



Assessing identity theft exposure in municipalities

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What is identity theft?

Identity theft occurs when someone uses another person's personal identity information without his or her knowledge or consent to commit a crime, such as fraud or theft.

Criminals may use someone's name, birth certificate, credit card number, Social Insurance Number (SIN) and other personal information to open credit card and financial accounts, redirect mail, establish cellular phone service, rent vehicles, equipment, or accommodation, and even secure employment. If someone has used another person's identity, that person could be left with bills, charges and damage to their credit rating, unless steps are taken to stop the identity theft and repair the damage.

According to the Canadian Anti-Fraud Call Centre, *Phonebusters*, in 2006 there were 249 identity theft complaints in Manitoba, down from 394 in 2005. During the same period, there were 7,778 incidents in all of Canada, down from 12,409 in 2005.

Exposure of businesses, governments and other outside interests

Financial fraud crimes linked to Identity Theft occur in Canada because personal information is collected and retained more than ever before, and the risk of theft multiplies every time that information is transmitted, retained or disposed of **in an unsafe manner**. An increasing number of cases are "inside jobs" conducted by individuals who have access to an organization's sensitive data.

Members of the public are becoming wary of giving out information, and are learning more about their right to privacy every day. Increasingly they are holding organizations responsible for protection of their personal information. Breaches of that responsibility are publicized extensively and become not only huge legal problems, but also large public relations nightmares.

Exposure of municipalities

Every municipality in Manitoba collects, transmits and retains personal information on the residents and service providers in

their jurisdiction. Criminals can use simple data such as names, addresses and telephone numbers to commit fraud.

Through the course of the year, many administrators, councillors and community committees have access to other sensitive personal data belonging to residents, and others, such as bank account information on cheques or Pre-Authorized Chequing for taxes, service fees and other community activities. Some of these instances may include knowledge of credit card information, property titles/ownership information and property assessments.

Although credit card companies in Canada limit the liability of individual cardholders for the fraudulent use of that individual's card, the publicity surrounding a breach is

enormous and can be very detrimental to the entity that allowed the breach. Recent examples of the scale of the negative publicity that can be generated are the breaches involving Winners and Home Sense.

Public entities are usually held to a greater degree of accountability than corporations, especially the public government system, so damage to image, and the public's trust in that entity from a breach is usually significant, always negative, and very well publicized.

In addition, should the personal information that municipalities collect fall into the hands of criminals due to a negligent lack of security on the part of a municipality or breach of confidentiality by an employee, the municipality **may be** held responsible for the costs incurred to rectify the disruption to the individual's credit rating and replacement of personal items such as SINs, drivers licenses, credit and bank cards. These costs can include legal fees, lost wages and other costs, in addition to the amounts incurred by the thief on credit and debit cards.



Minimizing the exposure

Although insurance is available to compensate individuals and entities that are victims of identity theft; or those that are held responsible for an identity theft incident, the adoption and implementation of proper risk management processes is the best method to minimize the exposure to a potential incident that may result in identity theft. Policy deductibles and premium costs may not prove their worth in the event of a claim. Processes that stress the proper and secure collection, handling, transmission, storage and destruction of personal information in its various forms are the most important risk management tools. Some of the most serious breaches have occurred from improper or accidental disposal of sensitive information. All records containing this type of information should be shredded before disposal.

All municipalities in Manitoba are required to formulate policies for the management and protection of records and information in accordance with the *Personal Information Protection and Electronic Documents Act (PIPEDA)* and the *Freedom of Information and Protection of Privacy Act*. Development and adherence by all staff to policies encompassing information from these references will provide a solid foundation for the minimization of the potential for a municipality to be involved in an incident that may lead to Identity Theft.

Secure handling and storage of cheques and credit card information is also important. The need to collect and retain this information should be avoided, but if necessary, all bank and credit card information must be protected from theft or other abuse no different than other personal information. Treat this information the same as cash! It has the potential to be significantly more valuable.

Further information is available from:

Consumer Measures Committee, Office of Consumer Affairs, Government of Canada, <http://cmcweb.ca/epic/site/cmc-cmc.nsf/en/fe00084e.html>

The Department of Public Safety and Emergency Preparedness, Government of Canada, http://www.safecanada.ca/identitytheft_e.asp

Phone Busters – The Canadian Anti-Fraud Call Centre, <http://www.phonebusters.com>

If you should have any further questions please contact Bert Walker (Ext 7295) or Ken Fingler (Ext 7279) at HED Insurance at 1-800-665-8990. ☞

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