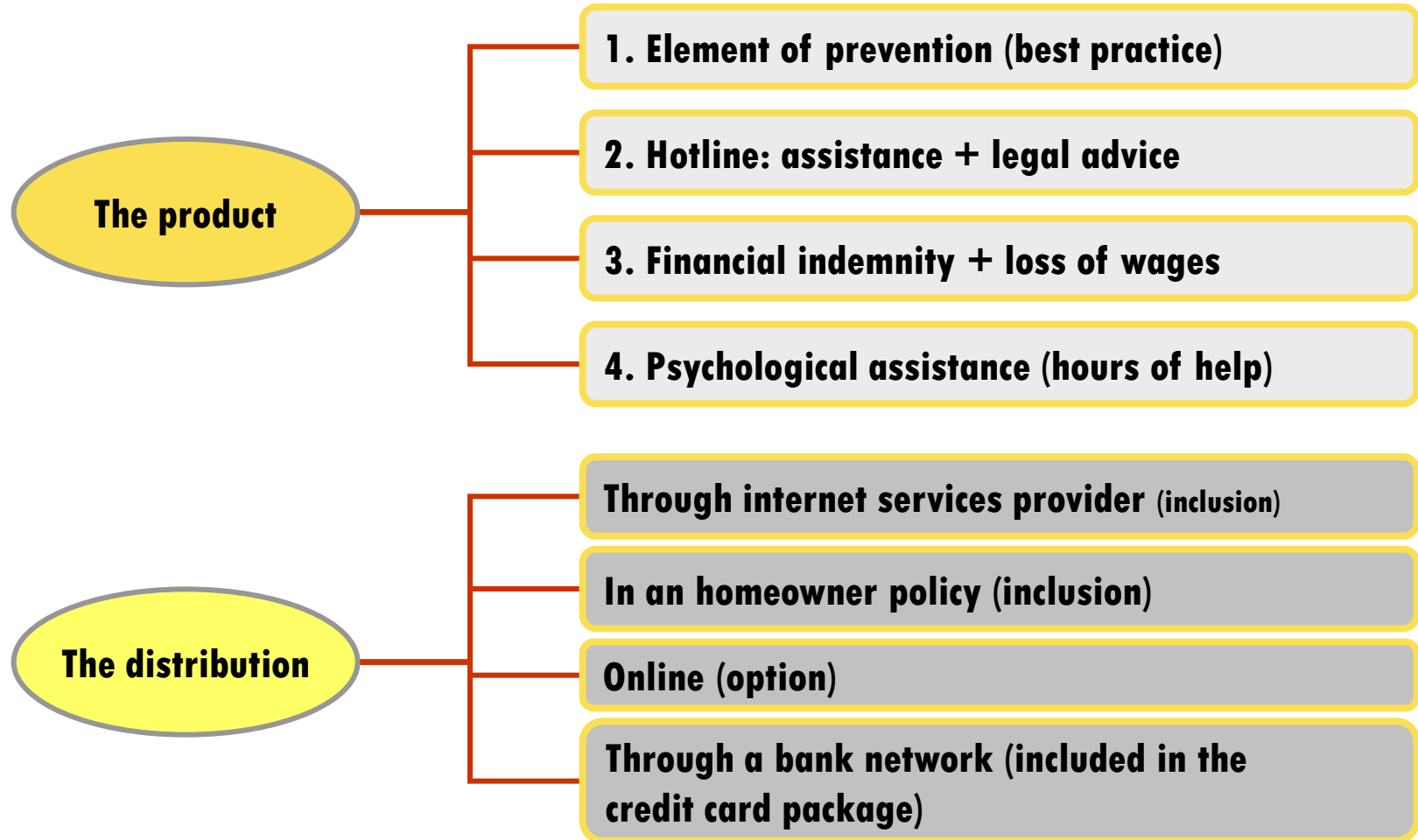
(2) Based on benchmarking. See slide 13.

Loss ratio based on 100 000 policies with a gross premium of 45,87 €  
Max loss ratio accepted: 70 %





# An opportunity for the French insurance market 3/3



# Best case scenario

## How could insurance have helped Charlie ?

*Charlie lost his identity card in 2006:*

With **prevention advices** Charlie would have reported the loss as soon as discovered.

*Charlie receives bills:*

**Legal advices** to reject bills would have stopped the process with SNCF & phone operator.  
**Financial indemnity** would have been paid for costs incurred.

*Charlie is put under arrest:*

**Legal costs** would have been **reimbursed**

*Charlie can't leave France because of a European Warrest Warrant:*

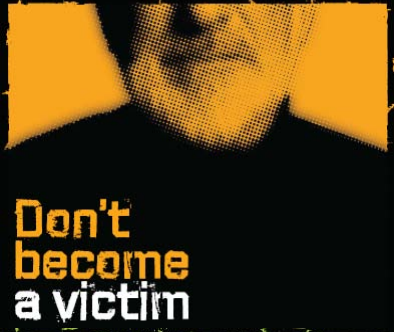
**Depression** can become an emotion that takes over as you battle through financial & criminal effects of your identity theft.

It may have helped Charlie to **talk with a professional about his feelings.**

# Conclusion

- **There is a growth opportunity for the French market.**
- **More in-depth market research is a prerequisite,**
- **Beware that non domestic players be ready before domestic insurers.**





**Thank you for your attention**

**Questions?**

# Bonus

- **Useful websites:**

- [www.iii.org](http://www.iii.org)
- [www.volidentite.fr/ext/https://www.internet-sigalement.gouv.fr/PortailWeb/planets/Accueil!input.action](http://www.volidentite.fr/ext/https://www.internet-sigalement.gouv.fr/PortailWeb/planets/Accueil!input.action)
- [www.stop-idfraud.co.uk](http://www.stop-idfraud.co.uk)
- <http://www.identitytheft.org.uk>
- [www.banksafeonline.org.uk](http://www.banksafeonline.org.uk)
- [www.getsafeonline.org.uk](http://www.getsafeonline.org.uk)
- [www.millersmiles.co.uk](http://www.millersmiles.co.uk)
- [www.trustthetick.co.uk](http://www.trustthetick.co.uk)
- [www.rcmp-grc.gc.ca/scams/student\\_guide\\_f.htm](http://www.rcmp-grc.gc.ca/scams/student_guide_f.htm)
- [www.radio-canada.ca/nouvelles/National/2007/01/19/002-fraudes-winners-cib](http://www.radio-canada.ca/nouvelles/National/2007/01/19/002-fraudes-winners-cib)
- [www.m6replay.fr/#/info/66-minutes/11586](http://www.m6replay.fr/#/info/66-minutes/11586)