

Identity Fraud: Addressing Client Challenges and Creating Bank Opportunities

By Joe Reynolds

Banks are no stranger to the real danger posed by identity fraud. Anyone from bank directors to employees to clients can fall victim to identity fraud. Perhaps more so than other institutions, banks are sensitive to the damage that can be done by an identity thief and take proper actions to manage risk by securing specialized insurance policies that cover their accrued costs, from complying with laws and regulations to addressing notification expenses, if breaches occur.

How a bank handles and responds to identity fraud can be a pivotal factor for potential clients *and* employees. Helping clients and employees understand and manage their risk can turn the threat of identity fraud into an opportunity. Providing your customers with insurance such as Identity Fraud Expense Reimbursement coverage can set a bank apart from its competitors as a business that goes the extra mile for its customers and employees.

Despite awareness of fraud and the precautions taken to protect personal data, identity fraud's financial impact on consumers is growing. Javelin Strategy and Research's 2013 Identity Fraud Survey Report noted an incidence rate of 5.26 percent, or 12.6 million new victims in 2012. In other words, 1 in 19 of a bank's customers is susceptible to identity fraud every year. While the out of pocket expenses to individuals averaged \$365, the total fraud losses affecting financial institutions, merchants and other businesses increased nearly 14% from prior year to \$20.9 billion.

Acting on Opportunity

Managing identity fraud can be a costly endeavor for financial institutions. To protect against the occurrence of identify fraud and comply with federally mandated Red Flag Rules, many banks invest in comprehensive security measures and mitigation programs such as building technology firewalls, data management protocols or offering credit monitoring for potential victims in the event the customer information is compromised. They employ fraud centers and other loss recovery techniques to minimize their own losses. These investments can help reduce the likelihood of identity fraud while increasing customer confidence and protect their bottom line.

Banks can instill further confidence and loyalty in clients and employees by employing other risk management solutions. Identity Fraud Expense Reimbursement coverage can give employees and clients another layer of protection and secure the bank's role as risk manager and customer advocate. Some advantages of touting these offerings include:

- ***Inspiring Loyalty and Exhibiting Differentiation.*** Customers expect a bank to cover the costs of losses that are connected to bank activities but may not expect coverage for fraud that occurs outside the "walls" of the bank. However, when a financial institution provides expansive Identity Fraud Expense Reimbursement coverage as a no-cost account holder benefit, customers know they are getting a valuable benefit that will respond no matter where the crime originates.
- ***Proactive Loss Mitigation:*** By quickly identifying and resolving an identity fraud incident, banks will not only provide superior customer service but also may reduce the possibility of further additional fraud costs to the consumer and the bank itself. A customer who is a better identity fraud risk is good for the customer and potentially more profitable for the bank!

- **Maintaining Productivity.** Resolving identity fraud incidents often requires the victim to contact organizations and creditors during normal business hours – distracting them from their job. Offering employees identity fraud resolution services can relieve stress and save them time, ultimately allowing an employee to be productive on the job.

Shopping for Coverage

Banks should turn to a trusted insurance agent or broker to sort through offerings and determine strategic solutions. Identity Fraud Expense Reimbursement policies generally cover lost wages from taking time off to clear records, attorney fees when legal services are needed and child or elder care costs. For many banks, insurance policies that include coverage for travel expenses, ID replacement costs, medical ID fraud expenses and other incidental expenses that can quickly add up when resolving a fraud are going to be more impactful for the business, employees and clients.

The best insurance policies also provide resolution services, giving victims access to experts who can guide their efforts to correct financial records and clear their credit reports of fraudulent information. Clear recommendations from an experienced professional can make an impact on both a victim's time and expenses. Top notch resolution services should engage the customer and include comprehensive educational websites where bank customers can request free credit reports, opt out of marketing mailing lists, and access cutting edge diagnostic tools that help a consumer gauge their risk to identity fraud. Credible providers of Identity Fraud Expense Reimbursement insurance also maintain an experienced claims staff dedicated to quickly and thoroughly handle claims, which enhances the overall customer experience.

In Travelers' experience, while the needs of policyholders vary, customers typically find value in Identity Fraud Expense Reimbursement policies with limits between \$1,000 and \$25,000. Additionally, agents can help banks find a policy that works hand-in-hand with educational and marketing resources for the bank, its employees and customers.

In a highly competitive financial services market, banks will continue to look for ways to set themselves apart from competitors in order to attract and retain customers *and* employees. Providing Identity Fraud Expense Reimbursement insurance to customers offers value beyond traditional or legally required services. Providing similar coverage to employees pays off in productivity and adds to a bank's reputation as a preferred employer. By working closely with an insurance agent or broker, banks can identify the best coverage at the most efficient cost, and turn the risks posed by identity fraud into an opportunity to be a proactive and service-oriented business partner.