



INFORMATIONAL HEARING

Select Committee on Cybersecurity and Identity Theft Prevention

*Catch Me if You Can:
Investigating Fraud and Identity Theft in California*

Tuesday, March 1, 2022
1:30 PM
State Capitol, Room 4203

Background Paper

Overview

There have been an astonishing number of identity theft attacks and threats to personal identifying information in recent years, and the problem is becoming more pervasive and complex. The California Attorney General’s website defines identity theft as the act of, “someone taking personal information like your name, Social Security number, or financial account number and using it for an unlawful purpose.”¹ This definition may seem simple but it represents a nuanced crime that has evolved drastically in recent years, forcing public and private entities to evolve with it.

Each year, identity theft and fraud impact a large number of adults living in America. A 2014 study calculated that approximately one person fell victim to identity theft every 2.5 seconds in the United States. This translated to over 1.5 million Californians impacted that year alone. In 2019, there were 1.72 million reports of identity fraud nationwide, which rose to 2.18 million reports in 2020.² Along with the increase in identity theft reports, the number of data breaches

¹ California Attorney General’s Office Website

<https://oag.ca.gov/idtheft#:~:text=Identity%20theft%20is%20someone%20taking,it%20for%20an%20unlawful%20purpose.&text=In%20California%2C%20all%20forms%20of,things%20in%20a%20victim's%20name>

² Katherine, Skiba, “Pandemic Proves to Be Fertile Ground for Identity Thief,” AARP, February 5, 2021, <https://www.aarp.org/money/scams-fraud/info-2021/ftc-fraud-report-identity-theft-pandemic.html>.

also rose. No stranger to personal identification fraud, California has the third highest rate of identity thefts per 100k population in the country with credit card fraud being the most common form.³ In 2019, just over 100,000 Californians reported identity theft,⁴ and in 2020 this number rose to 147,000.⁵

Trends in Identity Theft

Identity theft presents a fast-growing criminal market and has evolved drastically over time. Originally, identity theft and fraud was commonly seen as a physical crime, whereas in recent years it has grown more organized, discrete, and virtual.⁶ The Federal Trade Commission (FTC) classifies identity theft incidents into several different categories: credit card fraud, loan or lease fraud, phone or utilities fraud, bank fraud, employment or tax-related fraud, government documents or benefits fraud, and other identity theft. According to the FTC, the most commonly reported form of identity theft in 2020 were facilitated through impostor scams, which frequently involves criminals posing as others to get money or information from victims.

The COVID-19 pandemic led to a shift in consumer behavior and changed the identity theft criminal market. During this time, consumers stayed at home and relied more on online streaming, shopping, and entertainment sources. Paige Shaffer, the CEO of Global Identity & Cyber Protection said, “The culture of fraud is clearly shifting. The pandemic has created so many more points of vulnerability for families and businesses. Whether its payment products meant to enhance convenience, remote operations, additional logins or even simply more time online, there is more opportunity now than ever for compromise.”⁷ As Americans increasingly relied on the internet they became more susceptible to growing online schemes, indicating the need for increased awareness of how to avoid falling victim to these traps.

Who Does Identity Theft Impact?

Identity theft is often referred to as a crime that does not discriminate, as it can impact anybody with identifying information, yet it is still important to understand who fraud affects and how that impact differs. According to the FTC, younger people tend to report losing money to identity theft at higher rates but individuals over the age of 70 report median losses that are much higher.⁸

³ Jonathan Johnes, last updated December 2, 2021, Constructive Coverage [U.S. States With the Most Identity Theft Complaints \[2020 Update\] \(constructioncoverage.com\)](https://www.constructioncoverage.com)

⁴ Ibid,

⁵ Grant Suneson, July 20, 2021, MSN, This Is How Common Identity Theft Is in California, <https://www.msn.com/en-us/money/personalfinance/this-is-how-common-identity-theft-is-in-california/ar-AAmmd14>

⁶ FTC Identity Theft America Resource Document, https://www.ftc.gov/sites/default/files/documents/public_comments/credit-report-freezes-534030-00033/534030-00033.pdf

⁷ March 23, 2021, Business Wire, <https://www.businesswire.com/news/home/20210323005370/en/Total-Identity-Fraud-Losses-Soar-to-56-Billion-in-2020>

⁸ FTC Sentinel Network Data Book, February 2021, <https://www.ftc.gov/reports/consumer-sentinel-network-data-book-2020>

The average loss for those under 60 is \$300, while it is over \$1,100 for those over 60.⁹ The most common victims of identity theft are women across race, age, education, and income groups, with married women being the most common victims.¹⁰ Marital status of victims is significant, as a breach of identifying information can impact a spouse or children.

The Cost of Identity Theft and Fraud

The cost of identity theft and fraud are staggering to individuals, private entities, and the government. While state-specific data from recent years is difficult to find, Attorney General Rob Bonta reports that identity theft cost California victims and businesses \$18 million in 2013 and \$16 million in 2014.¹¹ A recent study by Javelin Strategy & Research found that identity theft cost Americans a total of approximately \$56 billion in 2021, with roughly 49 million consumers falling victim. Forty-three billion of the losses resulted from identity theft scams where criminals interact directly with consumers to steal their information through robocalls, phishing emails, and similar means. The other \$13 billion in losses were due to what the report called “traditional identity fraud,” where cybercriminals steal personally identifiable information and use it for their own gain.¹² Further, the impact of identity theft is not lost on families. Over 1.3 million children fall victim to identity theft each year and studies show that 50% of the impacted children are ages 6 or younger.¹³ Families are expected to pay \$540 million to account for fraud damage from scammed children alone.¹⁴

Considerations for State Government

State governments have long played a role in legislating privacy. According to the National Conference of State Legislatures 2021 report on consumer data protection legislation, states are increasingly taking a more active role in promoting personal privacy safety legislation. In 2021, 38 states introduced over 160 bills related to privacy protections, compared to 30 states in 2020 and 25 in 2019. Of the introduced bills, comprehensive privacy legislation was the most common with twenty-five states introducing comprehensive privacy legislation and 13 successfully enacted this legislation. The bills ranged in issue areas from facial recognition software to consumer genetic information to information brokers.¹⁵

⁹ Taylor Schulte, January 10, 2021, Define Financial, <https://www.definefinancial.com/blog/identity-theft-credit-card-fraud-statistics/#:~:text=There%20were%20nearly%201.4%20million,53%25%20from%202019%20to%202020>

¹⁰ Ibid.

¹¹ California Attorney General’s Office Website <https://oag.ca.gov/idtheft#:~:text=Identity%20theft%20is%20someone%20taking,it%20for%20an%20unlawful%20purpose.&text=In%20California%2C%20all%20forms%20of,things%20in%20a%20victim's%20name>

¹² March 23, 2021, Business Wire, <https://www.businesswire.com/news/home/20210323005370/en/Total-Identity-Fraud-Losses-Soar-to-56-Billion-in-2020>

¹³ Julija A, February 17, 2022, Fortunly, <https://fortunly.com/statistics/identity-theft-statistics/>

¹⁴ Ibid.

¹⁵ National Conference to State Legislators, 12/27/2021, <https://www.ncsl.org/research/telecommunications-and-information-technology/2021-consumer-data-privacy-legislation.aspx>