

Insurance Times: Identity theft policies proving slow to catch on
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COLUMBUS, Ohio (AP) — It probably took a half hour for six people to steal Amy Jo Sutterluety's identity in 1998, eventually spending \$70,000 in her name.

It took the Baldwin-Wallace College associate professor a month of her summer leave to close 15 fraudulent accounts and clear her credit. Last February, four years later, she still had to battle a telephone company, she said.

Insurance didn't cover her out-of-pocket expenses for phone calls and legal battles. The first such policies were offered a year later.

"Having been through it, I would say it's well worth the \$25 rider," said Sutterluety, 37, of Canal Fulton. "It could save a lot of money."

But victim advocates have mixed feelings about the growing number of insurance companies selling identity theft coverage.

Travelers Insurance of Hartford, Conn., first offered an identity theft policy in 1999. Cincinnati Insurance Cos. and Columbus-based Grange Insurance are among those that since have added the coverage, usually as a rider to a homeowner's policy.

The product has been slow to take off, being added to 1 percent or less of policies, and few if any claims have been filed, representatives of the companies said.

"Most insurance products, it takes quite a bit of time for momentum to build," said Matt Zimmerman, a Cincinnati Insurance development worker.

Expenses Covered

The insurance covers expenses to restore credit — copies, mail, calls, time lost from work, even attorney fees. Premiums range from \$10 to \$40 for up to \$25,000 in coverage; most policies have a \$100 or more deductible.

"It's not one phone call to these companies, it's a dozen phone calls, it's a dozen letters," said Linda Foley, a victim and director of the San Diego-based Identity Theft Resource Center.

"It's not necessarily the pennies spent here and there, it's the time lost from your family, from your vacation time," she said.

The U.S. Department of Justice estimates there are 500,000 to 700,000 identity theft victims a year. There are no exact statistics, but the Federal Trade Commission told Congress this year that the frequency and cost of the crime is growing.

"Given the occurrence and risk of identity theft, and given the real inexpensive nature of this coverage, consumers would be well served to carefully consider getting this kind of coverage," said Todd Boyer, spokesman for the Ohio Department of Insurance.

Victims have testified before Congress that they must cancel a fraudulent account several times because collection agencies keep reopening the cases. Some have lost jobs because of criminal charges filed against the person using their identity, the FTC reported.

Once claims start rolling in, the insurance industry could become victims' latest ally, Foley said.

Insurers commonly seek reimbursement on claims from what they consider responsible parties, Boyer said, but it's too early to tell if they would do so with the identity theft claims.

Foley said insurers might go after banks that issue instant credit without checking the birth date or address associated with a Social Security number, or collection agencies that reopen cleared cases.

"They're going to force these corporations to adopt these better business practices," she said.

It's not clear how many victims incur out-of-pocket expenses higher than the insurance deductible.

Sutterluety said she spent about 200 hours calling creditors, police and other agencies. Expenses were about \$800, she said, but that could have swelled to \$7,500 if a friend hadn't provided free legal help.

Small costs add up, such as lengthy long-distance calls and parking downtown, she said.

"I am certain that if I did not have the summer off, I would have had to take at least 10 days vacation," Sutterluety said.

Insurers and advocates often quote a May 2000 study saying victims spend an average 175 hours and \$808 on legal problems, but that was based on 66 victims who called the California Public Interest Research Group.

About 94,100 victims called the FTC's identity theft hotline from November 1999 through September 2001. More than 80 percent gave no financial information. About a thousand, or 1 percent, reported spending \$1,000 or more trying to restore their credit.

Because of such uncertainty, not everyone is a fan of the insurance.

"You should save your insurance dollars for things that are catastrophic in nature and not just pesky," said Bob Hunter, insurance director for the Consumer Federation of America.

Insurance may cover the costs but doesn't end the "nightmare" of restoring credit, said Mari Frank, a California victim advocate.

"You still have to do all the work yourself," she said.