



Balancing Security & Profit:

How Identity Verification Solutions Benefit Ecommerce

An IDology, Inc. Whitepaper

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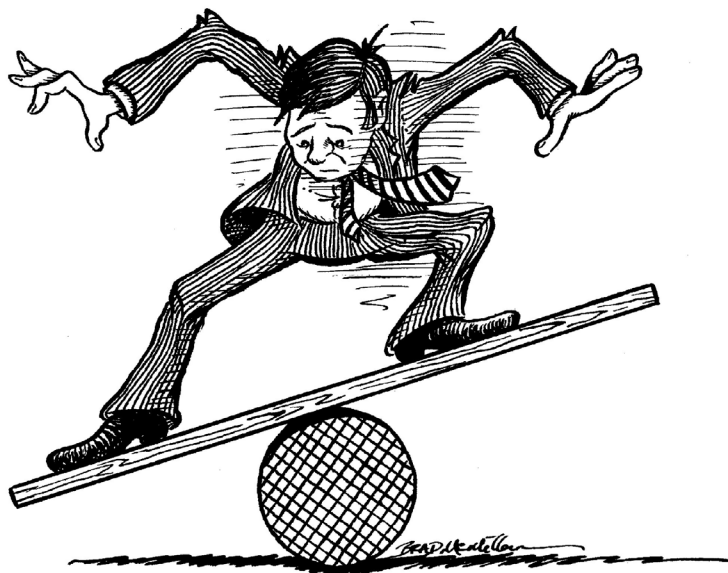
Creating a New Paradigm For Risk Management

While the Internet opened up a new frontier for opportunity, it also increased the need for businesses to protect themselves from vulnerabilities posed by payment fraud, identity theft, hackers, data breaches, and other security risk exposure. Ecommerce has managed these risks by putting tighter controls and procedures in place which have slowed the rate of revenue and increased operating costs thus creating a negative impact to your bottom line.

It is clear that a shift in the risk management paradigm is needed to level the landscape and create a better balanced business that is secure and more profitable. Rather than managing risk, businesses need to better manage opportunities so that their revenue potential is maximized.

Fortunately, advanced identity and age verification solutions exist that allow businesses to quickly verify legitimate customers and keep business moving while still preventing fraud. The result of such solutions is a safer online environment for businesses and consumers that uses data responsibly and supports consumer privacy.

This white paper will review the emerging trends in the identity verification market and examine the benefits of integrating identity verification and knowledge based authentication solutions within your business.



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Market Drivers Impacting Identity Verification

Identity Theft & Fraud

For awhile we have all known identity theft has been the fastest growing crime in the United States. In fact, during fiscal year 2006 the Justice Department increased the number of identity theft cases it prosecuted by 94% from 2005.¹ The Identity Theft Resource Center (ITRC) estimates there are 10 million victims of identity theft a year which means every minute about 19 people become new victims.² While this number is staggering, it could be just the tip of the iceberg. CIO Magazine's President, Michael Friedenbergl predicts identity theft will reach epic proportions in 2007 and that ultimately the CIO will be held responsible for data security and maintaining customer trust.³

Most of the identity theft and fraud statistics available today relate to incidents of "account fraud," which is unauthorized use of someone else's account, and "true identity fraud," which is using someone's name and information to open up a new account such as a credit card, car loan or mortgage. A more threatening form of identity theft and one harder to detect is "synthetic identity theft," which is when a fraudster combines identity elements of real people to create a fabricated identity. According to a statistical analysis conducted by ID Analytics, synthetic identity fraud comprises 88.3% of all identity fraud events and 73.8% of the total dollars lost by US businesses.⁴

Data Breaches

In February 2005 one of the largest data brokers, Choicepoint, announced that identity thieves opened accounts to access the company's databases of personal information on consumers. Since then, the Privacy Rights Clearinghouse has tracked the number of reported incidences of compromised data records that contain sensitive information identity thieves find useful, such as social security numbers, account numbers and driver's license numbers. At the end of January 2007, the organization shows that 100,738,417 records have been involved in security breaches.⁵

1. CNSNews.com, *Justice Department Charges 148 Illegal Aliens with Identity Theft*,

<http://www.cnsnews.com/ViewNation.asp?Page=/Nation/archive/200701/NAT20070116c.html>, January 16, 2007

2. Identity Theft Resource Center, *Stats and Facts*, http://www.theidcenter.org/factsandstats_1006.pdf, 2006

3. Michael Friedenbergl, *10 Predictions for '07*, CIO Magazine, <http://www.cio.com/archive/011507/ceo.html>, January 15, 2007

4. News Release, *ID Analytics Announces New Data Analysis Findings; Synthetic Identity Fraud Poses new Challenges*, www.idanalytics.com, February 9, 2005

5. Privacy Right's Clearinghouse, *A Chronology of Data Breaches*, www.privacyrights.org, January 29, 2007