

ChoicePoint



## NEWS CENTER

## News Features

- > ChoicePoint Books
- > Print Articles
- > Online Articles
- > Videos
- > Acknowledgements and Awards

SEARCH FRONTS AND CLAIMS

COURT NO. 6

DATE 3-10-05

FILE NO. SB 238

## ChoicePoint to Exit Non-FCRA, Consumer-Sensitive Data Markets; Shift Business Focus to Areas Directly Benefiting Society and Consumers

ALPHARETTA, Ga. – March 4, 2005 – ChoicePoint (NYSE: CPS) Chairman and Chief Executive Officer Derek V. Smith on Friday announced that the company will discontinue the sale of information products that contain sensitive consumer data, including Social Security and driver's license numbers, except where there is a specific consumer-driven transaction or benefit, or where the products support federal, state or local government and criminal justice purposes.

"These changes are a direct result of the recent fraud activity, our review over the past few weeks of our experience and products, and the response of consumers who have made it clear to us that they do not approve of sensitive personal data being used without a direct benefit to them," Smith said. "We apologize again to those consumers who may be affected by the fraudulent activity. We remain committed to helping them take active steps to protect their personal data and to assisting law enforcement officials who are investigating the attacks on consumer's identities."

ChoicePoint will continue to serve most of its core markets and customers, but these actions will have an impact on the scope of products offered to some customers and the availability of information products in certain market segments, particularly small businesses. The transition will begin immediately and is expected to be substantially completed within 90 days.

The remaining ChoicePoint products and services that contain sensitive personal information will meet one of three tests:

- Support consumer-driven transactions where the data is needed to complete or maintain relationships such as insurance, employment and tenant screening or to provide access to their own data;
- Provide authentication or fraud prevention tools to large, accredited corporate customers where consumers have existing relationships. For example, information tools for identity verification, customer enrollment and insurance claims; or
- Assist federal, state and local government and criminal justice agencies in their important missions.

As previously announced, the company has strengthened its customer credentialing procedures and is presently re-credentialing broad segments of its customer base, including all small business customers.

Additionally, the company has created an independent office of Credentialing, Compliance and Privacy that will report to the Board of Directors' Privacy Committee. Based in Washington, D.C., this office will oversee improvements in customer



credentialing processes, the expansion of a site visit-based verification program and implementation of procedures to expedite the reporting of incidents. Additional details about the office and the person who will lead this new organization will be released next week.

The impact of ChoicePoint's decision to discontinue the sales of certain products is expected to reduce 2005 core revenues by \$15 - 20 million and to be dilutive to earnings per share by 10 to 12 cents. Actual results could vary from these estimates. This estimate excludes the approximately \$2 million purchase of credit reports and monitoring services for affected consumers and other operating charges such as legal, consulting, technology and miscellaneous expenses which we cannot estimate at this time.

Smith also emphasized that the company is helping consumers whose identities may have been compromised by those who fraudulently obtained information from ChoicePoint during the course of last year. "We hope that affected consumers will use the help line and take advantage of the free three-bureau credit reports and credit monitoring we have made available for them," he said.

#### About ChoicePoint

ChoicePoint Inc. (NYSE: CPS) is the leading provider of identification and credential verification services for making smarter decisions in a world challenged by increased risks. Serving the needs of business, government, non-profit organizations and individuals, ChoicePoint works to create a safer and more secure society through the responsible use of information while ensuring the protection of personal privacy.

#### Form 8-K

ChoicePoint filed a current report on Form 8-K today with the Securities and Exchange Commission. In the Form 8-K, we provide additional information regarding the recent customer fraud incidents, an update on related regulatory and legislative matters and legal proceedings, and other matters. The Form 8-K can be viewed on the SEC's Web site at [www.sec.gov](http://www.sec.gov) or our Web site at [www.choicepoint.com](http://www.choicepoint.com).

#### Forward Looking Statement

Certain written statements in this press release constitute "forward-looking statements" as defined under the Private Securities Litigation Reform Act of 1995. Words or phrases such as "should result," "are expected to," "we anticipate," "we estimate," "we project," "we intend," or similar expressions are intended to identify forward-looking statements. These statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those expressed in any forward-looking statements. These risks and uncertainties include, but are not limited to, the following important factors: the results of our ongoing review of the Los Angeles incident and other incidents, the impact of our decision to discontinue certain businesses as described in this press release, the results of our re-credentialing of customer accounts, the results of any litigation or governmental proceedings, demand for our services, product development, our ability to maintain acceptable margins and control costs, the impact of federal, state and local regulatory requirements on our

business, including the public records market and privacy matters affecting us and any federal or state legislative responses to identity theft concerns, the impact of competition and the uncertainty of economic conditions in general. Additional information concerning these and other risks and uncertainties is contained in our filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the year ended December 31, 2003. Readers are cautioned not to place undue reliance on forward-looking statements, since the statements speak only as of the date that they are made, and we undertake no obligation to publicly update these statements based on events that may occur after the date of this document.

###

ChoicePoint and the ChoicePoint logo are registered trademarks of ChoicePoint Asset Company.

[Legal / Privacy](#)

Advertisement

FAST, NEW Sun Systems powered by 64-bit AMD Opteron™ processors.

Click to start bidding.



Classifieds: Cars | Jobs | Personals | USA TODAY

- Home
- News
- Travel
- Money
- Sports
- Life
- Tech
- Weather

# Tech

E-MAIL THIS | PRINT THIS | SAVE THIS | MOST POPULAR | SUBSCRIBE

Posted 3/8/2005 5:45 AM

powered by Google

## Man sentenced to 5½ years in ChoicePoint ID theft

LOS ANGELES (AP) — A Nigerian national who used personal information from ChoicePoint and other companies to commit identity theft against thousands of people was sentenced to 5½ years in federal prison.

Besides his term, Adedayo Benson, 38, was ordered Monday to pay nearly \$155,000 in restitution to 10 financial institutions.

Authorities said Benson opened "mail drops" to which he redirected mail from victims' credit card companies, then used the cards to make fraudulent purchases and get cash advances.

His sister, Bibiana Benson obtained the information by opening accounts with several public records database firms, including ChoicePoint Services, Advantage Financial and Equifax, while posing as a real estate agent.

Adedayo Benson pleaded guilty to charges related to fraudulently obtained credit cards. Bibiana Benson was sentenced to 4½ years after pleading guilty to unlawful use of identification.

ChoicePoint last month publicly announced a different security breach involving scammers who posed as small business customers to access sensitive data for identity theft.

Copyright 2005 The Associated Press. All rights reserved. This material may not be published, broadcast, rewritten or redistributed.

Advertisement

TIME TO DO THINGS THAT MATTER MORE

### Today's Top Tech Stories

- Nokia sees N-Gage redesigns, or CDMA - 6:34 AM
- Sprint says getting more selective - 6:31 AM
- Top database makers keep market - 6:24 AM
- Kansas to hold six days of hearing on evolution - 6:20 AM
- White House admits first blogger - 6:14 AM

Add USATODAY.com RSS feeds

### E-Mail Newsletters

Sign up to receive our free Tech e-mail newsletters. Get the latest tech news, Hot Sites & more delivered to your inbox.

E-mail:

Select one:  HTML

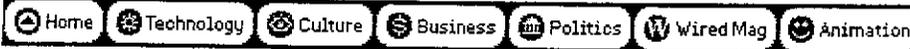
- Tech Investor
- Investor home
- Internet 50 index
- Ask Matt
- Kevin Maney
- Tech Products
- Products home
- Edward C. Baig
- Jinny Gudmundsen
- Marc Saltzman
- Wireless Center
- Hotspot finder
- Wi-Fi primer
- Columnists
- Columnists index
- Andrew Kantor
- Kim Komando
- Eric J. Sinrod
- WonderQuest
- More Tech
- Hot Sites
- Tech briefs
- Shareware Shelf
- Ask Kim Komando
- Science & Space
- Talk Today
- Classifieds
- Advertisement

# Bad Credit Refinance for Mar 8

Up to 4 offers - Free - in 60 seconds

[Click here](#)





Text Size: A A A A

## ID Theft Victims Could Lose Twice

By Kim Zetter | Also by this reporter

02:00 AM Feb. 23, 2005 PT

The recent security breach at data aggregator ChoicePoint that exposed at least 145,000 consumers to identity theft and renewed a call for regulation of the data industry will likely leave victims of the breach twice bitten -- first from the identity theft itself and second from thwarted attempts to recover damages for their losses if they decide to seek recourse.

Legal experts say that people who suffered losses as a result of the breach will find it difficult to get compensation from ChoicePoint for selling their personal data to con artists, even if the victims can prove that ChoicePoint was negligent in screening customers who purchased their data. That's because courts have been unwilling to penalize companies when victims of identity theft are not their direct customers.

Experts are hoping the ChoicePoint case may begin to swing court opinion, which could force companies like ChoicePoint to take better care of consumer privacy and data in the absence of federal legislation.

"There is a lot of political support behind consumer frustration in this area," said Charles Merrill, a New Jersey-based attorney who focuses on information technology cases. "I think that information security liability may be the next 'toxic tort' -- like asbestos. The time is right for it."

Atlanta-based ChoicePoint is a data-aggregation company that collects information on individuals from birth certificates, DMV records, credit and medical histories, court records and consumer transactions to create database dossiers on billions of individuals.

The company sells the data to direct marketers to help them target products to consumers. ChoicePoint also sells data to government agencies. Since 9/11, the company has positioned itself as a homeland security company to provide government agencies with data to help them authenticate and verify the identity of individuals.

This strikes an ironic chord for privacy advocate Richard M. Smith, who

noted that the company's inability to verify and authenticate the identities of its own customers led to the recent breach in which scam artists illegally purchased consumer data from the company and stole the identities of more than 700 people.

Last October, ChoicePoint uncovered suspicious activity during an audit and contacted law enforcement agents to determine if it was fraud-related.

An investigation revealed that unknown perpetrators had used stolen identities to open 50 customer accounts with ChoicePoint to purchase data on at least 145,000 individuals. They purchased data for more than a year before ChoicePoint discovered the fraud.

It's not the first time ChoicePoint has had a security lapse. In 2002, the company acknowledged that it had left an internal corporate database viewable by anyone with a web browser.

According to ChoicePoint spokesman Chuck Jones, the perpetrators of the most recent incident set up phony businesses and obtained authentic business licenses, listing addresses and phone numbers, to obtain the accounts. Jones said that ChoicePoint did due diligence in verifying the individuals and their companies and that everything checked out.

"We checked out the principals of the businesses and they came back clean," he said. "The business licenses also came back as valid."

When asked if ChoicePoint called the phone numbers on the business licenses or looked up the addresses, he declined to say. But the company acknowledged that it has changed its procedures for verifying new accounts and will be investigating existing accounts to make sure that they are valid. ChoicePoint also said that it has hired a retired Secret Service agent to help revamp its verification process.

Although the fraud had continued for a year, federal authorities asked the company to put off notifying consumers that their data had been exposed until two weeks ago, when the company sent out more than 34,000 letters to California residents. California investigators also told the Associated Press this week that they believed the number of people whose data was compromised could rise to half a million. So far, one man has been sentenced to 16 months in prison in California, but authorities do not believe he acted alone, so there may be more perpetrators and more victims.

Story continued on Page 2 »

Ads by Google

<p>ID Verification Solutions Top Verification Performance. End to End Solution. Info Here! www.UPEK.com</p>	<p>Free Credit Report Online See Your Credit Report, Credit Score, or 3 Bureau Report Now! Free-Credit-Report-in-Seconds.Com</p>	<p>ChoicePoint Class Action How to Participate in the Case ChoicePoint Class Action Info www.righettilaw.com/</p>	<p>Free Credit Report Protect yourself from Theft. View your credit report online. www.ConsumerInfo.net</p>
---	--	---	---

---

**Wired News:** Staff | Contact Us | Advertising | RSS | Blogs | Subscribe | Jobs  
We are translated daily into Japanese

© Copyright 2005, Lycos, Inc. All Rights Reserved.  
Your use of this website constitutes acceptance of the Lycos **Privacy Policy** and **Terms & Conditions**