



ON THE RISE: IDENTITY THEFT IN E-COMMERCE



IdentityIQ.com

888-467-7102 Option 2

info@mkidiqpartner.com



The **Rise** of E-Commerce

In our ever-increasingly busy world, finger-tip access to products, services and information has added convenience to our lives. Retailers have drastically improved the ease by which we acquire their products online to cater to the busy lives of the modern individual. One click alone is often enough to make a purchase. And scrolling through social media feeds gives us direct access to our favorite brands' online catalog.

Today, the e-commerce share of total sales has grown to \$3.5 trillion worldwide (14% of total sales) and is projected to hit \$6.5 trillion (22% of total sales) in the next two years. This means that for every \$100 spent on retail goods, \$22 will be spent online.

Data Breaches Rise as Consumer Data Moves Online

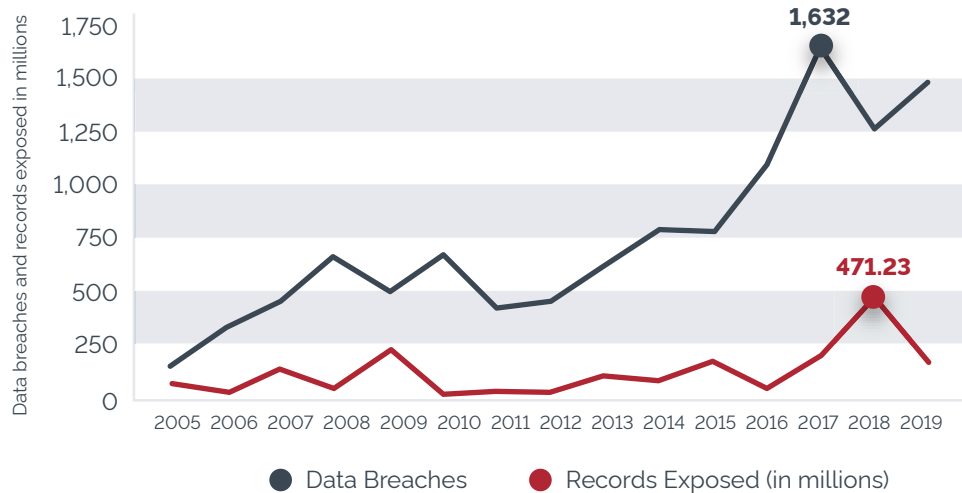


While this shift in business transactions has brought more convenience into our lives, it has also been an innovation that established itself faster than potential risks can be assessed and addressed. In particular, the digitalization of our social life, including shopping and social media, has increased the vulnerability of personally identifiable information (PII). Where is our sensitive data stored? How is it being used? And can we trust its safekeeping?

According to Pew Research Center, 80% of Americans are “somewhat” or “very” concerned about the way companies use their personal data. And rightly so. This suspicion is a natural reaction to the growing number

of data breaches that has left hundreds of millions of Americans at risk of identity theft and fraud.

In the last 15 years, there have been a total of 1.7 billion records exposed in data breaches. Some notable examples include the Equifax breach that involved the leak of 143 million U.S.-based individuals' full names, birthdates, addresses and Social Security numbers (SSNs) and the hack on the health insurance provider Anthem Inc. that compromised more than 37.5 million records that also included SSNs. Unfortunately, the list of data breaches goes on and on.



Data Breaches 2005 - 2019

Source: Statista

Identity Theft in the Workplace

Statistically speaking, most Americans have had their information leaked in at least one data breach. What's worse is that this stolen information isn't difficult to obtain. A recent study conducted by Atlas VPN Investigation reported that leaked PII from data breaches, such as SSNs, can be bought for as low as \$4 on the dark web. This has given identity thieves the means to commit payment fraud anonymously and with ease.

Payment fraud takes place when a criminal uses stolen payment information to attempt other purchases without the owner's knowledge. According to a recent Association of Financial professionals (AFP) survey, payment fraud has affected 82% of organizations. A study by Worldplay reported that identity theft was the most common form of e-commerce fraud, totaling a shocking 71% of all attacks.

"Payment fraud is a persistent problem that is only getting worse despite repeated warnings and educational outreach."

– AFP President and CEO Jim Kaitz

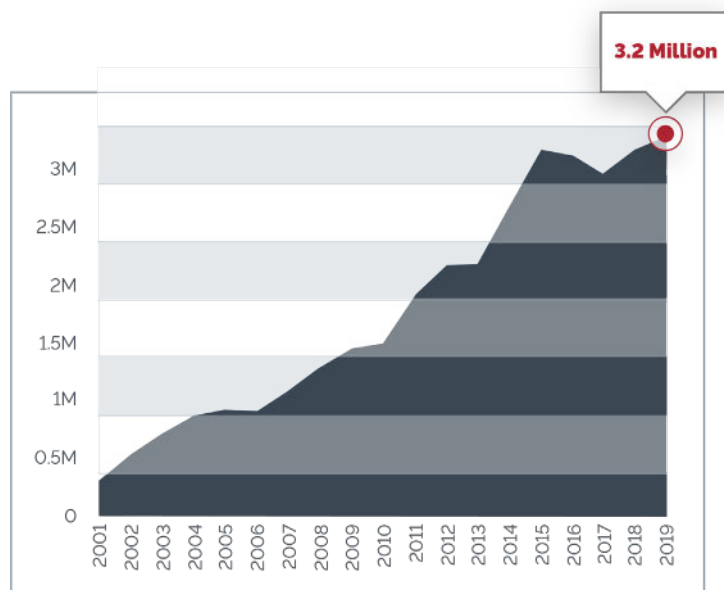
Rise in Identity Theft Reports

According to the Federal Trade Commission (FTC) Consumer Sentinel Network, which takes reports from consumers about problems they experience in the marketplace, there were 3.2 million cases involving fraud, identity theft, and other related problems last year. This means that **crime involving stolen consumer information is almost ten times more likely to happen today compared to almost two decades ago.**

Of those 3.2 million reported cases last year, 1.7 million were fraud reports and 23% of those victims reported losing a total of \$1.9 billion. The most common category of fraud reported was identity theft with a total of 650,572 cases.

This rise in identity theft coincides with the rise of e-commerce and a lack of preparation on the part of businesses to prevent or react to data breaches targeting customer PII. While younger people reported losing money to fraud more frequently than older cohorts, people who were 70 years old and older reported a higher median loss per case.

The higher fraud rates among young people is explained by their high online engagement paired with weak data management habits that put them at higher risk of identity theft. Millennials, for instance, tend to have close to

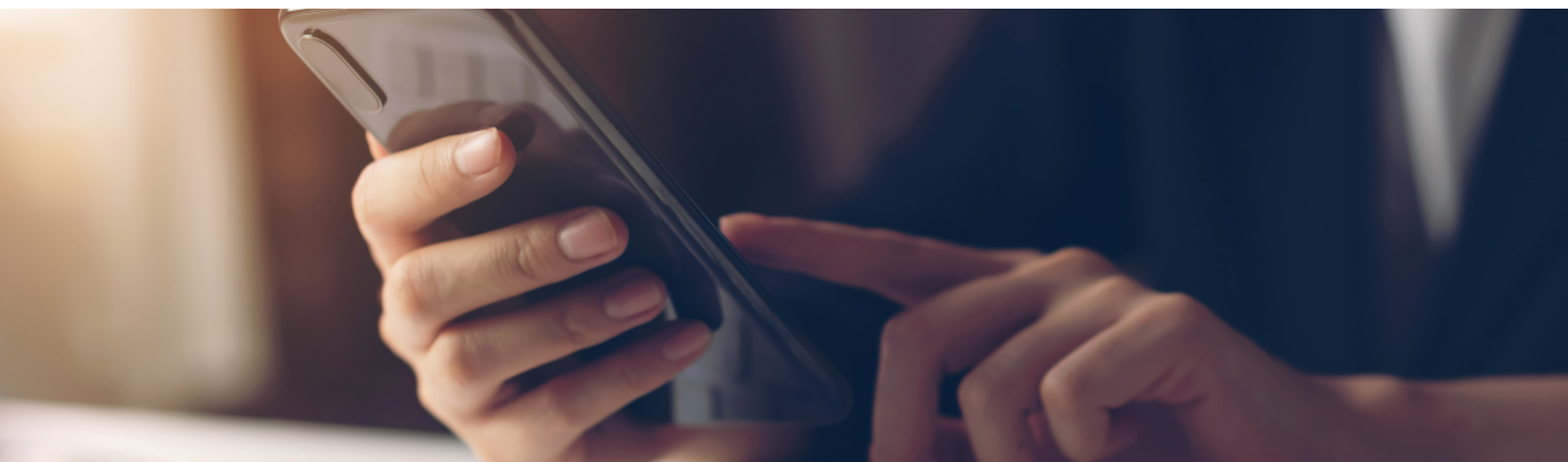


Number of Fraud, Identity Theft & Other Reports by Year

Source: FTC Consumer Sentinel Network

100 online accounts compared to the average individual who has around 27.

What's more, most people still don't have strong data management habits. According to a recent Google online security survey, a staggering 52% of users reported using the same password for multiple or all accounts. Older cohorts, however, tend to lose more money per case because they tend to own more assets compared to younger cohorts. While the median loss was \$320 overall, the median loss was \$1,600 for people older than 70 years old and there were 23,434 cases that exceeded \$10,000 in losses.



Effects of Identity Theft

With the right credentials, an identity thief can open new credit accounts, file fraudulent tax reports and engage in other forms of fraud that can negatively affect the victim's financial and emotional wellbeing. Given the anonymous nature of online payment fraud, tech-savvy identity thieves can manage to get away with fraud without facing any consequences while the victim must spend hours, months or even years resolving the problem.

NON-ECONOMIC EFFECTS OF IDENTITY THEFT

Depending on the type of fraud that takes place, a victim of identity theft can be affected in a variety of ways. The least tangible, but possibly the most damaging, is the emotional toll people can experience from feeling anxious or unsafe. Stress has very real consequences that can negatively impact an individual's physical and emotional health and relationships with friends, family and co-workers.

Of the individuals that participated in a recent study by the Identity Theft Resource Center:

- **84% reported issues with their sleep habits**
- **77% reported increased stress levels**
- **64% had problems with their concentration**
- **57% had persistent aches, pains, headaches, stomach issues and/or cramps**
- **55% had increased fatigue or decreased energy**
- **50% reported they had lost interest in activities and hobbies they once enjoyed**

This stress also affected their relationships. Respondents reported:

- **Getting into more arguments: 36% (family); 26% (friends)**
- **Loss of trust: 46% (family); 20% (friends)**
- **Feeling distant: 27% (family); 45% (friends)**
- **Asking friends and family for financial assistance while resolving their case (30%)**

In addition, people's standard of living, employment, and educational opportunities were negatively impacted, including:

- **32% of respondents said their incident created problems at work**
- **8% reported the incident had caused problems at school**
- **39% of respondents used their savings to address their needs**
- **43% reported getting into debt because of their incident**
- **41% said they could not pay their bills**

ECONOMIC EFFECTS

Identity theft can have a negative long-term economic impact on victims as well.

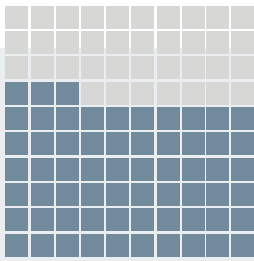
Tax Debt: One example is tax debt with a thief assuming your identity and not paying taxes associated to your SSN. You might receive that tax bill. Reversely, thieves can file taxes under an assumed name and claim a tax refund for themselves.

Damaged Credit: When an identity thief steals an SSN, he or she gains the ability to open new credit accounts in the stolen name. The criminal can then proceed to take out a loan and not make payments, damaging the credit score of the victim in the process. Damaged credit can hurt a victim's ability to rent property, be approved for a loan and even increase their auto and homeowners' insurance premiums.

A criminal record: If someone commits a crime under a stolen name, the identity theft victim is left dealing with the aftermath and clearing his or her name.

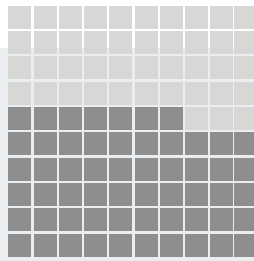
Other out-of-pocket expenses: It may take years for an identity theft victim to restore his or her identity. This can result in a loss of time and money, including time off work, legal fees and other out-of-pocket expenses.

Impact of Identity Theft



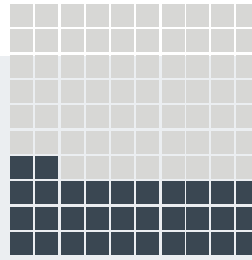
63%

Of victims had trouble concentrating.



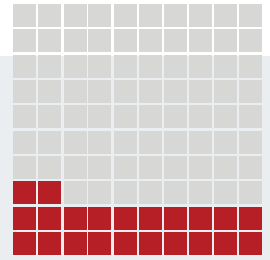
57%

Of victims had headaches, stomach issues and other health issues.



32%

Of victims had problems at their place of employment.



22%

Of victims took time off work.

The Solution

While businesses are working to increase cybersecurity in e-commerce, a lot of the damage has already been done by previous data breaches. In addition, the literature on data breaches shows hackers adjust their strategies faster than the pace at which the average organization can update its defenses. As cybersecurity expert and author Marc Goodman reports, 80% of hackers work for an organized crime ring and even the best antivirus software catches only 5% of online threats. In fact, a recent FortiGuard Labs study found unique malware variants grew by 43% in one quarter alone.

In order to maintain financial security in an ever-changing digital landscape, it is important that we develop better data management habits and implement safety nets that help protect us from PII leaks. Identity theft protection and identity theft insurance can be an asset to a financial portfolio.

Like having auto insurance, life insurance and health insurance, identity theft insurance protects the individual from unforeseen financial losses. Considering the number of identity fraud cases reported every year and the billions of records already exposed, identity theft insurance can be a helpful asset for financial planning.

An identity theft protection plan can give you access to:

- **Credit monitoring**
- **Dark web and internet monitoring**
- **Identity restoration**
- **Family protection**
- **U.S.-based customer support**
- **Up to \$1 million in stolen funds reimbursement***

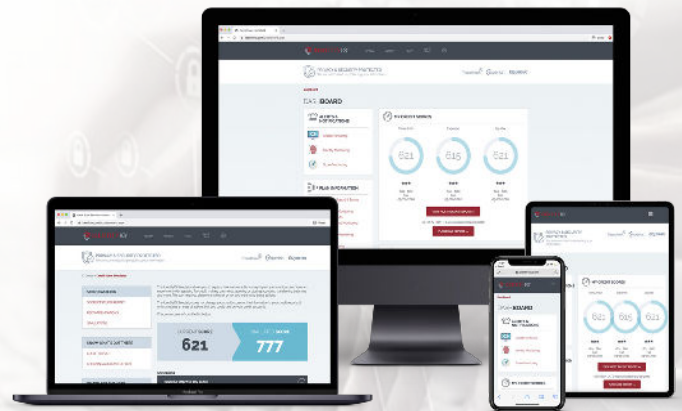
As e-commerce continues to rise, so does the risk of identity theft. Help protect yourself, your assets and your wellbeing.



SCOTT HERMANN
CEO

About IdentityIQ

Offered by IDIQ®, IdentityIQ® services are the solution for credit report and identity theft monitoring. Our team of experts utilizes innovative techniques for active credit report monitoring and identity theft protection, so you have financial peace of mind. An industry leader, IdentityIQ services have been named to the Inc. 5000 list of the fastest-growing companies in the United States by "Inc." magazine and "50 Most Valuable Brands of the Year" by "The Silicon Review". For more information, visit IdentityIQ.com.



Sources: Statista, Pew Research Center, Atlas VPN Investigation, Association for Financial Professionals, Wordplay, Federal Trade Commission, Google Online Security Survey, Identity Theft Resource Center, "Future Crimes" and FortiGuard Labs

*Underwritten by AIG

