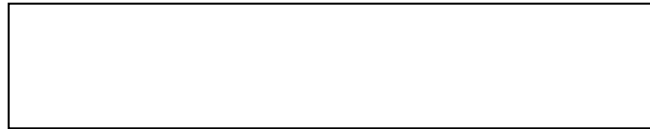


IDENTITY THEFT A POTENTIAL MARKET?

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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

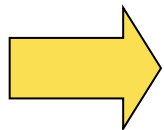
"Loppsi II" adopted in 02/2010 by National Assembly = Art. 434-23-1

⇒ ***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:

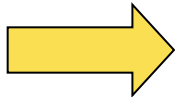
On average: 3h to 48h.

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

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

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 ⁽¹⁾ : 0,38 %**

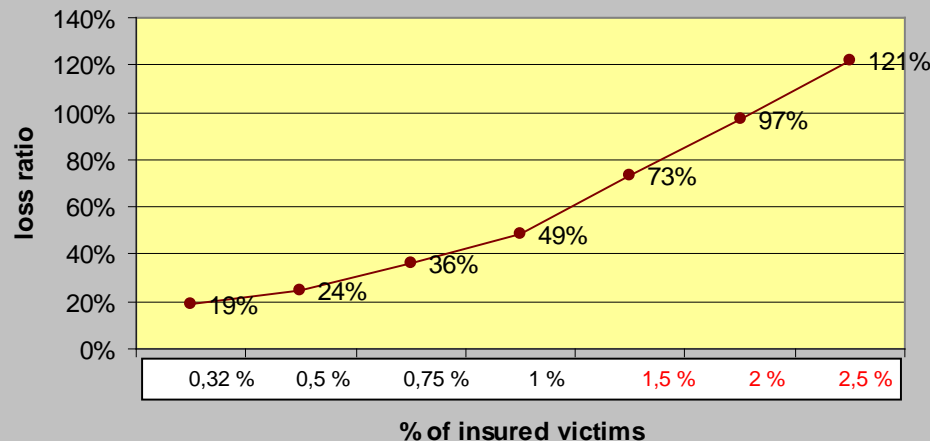
(1) Assuming that victims are above 15 years old.

Estimated premium ⁽²⁾

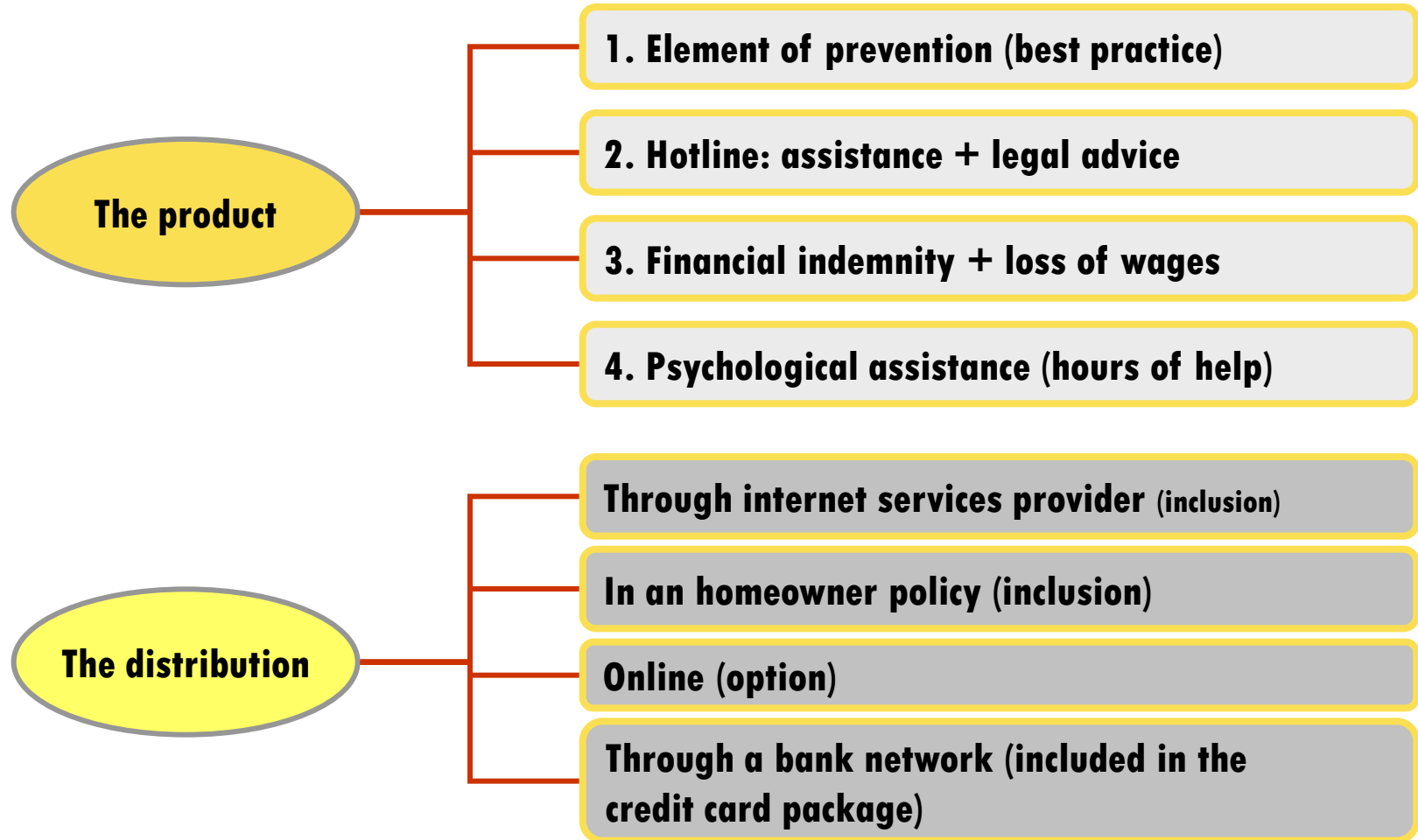
**Low estimate: 45,87 €ht
High estimate: 73,39 €ht**

(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:

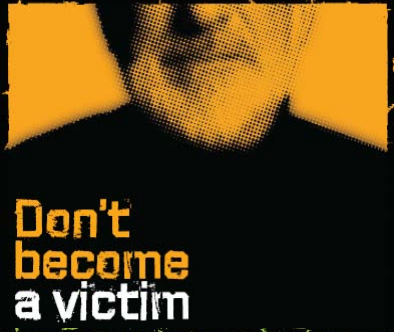
Depression can become an emotion that takes over as you battle through financial & criminal effects of your identity theft.

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