The Paradox of Declining Property Crime Despite Increasing Identity Theft Crime:

Identity Theft Resource Center Offers Additional Insight on Recently Released Bureau of Justice Statistics Report on Identity Theft

The Bureau of Justice Statistics (BJS) recently released the *Victims of Identity Theft, 2012* report using data from the 2012 Identity Theft Supplement to the National Crime Victimization Survey. While the numbers are alarming, they do not come as a surprise to those of us who are active in this field. The Identity Theft Resource Center (ITRC) has assisted tens of thousands of victims since its formation in 1999, and is accustomed to seeing the number of identity theft incidents increase by millions over the years. The ITRC call center receives calls daily from identity theft victims telling us how identity theft has affected their lives and how desperate they are for assistance in resolving the issue.

The BJS report raises interesting questions about the following issues:

- how to measure this crime in relation to the overall crime rate,
- how to continue to combat the issue,
- what tools to give consumers now, and
- what the future of this issue will look like.

The annual *Crime in the United States* report issued by the FBI indicates that property crime rates have continued to decrease over the last decade, which appears to directly contradict the BJS report findings. The BJS report gives us a snapshot of the state of identity theft in the U.S., illustrating the encouraging positive trends as a result of our united effort and the negative trends that demonstrate the need for more outreach and tools to fight this epidemic.

According to the BJS report, there were approximately 16.6 million U.S. residents who were victims of one or more cases of identity theft, incurring direct and indirect losses of $24.7 billion in 2012.[i] Overall, age and gender did not seem to have a significant impact on your chances of becoming a victim. However, households with incomes over $75,000 (highest bracket) had a higher prevalence of identity theft than other income brackets. This should not be taken as a reason for those in the lower income brackets to ignore the dangers of identity theft. There were still nearly 1.9 million victims with confirmed household incomes of less than $24,999 annually. This statistic alone should debunk the myth that identity thieves will not steal your identity if you don’t have good credit or a high income.

NEGATIVE TRENDS

Despite some success in mitigating the rapid growth and damage of identity theft, the majority of the feedback in the BJS report indicates that much more must be done to slow and reverse the growth of this crime.

- **16.6 million Americans fell victim to identity theft in 2012.** Despite enormous efforts being made by law enforcement, government and other organizations, and an increased focus on identity theft crimes in the U.S., 7% of all Americans age 16 years or older still experienced one or more incidents of identity theft. This one statistic alone exemplifies the need for more solutions and effort to reduce the prevalence of identity theft. In the 2008 BJS report, an estimated 11.7 million Americans fell victim to identity theft over a two year period, representing 5% of all persons age 16 or older. The rate of identity theft is still growing and must be addressed before the cost to our economy becomes unsustainable.

- **The total cost of identity theft was $24.7 billion in 2012.** Accounting for nearly $25 billion in losses for 2012, identity theft losses were four times greater than losses due to stolen money and property in burglaries and theft, and eight times the total losses associated with motor vehicle theft. In the 2008 BJS report, the total financial cost of identity theft for two years was only $17.3 billion.[ii] This means the damage from identity theft to our economy in just 2012 alone was over 40% worse than 2007 and 2008 combined.

- **Identity theft with misuse of personal information is more traumatizing than the average violent crime**.[iii] An astounding 32% of victims of identity theft with misuse of personal information reported that the experience was severely distressful, compared to 27% for victims of violent crime. Unfortunately, there exists a misconception that because identity theft is a crime involving one's personal information, it cannot be as emotionally traumatizing as any form of violent crime. The BJS report refutes such assumptions; however, it should be noted that as a whole, violent crimes are more distressing on average than identity theft crimes in general.

- **Fewer than 1 in 10 victims of identity theft reported the incident to the police.** There were a wide variety of reasons why victims did not report the crime to the police. Of the remaining 90%, nearly 60% of the victims indicated they handled it a different way, while 35.4% failed to report the crime because they either did not think the police could help, did not know they could report the incident, or did not know what agency was responsible for identity theft crimes. This statistic is disappointing because law enforcement exists to fight crime and if crimes are not reported properly they cannot effectively combat them. In addition, obtaining a police report is essential for victims to attain certain rights and protections under federal and state laws. Unfortunately, due to a general lack of awareness and education, victims don't know that they are supposed to immediately report this crime to police and the police sometimes don't know which jurisdiction is responsible for the crime. This leads to frustration for both police and victims and reinforces the incorrect assumption that police cannot help victims of identity theft.

- **About 85% of consumers took some action to prevent identity theft.** This statistic sounds like good news, but it really isn't because it means despite 85% of consumers engaging in some form of identity theft prevention, 16.6 million Americans were still victimized. The most common preventative actions consumers took were checking bank or credit card statements and shredding or destroying documents with personal information. We believe that with increased outreach and education, consumers will take more proactive actions and execute them more successfully to reduce their chances of becoming a victim of identity theft. These actions include, but are not limited to: checking credit reports themselves or purchasing identity theft products, frequently changing account passwords, using proper computer security software, using a virtual private network, and storing sensitive documents in a safe.

- **16% of identity theft victims reported out-of-pocket expenses of $1,000 or more.** This means that over 2.5 million Americans unexpectedly lost $1,000 or more in 2012. A $1,000 loss can be difficult for a family that does not have significant savings for emergencies, especially during an economic recession. On the other hand, nearly 50% reported losses of $99 or less.

POSITIVE TRENDS

While the negative trends significantly outweigh the positive trends in the BJS report, there are still several bright spots that deserve to be recognized.

- **Nearly half of all the identity theft incidents were existing account credit card identity theft.** This type of identity theft, though still a serious crime, is one of the easiest to mitigate and least damaging forms of identity theft. The average direct loss for a victim of existing account credit card identity theft is only $1,003, whereas victims of misuse of personal information had an average direct loss of $9,650, new account fraud had an average direct loss of $7,135, and simultaneous multiple types of identity theft had an average direct loss of $2,140. Existing account credit card identity theft caused the least amount of emotional distress and took the least amount of time to resolve.

Existing account credit card identity theft is still a big problem, but it is encouraging that nearly half of all identity theft incidents in the BJS report are the least severe type of identity theft.

- **Approximately 45% of victims discovered their identity theft after being alerted by a financial institution of suspicious activity on their account.** Financial institutions are continuing to collaborate and create new innovative technologies to help detect and prevent identity theft. This is very encouraging because financial institutions and consumers are on the same side in this war and both the institutions and consumers must work together to cut down on the rate of identity theft. Consumers are doing their part as well with the second most common way victims discovered their identity theft issue was by noticing fraudulent charges on their own accounts. Nearly 65% of all incidents of identity theft were discovered as a direct result of consumers and financial institutions remaining vigilant in monitoring for any sign of fraud or identity theft.

- **Only 14% of all identity theft victims suffered out-of-pocket losses.** Although 14% (≈2,321,270) is still a very large number of victims, it is proportionally a very small amount of all victims. The last BJS report on identity theft in 2008 found that 23% of victims suffered out-of-pocket losses.[iv] We are pleased to see that legislators, financial institutions and consumers have come together and successfully reduced the severity of financial losses due to identity theft. We believe that through continued partnership and outreach, we can bring this statistic down.

- **The level of emotional distress reported by identity theft victims has been reduced.[v]** In nearly all types of identity theft, the severity of emotional distress experienced by victims has drastically decreased. Overall, the number of victims reporting severe emotional distress as a result of identity theft has decreased by 50% and the number of victims experiencing no emotional distress increased by nearly 91%.[vi] The ITRC understands better than most how emotionally devastating identity theft can be to victims. We are happy to see that efforts to fight identity theft have led to a greater understanding by the financial and law enforcement community, ultimately leading to a less traumatizing experience for victims.

WHY PROPERTY CRIME RATES ARE DECREASING: THEY AREN'T

The ITRC has done its own in depth research into why reports regarding the unexplainable decrease in the crime rate abound, while at the same time identity theft rates continue to soar. In the ITRC's recent article, *The Tip of the Iceberg: Why Traditional Crime Rate Measurements Fail to Tell the Whole Story*[vii], we looked at how and why this disconnect exists.

According to the FBI's website, the annual publication titled *Crime in the United States* "is the most comprehensive analysis of violent crime and property crime in the nation. The annual publication compiles volume and rate of crime offenses for the nation, the states, and many cities and counties." The *Crime in the United States* report is the crime statistics report that is often sourced by the media when discussing crime. This report separates crimes into two categories: violent crime and property crime. Violent crimes include four offenses: murder/non-negligent manslaughter, forcible rape, robbery and aggravated assault. Property crimes include: burglary, larceny-theft, motor vehicle theft and arson.

A problem exists because most people assume that this comprehensive analysis would include metrics that capture the crimes that are committed in our current society. This is an understandable but incorrect assumption. This report should include identity theft and/or related types of fraud in the property crime category. The FBI defines larceny-theft as the "unlawful taking, carrying, leading, or riding away of property from the possession or constructive possession of another. Examples are thefts of bicycles, motor vehicle parts and accessories, shoplifting, pocket-picking, or the stealing of any property or article that is **not taken by force and violence or by fraud… Embezzlement, confidence games, forgery, check fraud, etc., are excluded.** [emphasis added]" Therefore, this "comprehensive" report that is frequently cited by the media excludes many of the types of crimes that are being committed by today's criminals. According to the most recent *Crime in the United States* report, the four metrics being used to measure the overall crime rate recorded approximately 8.9 million incidents of property crime.[viii] The BJS report indicates there were almost twice as many victims of identity theft alone during the same period. The FBI reports illustrate a decline of 14.1% in property crime offenses over a 10-year period. This is a strong indicator the metrics used must be re-evaluated to capture how property crimes are committed today.

We appreciate that the Bureau of Justice Statistics and the Federal Trade Commission track and compile the rates of identity theft crimes; however, we believe it would be best to include such an important and growing crime in the main *Crime in the United States* publication. This may help to diminish the false notion that overall property crimes are dropping in the U.S. as they are based on current definitions that are too narrow to adequately give a sufficient overview of the rates of property crimes.

WHAT THE SURVEY DOESN'T TELL US

While the BJS report contains substantial information pertaining to identity theft, it mainly focuses on financial identity theft. Financial identity theft is certainly one of the most common forms of identity theft; however, there are other types including medical, governmental, tax and criminal identity theft. Other types of identity theft have a significant impact on the economy and victims. For example, the Ponemon Institute estimated that victims of medical identity theft incurred $12.3 billion in out-of-pocket losses for 2013.[ix]

Based upon our review of the BJS report we were unable to determine if any information or analysis was captured or conducted on the relationship between the date of discovery of the crime and the financial impact on identity theft victims. This is an important relationship to study as we have seen that the longer it takes a victim to discover their identity theft, the more financial damage and emotional distress they experience. In the same light, the effects of identity theft and rates of victimization of children, or members of the Armed Forces living abroad or in military barracks, is not captured either.

CONCLUSION AND TAKEAWAYS

The findings in the BJS report are by no means indicative of a new narrative on the subject of identity theft; however, they are still very significant for several reasons. First, unlike a for-profit company that does business in the data security or identity theft remediation space, the Department of Justice represents a nearly unimpeachable source. They have no commercial financial motives to either inflate or diminish the severity and prevalence of this crime and have strict controls in place to ensure the data they compile is as accurate as possible.

Second, it is yet another reminder that whether you are young or old, wealthy or poor, male or female – you are at risk of becoming a victim of identity theft. People from all demographics must be concerned about and take proactive measures to help minimize their chances of identity theft.

Lastly, the BJS report confirms that if identity theft crimes were included in the FBI's definition of property crimes, the rate of property crimes in the U.S. would be increasing and not decreasing. National media should be provided with a comprehensive crime report that includes identity theft so that a more accurate narrative for educating the public can be created. Instead, a report that property crimes have been decreasing gives the public a false sense of security. This would not only make the public aware of the risks, but may also heighten consumer awareness on the methods of prevention and detection so that this crime becomes harder to perpetrate, less damaging financially, and less emotionally distressful to mitigate.

BEST PRACTICES TO MINIMIZE CHANCES OF IDENTITY THEFT

Consumers must learn that decreasing their chances of identity theft does not revolve around one or two preventative actions, but also a vigilant mindset and constant effort to reduce the exposure of their personal information and to detect identity theft as soon as possible, if and when it does occur.

Below is a series of recommended actions that the ITRC believes can reduce people's chances of identity theft and also lessen the burden of mitigation should they become a victim:

- Check your bank and credit card statements as often as you can
- Check your credit reports annually and for free at www.annualcreditreport.com
- Understand the different identity theft products available, if you are considering purchasing one. Different products such as credit monitoring, identity monitoring, and identity theft insurance provide different services.
    - Credit monitoring is a service that will monitor the activities of your credit report on a regular basis and alert you to irregularities.
    - Identity monitoring services generally include credit monitoring and include additional areas of monitoring where fraudulent activity may occur. Each service is different so make sure to read the fine print and understand what you are paying for.
    - Identity theft insurance may minimize your financial exposure should you become victimized. Read the policy carefully to ensure you understand what coverage it provides.
- Cross-cut shred any documents with any personal or sensitive information
- Do not carry your Social Security card or other identification with your Social Security number on your person if not required
- Use a locked or secured mailbox to receive your mail

- Use a virtual private network (VPN) when shopping or dealing with sensitive information online such as bank or credit accounts
- Request a credit freeze or fraud alert from the three credit reporting agencies if you feel your personal information has already been compromised
- Avoid opening any attachments or clicking on any links in an email you receive unless you are sure it is safe
- Only share your personal information if it is absolutely necessary and ask businesses why they require your personal information
- Store any documents that contain personal or sensitive information that you must keep in a fire-proof safe
- Install and continually update a capable anti-virus and anti-malware program on your computers and mobile devices
- Periodically change your passwords on your accounts and do not use the same password for multiple accounts

About the ITRC
The Identity Theft Resource Center® (ITRC) is a nationally recognized non-profit organization established to support victims of identity theft in resolving their cases, and to broaden public education and awareness in the understanding of identity theft. Visit www.idtheftcenter.org. Victims may contact the ITRC at 888-400-5530.

About LifeLock
LifeLock, Inc. (NYSE: LOCK) is a leading provider of proactive identity theft protection services for consumers and identity risk and credit worthiness assessment services for enterprises. Leveraging unique data, science and patented technology from ID Analytics, Inc., a wholly-owned subsidiary, LifeLock gains a comprehensive perspective into identity risk to best protect consumers. As part of its commitment to fighting identity theft, LifeLock regularly works with law enforcement officials to better understand identity theft threats and trends.

LifeLock proudly provides financial support to the Identity Theft Resource Center. The free victim and consumer services provided by the ITRC are only possible with the financial support of our sponsors. These services include but are not limited to: no-cost victim assistance to consumers across the country, education for businesses about the crime of identity theft, and support to law enforcement and public agencies in their efforts to combat this crime and help identity theft victims. The ITRC may provide sponsors with promotional services and media recognition where appropriate within the context of our educational and outreach activities, and may provide links to their website(s) in our content. We are not compensated if consumers choose to purchase the services of our sponsors.

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