



STARTUP

spotlight

Clamping Down on Identity Theft



IT'S 10 O'CLOCK. Do you know where your identity is? This question is becoming more important every year for small businesses, as identity-theft scams get more sophisticated.

According to a recent study by security technology company McAfee, small businesses that experience identity theft pay \$268,000 for every

financial record that is stolen and \$1.83 million annually to cover data-leakage expenses. Pamela Whitfield, president and CEO of Bellevue-based **Whitfield Benefit Solutions**, says half of all identity theft happens at the workplace, and only one in 700 cases is ever prosecuted.

Not only is identity theft hard to catch, it can be more lucrative than the illicit drug trade, Whitfield says. A retail credit-card theft case handled by the Justice Department in 2008 made \$11 million in profit.

While Whitfield estimates that up to 80 percent of Seattle businesses are not thoroughly prepared, some local companies have taken an active stance to protect against identity theft from day one. Dan Price, the CEO of credit-card processing firm **Gravity Payments**, says his company was able to save a local auto dealership more than \$30,000 last November by pre-empting a suspicious transaction. Price's automated system runs each company's transaction and then verifies at

least 300 suspicious purchases a day. In all, Price says the system has saved his clients more than \$1 million a year in fraudulent payments.

As a result of the escalating cyber-theft trend, the Federal Trade Commission (FTC) has added laws to prevent the abuse of an identity once the information has been stolen. Enacted in November 2008, the FTC's so-called "red flag rules" (see ftc.gov) require businesses to appoint information security officers, create written identity authentication plans, and hold training sessions for employees and vendors. In May, the FTC will begin to fine businesses \$2,500 per stolen transaction if these precautions are not in place.

Although the sheer volume of information to monitor is daunting, Whitfield says the red-flag rules will help limit businesses' liability. "The downside of doing nothing is massive," she adds. —K.S.



WBS has been providing education and voluntary benefits to businesses since 1996 and currently has almost 400 employers in Western Washington as clients. WBS clients include private and public sector companies of all sizes, including Swedish Medical Center with over 7000 employees. WBS can provide a unique, turn-key identity theft solution for their clients that will allow them to start their compliance program at little to no direct cost to a company through the offering of a voluntary identity theft benefit being offered at the workplace.

Ms. Whitfield is a Certified Identity Theft Risk Management Specialist, a member of the International Association of Privacy Professionals and teaches a one-hour Continuing Education (CE) class to insurance and financial professionals entitled "Identity Theft: Trends, Laws and Options".

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