



ID Experts™ Restore

Identity Theft Restoration:
Growing Need, Emerging Opportunity

Seeking Better Solutions to Identity Theft

In 2006, 8.4 million Americans fell victim to identity crimes — about 4% of the population¹, and identity crime costs American consumers and business more than \$49 billion per year.² With the explosion of the Internet for commerce and social networking, the problem continues to grow and expand — from simple credit card identity theft to bank fraud, tax fraud, employment fraud, real estate fraud, medical fraud and the use of stolen identities to finance and hide criminal activity. Victims typically spend 100 or more hours over the course of years trying to recover their identities, leading to financial losses and personal and family stress. And identity theft can negatively impact business, not just in the aftermath of a data breach, but also through distrust of online services and through lost productivity when employees are victims of these crimes.

Consumers and businesses are increasingly concerned about identity theft, and they are actively seeking or receptive to identity restoration and protection coverage. Many of the choices that anxious consumers and businesses are offered today have marginal efficacy in protecting and or restoring victims' identities and reputations. Consumers can get free credit reports for themselves, and insurance for identity theft expense reimbursement helps, but neither addresses an individual's most significant worry, the time and stress of restoring your identity. Businesses can buy corporate identity and cyber-liability protection policies that pay for expenses, but these do not address the key question: how to minimize the impact to their reputation, operations and bottom line when customer or employee data is stolen. Consumers and businesses are hungry for better solutions, and insurance providers are natural channels for effective offerings that provide help in resolving identity theft.

Identity Restoration Coverage: A Natural Fit

The increasing public concern and awareness around identity theft create an opportunity for insurance carriers and brokers to distinguish themselves in an increasingly competitive market by offering value-added identity theft recovery services. Consumers are being deluged with media marketing for identity theft products and don't know whom to trust. Businesses and associations are aware of public concern around identity theft and receptive to providing protection as an effective benefit and a competitive differentiator.

While expense reimbursement insurance for out-of-pocket recovery costs was a logical first offering by the insurance industry, it does not address the most critical impacts to victims — the hours required to restore their identities, the tremendous emotional stress of recovery, and the damage to their financial standing. And as organized identity fraud grows in frequency and impact, it leaves insurance providers potentially facing more and larger reimbursement claims and processing costs.

According to the Identity Theft Resource Center (ITRC), in 2007 the typical identity fraud victim spent only about \$550 out of pocket on recovery of an existing financial account, or up to \$1800 on recovery from new account fraud. Far more significant for victims are the hundreds of hours spent on identity recovery and the frustration and stress of figuring out how to navigate the restoration maze. In 2007, almost 70% of victims reported that it took up to 12 months to clear up identity information, 12% reported 1-2 years, and 19% reported working more than 2 years to fully restore their identities. In the face of these challenges, insurance coverage that only reimburses identity theft victims for out-of-pocket expense tends to leave them feeling unprotected and under-served, while eating away at the insurance provider's profit margins.



Figure 1: The Components of Personal Identity

Consumers and businesses are now seeing a positive shift in the evolution of identity theft insurance offerings, with more industry focus towards victim advocacy and restoration. But most policy amendments offered today with identity theft restoration merely provide an assisted recovery model, giving consumers “guidance” in effecting their own recovery. The guidance typically consists of referring them to one of the free credit monitoring services, instructing them how to place a credit freeze, or providing limited assistance as the victim deals with a myriad of business and agencies. But, like expense reimbursement-only policies, this model leaves consumers to sort out the recovery mess for themselves, and leaves businesses, regardless of whether they are at fault in the identity theft, as the targets of consumer frustration. Guided restoration also does not reduce the frequency or costs of expense reimbursement claims, because victims still have to spend significant time and money to restore their identities.

What carriers, consumers and businesses really need is a more robust identity restoration service that can eliminate the costs and the weeks and months that it takes the average victim to restore their identity, creating significant value for the victims.

Choosing a Provider of Identity Restoration Services

The single greatest value that identity theft coverage can provide is fully managed identity restoration service. In the event of identity theft, reimbursement coverage, no matter how impressive-sounding the amount, is of marginal true value when victims and businesses really need a solution that removes the burden of identity restoration from the victims and protects the businesses’ productivity and reputation.

Guided recovery services seldom go far beyond credit monitoring and credit freezes — services and information that are publicly available at no cost. Identity theft victims who actually avail themselves of these services will be appalled and disappointed at how little help is provided and how much time and stress are involved in conducting their own identity restoration. These victims are more likely to file expense claims, and they are unlikely to renew their policies or to feel loyal or grateful to the carrier or organization providing them. They are very likely to share their bad experiences with family, friends and colleagues.

In contrast, fully managed identity restoration services provide a recovery expert who handles all the work of recovery for the victim. This kind of service costs the carrier or broker no more than the assisted model, but it eliminates typically hundreds of hours of work on the victim’s part, sharply reduces the victim’s out-of-pocket expenses, and prevents the stress of working through the maze of agencies and businesses involved with identity restoration. The low group cost for identity restoration services gives the insurance provider a highly profitable and compelling means to create high customer satisfaction, loyalty and referral business, and the profitability is enhanced by the reduced expense reimbursement claims.

To create the most consistent revenue stream from identity restoration offerings, insurance providers should choose a service provider who offers this kind of expert, fully managed identity restoration:

- While the current epidemic level of identity theft is a fairly recent phenomenon, the provider

should have at least 5 years of identity restoration experience and a documented track record of successful recovery.

- If a member of the covered group suspects they may be a victim of identity theft, the restoration service should provide continuity of care from one case manager who handles the recovery from beginning through full identity restoration.
- Recovery case managers should have years of experience, specialized skills, (including background in fraud investigation and in the financial industry, case management experience, and excellent assessment skills), and they should be certified by an organization such as the Institute of Consumer Financial Education (ICFE).
- Services should cover group members and their households.

- Restoration coverage should not have exclusions, such as the common exclusion for theft by family members.
- Recovery should include comprehensive identity and/or credit monitoring of public and private sources for at least one year with options for longer term monitoring.
- Resolved cases should remain on file for several years, in case of further identity fraud or litigation.
- The service should include on-going access to identity theft education for the victims and the entire covered groups.

In addition to fully managed identity restoration and educational services, the provider should offer complementary consumer and business services to create up-sell opportunities. Add-on consumer services can include preventive identity monitoring bundled with identity theft alerts and consumer education about identity protection. Business services can include data breach assessment and/or data breach response.

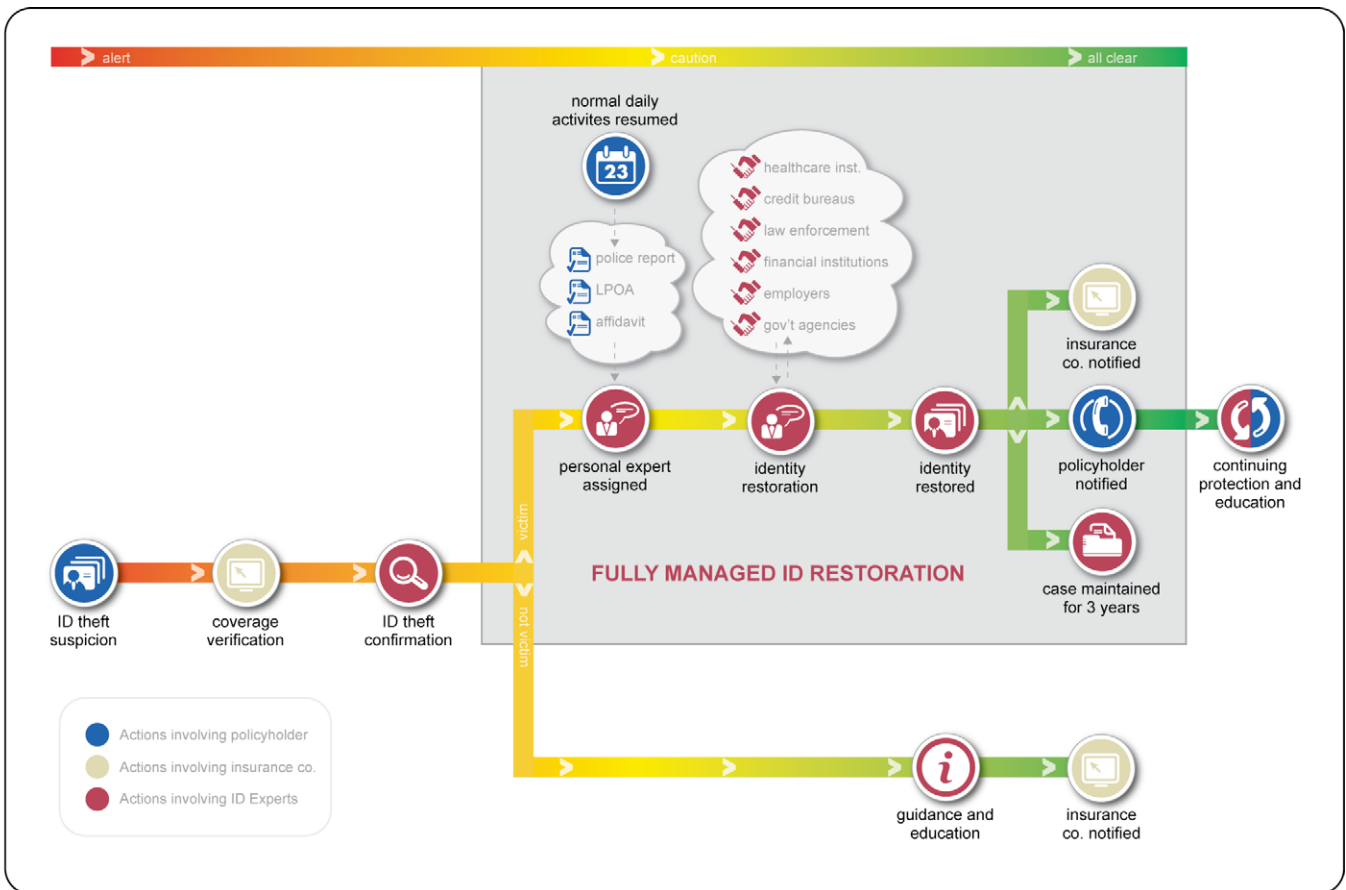


Figure 2: Fully Managed Identity Restoration Process

Selling Identity Restoration Coverage: A Wealth of Opportunities

Identity theft is clearly a highly visible risk that is very well suited for insurance coverage. Insurance carriers and brokers are the natural suppliers of coverage for fully managed identity restoration and protection. Insurance providers have established, trusted relationships with safety-minded consumers and businesses.

Insurance providers can package identity theft coverage through endorsements to personal and commercial line policies and benefits, and they can offer it at low-cost group rates, using their existing sales and support resources. Identity restoration and protection policies represent a significant business opportunity for the insurance industry, and one that lends itself to a number of different business models.

Property and Casualty Carriers

A number of property and casualty carriers are now adding identity theft restoration, along with identity theft expense reimbursement, credit reports and monitoring, as endorsements with their existing or new policies. Identity theft coverage can serve as a competitive differentiator while creating new revenue streams.

Homeowners and Auto

A few carriers initially offered identity theft solutions through endorsements to homeowner policies, at a more affordable premium compared to the transaction protection offered by banks. An ever-growing number of carriers are now looking to offer such endorsements across their personal lines of business—some at a premium and others at no additional cost to policyholders, depending on the carrier's business strategy and target market.

Identity restoration services for groups are available at relatively low cost to the carriers, making this a high-margin offering. Victim restoration can be incorporated into identity theft protection coverage to enhance profits and generate additional annual revenue per policy. For high-value policyholders, it can be offered free as a competitive differentiator. In

either case, compared to assisted restoration services, fully-managed identity restoration services provide compelling value to policyholders and carriers at a very modest price, thereby building loyalty for the carrier and helping to boost retention and referrals while reducing or even eliminating expenses from victims filing expense reimbursement claims.

Commercial Lines

Insurance carriers are increasingly extending identity theft restoration, protection, and expense reimbursement insurance as an adjunct to business insurance offerings for a variety of commercial clients. For the carrier, these programs create a highly profitable revenue stream. For the commercial customers, they offer a variety of benefits.

For example, carriers that provide cyber-liability and data breach insurance can leverage identity restoration services as a logical addition to these commercial policies. Given rates of identity theft in the US and the difficulty in protecting oneself, financial industry clients such as banks, credit unions and brokerages can use affordable group identity restoration coverage to provide a valuable and reassuring service to all or specific accountholder populations, helping to distinguish themselves competitively and/to build customer loyalty and retention. These group policies can also provide profit-enhancement opportunity to banks by enabling them to bundle identity restoration into their account agreements and offer the account holder the convenience of buying identity theft insurance and protection/monitoring via their trusted financial institution. With the Red Flag rules of FACTA now going into effect in May of 2009, more institutions also need protection and a documented plan for recovery from data breach. Identity restoration for account holders and employees serves as a credible part of this plan. And in case of data breach, the financial institution has pre-paid coverage already in place to restore the identity of any account holders who do become victims of identity theft.

Business owner policies are another ideal vehicle for incorporating identity theft protection and restoration services. Small business, with typically casual or

non-existent data and cyber-security, is a popular target for identity theft. According to the Federal Trade Commission, the average small business loses over \$10,000 in a case of identity theft, and a single instance of data breach or insider identity theft can easily put a small business out of business. So identity recovery for the business owner, employees, and/or customers is a valuable and necessary coverage option.

Finally, identity theft expense reimbursement insurance bundled with restoration, educational and credit monitoring services can be offered as part of corporate or consumer benefits plans that include life, health and other policies. As health and other core benefits become increasingly costly, many businesses have had to trim benefits, leading to dissatisfaction among current employees and compromising their ability to compete for new employees. Associations and membership organizations are also competing for shrinking consumer dollars. At a very modest additional cost, identity restoration coverage can enhance the value of benefits packages for employees, union or association members, cooperative members and other groups. For the carrier, this creates a high-margin revenue opportunity, and for the business or association, it helps cement employee or member relationships. Recovery services for employees also ensure that any employee who does fall victim to identity theft can remain productive during the time it takes to restore their identity.

Insurance Brokers

Insurance brokers have begun to look at identity theft products as an opportunity to better serve their consumer, commercial and reinsurance clients and to create new profit streams. For the broker, selling identity theft restoration products to existing reinsurance and other clients can be a very profitable new line of business. One potential client base for these services is the smaller to medium-sized insurance carrier who wants to offer identity theft coverage in their markets but doesn't have the expertise or resources to create these products on their own. The other potential target market is banks and financial institutions

For the broker, selling identity theft restoration products to existing reinsurance and other clients can be a very profitable new line of business. These services can also help win new business with a product that can be easily and profitably remarketed by insurance carriers themselves and their commercial clients.

A Timely Solution to a Growing Need

Demand for identity theft coverage is growing, and more and more insurance providers are seizing the opportunity. However, many of the offerings available today are of limited value to identity theft victims, and therefore of limited long-term business value to the providers. In contrast, fully managed identity restoration services make a cost-effective and highly profitable addition to identity theft coverage offerings. By offering cost-effective, highly trusted and proven fully-managed identity theft restoration and data breach response services now, while the market is in its early growth stage, insurance carriers and brokers can distinguish themselves with consumer and business customers, creating new and on-going revenue for years to come.

About ID Experts™

ID Experts Restore™ is a fully managed identity restoration service with a 100% track record in restoring victim identities to pre-theft status. For more than five years, our ICFE-certified team of recovery experts has handled the many hours of work involved in identity restoration, so victims can return to their normal lives. Our restoration service includes ongoing client education and victim credit monitoring and alerts to help them protect themselves against future identity theft. We also serve some of America's largest corporations, government agencies and universities who have experienced a data breach in notifying, protecting and aiding the people whose personal data was compromised.

With the most experienced team of managed identity theft recovery experts, a 100% track record of identity restoration, and a unique combination of identity restoration, educational and business services, ID Experts is a premiere choice to provide group identity restoration, protection and data breach response services to policyholders across your personal and commercial lines.

Contact Us

ID Experts™
8625 SW Cascade Avenue
Beaverton, Oregon 97008

p: 866.726.4271

f: 503.726.4527

www.idexpertscorp.com

info@idexpertscorp.com

1. Source: Javelin Strategy and Research. "2007 Identity Fraud Survey Report." February 2007.
2. Sources: Javelin Strategy and Research. "2007 Identity Fraud Survey Report." February 2007; Identity Theft Resource Center. "Identity Theft: The Aftermath 2007." May 2008; California Office of Privacy Protection. www.oispp.ca.gov/consumer_privacy/identitytheft.asp
3. Source: Identity Theft Resource Center report, Identity Theft: The Aftermath 2007.
4. Ibid.
5. Source: www.whostolemyidentity.com/2007/10/identity-theft-statistics/

© 2008 ID Experts™. All rights reserved.