

>> Claudia Bourne Farrell: Hi. I'm Claudia Bourne Farrell, and we're ready to begin. We're gonna hear this morning from FTC chairman Jon Leibowitz and from Attorney General Lisa Madigan. They will then take questions from the room, and then we have some reporters queued up on the phone. They'll take questions from them. I'd like you to turn off anything that beeps. Reporters -- We take only questions from reporters. Before we begin, we'd like to treat you to a little video. Go, James.

>> Jon Leibowitz: No sound?

>> Lisa Madigan: We'll think about letting you listen to it, too.

>> James: [Speaking indistinctly]

>> Claudia Bourne Farrell: Pardon me?

>> James: Can we come back to it?

>> Jon Leibowitz: Do you want to go back and start again and give us sound? It's -- It's good without the sound, but it's really good with the sound. [Laughter]

>> Lisa Madigan: And we're on time, so we'll give you some time. [Laughs] You need to see.

>> James: Okay.

>> Lisa Madigan: You're a guy. Can you get this thing started?

>> Todd Davis: I'm Todd Davis, and I'm here to prove just how sa--

>> Jon Leibowitz: We'll try this one more time, but I think we have the audio and the video working together now. Thank you, James.

>> Male Speaker: 457-55-5462.

>> Male Speaker: If you've ever worried about identity theft, it's time you got to know LifeLock.

>> Todd Davis: I'm Todd Davis, and I'm here to prove just how safe your identity can be with LifeLock. That's my real Social Security number.

>> Male Speaker: You're nuts, man.

>> Female Speaker: Can you believe that?

>> Male Speaker: Leading the way in identity theft prevention, LifeLock helps keep your personal information safe, even in the wrong hands.

>> Female Speaker: This is crazy.

>> Todd Davis: If anything happens while you're a client of LifeLock, we will cover all losses and all expenses up to \$1 million.

>> Male Speaker: You're going to protect me for \$1 million?

>> Male Speaker: Call now or visit our website. Guarantee your good name for only \$10 a month. You'll also see a huge reduction in junk mail and pre-approved credit offers.

>> Female Speaker: No junk mail? Sign me up.

>> Todd Davis: We aim to stop identity theft before it happens.

>> Male Speaker: For security, peace of mind, and protection, call now or go online. LifeLock guarantees your good name.

>> Jon Leibowitz: All right. Good morning. We wanted you to see this video because it gives you a sense of the ads that were running by LifeLock. So, I'm Jon Leibowitz of the Federal Trade Commission, and I can't tell you how pleased I am to be here today.

>> Female Speaker: Whoops.

>> Jon Leibowitz: We'll try that again. But I can't tell you how pleased I am to be here today with Lisa Madigan, who has done just absolutely terrific work on behalf of the people of Illinois and who has become really a nationally respected leader among attorneys general and really the leader among attorneys general in the effort that's coming to fruition today. As all of you know, identity theft remains a critical issue for all Americans. It's been the number-one consumer complaint at the FTC for the last 10 years in a row. FTC survey data and other survey data shows that millions of Americans, probably 8 to 10 million Americans every year, fall victim to identity theft, and, not surprisingly, given these alarming statistics, consumers, American consumers, are invariably looking for ways to protect their personal information and their pocketbooks from people who want to exploit them, and that's where LifeLock comes in. It was a company -- it is a company that developed a market to capitalize on consumers' fears of having their identities stolen. Along with Illinois and 34 other states and state attorneys general, we challenge LifeLock's practices because they promise protection they didn't deliver. LifeLock, as many of you know, has become a nationally recognized company due to its widespread advertising campaign for identity-theft-protection services. The company promised consumers that for \$10 a month, it could actually make their personal information useless to identity thieves and completely prevent identity theft. Its CEO and co-founder, Todd Davis, who was in that commercial, became famous for appearing in ads just like that one, revealing his Social Security number. In the ad you saw at the beginning of the press conference, a large truck drives around a city with Davis' Social Security number painted on the side. In truth, though, the protection LifeLock actually provided left such a large hole in it that you could drive that truck right through it. LifeLock subscribers did receive some protection against unauthorized opening of new accounts in their name, but consumers received far less protection against identity theft than they were promised. For example, LifeLock's service didn't stop the misuse of existing credit-card accounts, didn't stop the misuse of existing bank accounts, and those are among, really, the most common types of identity theft. In addition, LifeLock made

claims reassuring consumers that it limited access to their sensitive financial data and encrypted it for security. Unfortunately, the company didn't. Its data security suffered from severe vulnerabilities that are unacceptable for any company that collects personal information from consumers but especially shameful for a company that purportedly has a business model of preventing identity theft. In the settlement, LifeLock will pay \$12 million in total to settle charges that it made deceptive claims for its services. Under the orders that LifeLock has entered into with the FTC and the states, the company will have to pay essentially every single dollar it has on hand and tell consumers the truth about the benefits and limitations of their identity-theft-prevention program and data-security practices. LifeLock will also have to implement a data-security program. And we'll use the \$11 million that the FTC is getting to give consumers refunds. The FTC has also entered into orders with LifeLock CEO Todd Davis and another company co-founder, Robert Maynard. Now, LifeLock is still in business, and it has changed its business model. It still offers identity-theft-protection services. Now, from our perspective, as long as the company is honest and up front with consumers, as long as it lets subscribers know what they're getting, as long as it has adequate security safeguards for sensitive customer information, we wish LifeLock well. The sad truth, though, is that at the FTC, we see this predictable cycle of predation over and over and over again. First, a new problem comes to the forefront of the news. It might be identity theft, it might be home foreclosures, it might be unemployment, it might be a health scare like the H1N1 flu. And then con artists who see a way to take advantage of consumer anxiety pop up promising all sorts of easy-fix solutions for a price. Whatever the price, and honestly, LifeLock services -- and I want to emphasize this -- did provide at least some benefits. It is far too much for consumers to pay when they receive far less than they were promised in return. Now, we have been working very, very hard with our state partners in law enforcement to stop these scams whenever they start. By working together, we found that we're able to protect consumers more effectively than we could by working alone. And no one has worked harder or more effectively than Attorney General Lisa Madigan, who has been just an absolutely invaluable partner to the FTC on so many consumer-protection issues and a leader in recent sweeps cracking down on scams involving employment opportunities, mortgage modifications, debt-relief services, and telemarketing. General Madigan was instrumental in bringing this case against LifeLock, and her involvement here is just one more example of why she has really deservedly earned the reputation for being one of America's top cops. General Madigan, can I turn it over to you?

>> Lisa Madigan: You may.

>> Jon Leibowitz: Thank you so much.

>> Lisa Madigan: Thank you, Mr. Chairman. Let me say thank you to the FTC Chair, Jon Leibowitz, for coming to Chicago today to announce the settlement with LifeLock but also for his commitment to partnering with state attorneys general, in particular to protect consumers across our nation. Today's settlement with LifeLock represents an unprecedented joint enforcement effort between 35 states and the FTC. It is, in fact, the largest joint FTC multistate settlement in the area of privacy and identity theft to date. As the Chairman noted, under the settlement, LifeLock will pay \$11 million to consumers who may have been misled about the benefits of LifeLock. In the next few weeks, consumers will receive a letter from the FTC and their state attorney general explaining how to take part in the settlement. Our investigation of LifeLock focused on their advertisements and their letters that were sent to consumers. And oftentimes, they included scare tactics to sell the company's services. In its ads and its letters, LifeLock warned consumers that they were at a heightened risk of identity theft when LifeLock had no basis of making such a claim. In fact, I was the recipient of one such letter. [Laughter] Instead of purchasing LifeLock's services, though, I brought this letter into work. That's really the great thing about being the Attorney General. As you can see in the letter, it actually says in bold, "Warning: If you have used a credit or debit card before January 2009, you may be at risk." And then if you go on to read the letter, you will be confronted with alarming and startling information that will lead you to wanting to purchase their services. However, I want to tell you three things that people need to know. Number one, unfortunately, there is nothing that you can do or purchase that will provide you with a 100% guarantee against being a victim of identity theft, but that doesn't mean that you should do nothing. Two, there are some very basic steps that you can take to protect yourself from identity theft, and most of them are free. Three, don't be scared into spending your hard-earned money. This is a typical tactic of scam artists. So, LifeLock's primary service was to request that credit bureaus place a fraud alert on a consumer's credit report. Well, a fraud alert is an effective way to protect against some types of identity theft. As you have heard, it is not an effective way to protect against all types of identity theft. So, a fraud alert will not stop an identity thief from running up

charges on your credit card once it's been stolen. A fraud alert will not stop an identity thief from using your personal information to obtain medical services. So, LifeLock's claims were misleading consumers looking for protection, but, like Chairman Leibowitz, I understand why people want protection. So, identity theft continues to be rampant, and it continues to be a serious crime. Here in Illinois, the office of Attorney General received 4,376 identity-theft complaints last year. Identity theft was our number-two complaint that was filed with the office in 2009 as well as in 2008 and in 2007 and 2006. It was the number-one complaint filed in the Attorney General's office in Illinois. Fortunately, as we've mentioned, federal and state laws offer consumers a number of free and effective resources to protect themselves from identity theft, so I strongly encourage everybody to take the time and to make the effort to take advantage of them. Number one, you can start by receiving a free copy of your credit report, and you need to become familiar with the information that's contained in these reports. [Www.annualcreditreport.com](http://www.annualcreditreport.com) is the legitimate, federally mandated website to order your free annual credit reports. Again, it's annualcreditreport.com. I say it twice because there are plenty of other websites out there that have even better-sounding names, but they will make you pay for your reports. There are three credit-reporting bureaus across this country. You are entitled to one free credit report from each of them once a year. So, I suggest that you stagger receiving them. Get one every four months. That way, you can monitor whether somebody has taken out credit in your name throughout the year. Number two, if you suspect that you have become or are about to become a victim of identity theft, you can place a fraud alert on your credit reports for free. LifeLock doesn't have to do that for you. You don't have to pay for that service. You can also consider whether to place a security freeze on your credit report. That's different than the fraud alert. The security freeze makes your credit report inaccessible to potential creditors, and that makes it more difficult for an identity thief to use your credit. And, finally, there are some common-sense steps that you should always take to protect your finances and to protect yourself from identity theft. Always, every month when you get your bank statements and you get your credit card statements, review them, make sure that there are no unauthorized charges on your credit-card statements, make sure that everything balances on your bank statement. And, as always, do not give away your Social Security number. Do not give out your personal financial information unless you have to. Additionally, in Illinois, victims of identity theft can reach out to the Illinois Attorney General's Office Identity Theft Hotline. That number is 1-866-999-5630. We provide assistance to consumers who are trying to clear up all the

problems that result from the crime of identity theft. It is often a long and difficult process, and we are happy to help you get through it. So, I strongly encourage anyone who is concerned about or is confronted with identity theft to take these steps and to consider these resources before spending your hard-earned money on an I.D.-protection service. Again, I want to give my thanks to the Chairman of the FTC, Jon Leibowitz, for taking the time to be in Chicago, not just to announce the LifeLock settlement, but for his continued and strong partnership with the states in a whole variety of consumer-protection areas, and I'd like to mention that it's particularly significant that he's here this week, because it is National Consumer Protection week, and he's spending some time with us. So, I look forward to more work with the FTC. I think that by combining our resources at the federal and state level, we can provide even greater protection to people throughout our country from consumer-fraud issues. Before I end, let me also say thank you to the members of my staff who were instrumental in this investigation settlement. Debbie Hagan, who is the chief of our Consumer Protection Division, Christine Nielsen, who is probably hiding. No, there she is. Wave. Christine Nielsen and Josh Orenstein, two lawyers in our Consumer Fraud Bureau, for all their continued hard work. And with that, I think we would be happy to answer questions to the best of our ability.

>> Jon Leibowitz: Claudia, do you want to add something?

>> Claudia Bourne Farrell: Before we take questions, two things. Will you please say who you are and what organization you're with, and will you wait to ask questions until someone can get to you with a mike? There he is, mike in hand.

>> Regine Schlesinger: Hi. Regine Schlesinger from WBBM Radio. Lisa, was it that letter that you received that sparked this investigation, or had you already started looking into this before?

>> Lisa Madigan: My recollection is that the investigation was already ongoing. You know, LifeLock is a company that had run and continues to run numerous ads in newspapers, as you saw, the ad on TV, and so I think it was just ironic that I got a letter. I don't know if there's -- I'm looking for a date, but I'm positive that I had received the letter after we had started our investigation.

>> Daarel Burnette: Hi. Daarel Burnette from the Chicago Tribune. Can you tell us what sparked the investigation? There goes that mike again.

>> Jon Leibowitz: Poor WBBM. Love them anyway.

>> Daarel Burnette: Tough time for public radio.

>> Lisa Madigan: What was the question -- what sparked?

>> Daarel Burnette: What sparked the investigation and how many people in Illinois do you think suffered from --

>> Lisa Madigan: Do you want to answer this one?

>> Jon Leibowitz: Yeah. I mean, I think what sparked the investigation was concern among state A.G.s and the FTC that they were -- that LifeLock was exaggerating the service that they were offering to consumers and that it was an unfair or a deceptive advertising, deceptive practice. That's what sparked it. Plus, we had a handful of complaints, more than a handful of complaints. You may have had some, too. But, really, this is the kind -- and it was so public. I mean, as you can see, and I think most of us have heard these ads -- it was so public that it was easy for us. And then when you get -- You know, when, like Attorney General Madigan, you happen to get a letter from them saying you could be the victim of identity theft, you ought to sign up for our service, you know, that sort of is a visceral or a tangible piece of evidence that you know they're doing some things they shouldn't have been doing.

>> Lisa Madigan: And let me follow up two things. One, you know, we have been doing work -- and when I say "we," I mean at the state level as well as at the federal level at the FTC -- for years now. And so we know what types of protections are available. We're well aware that there is no 100% guarantee that you will not be a victim of identity theft. And so to suddenly see these massive ads and this very significant ad campaign claiming that you will not be a victim, "we can

guarantee we will prevent it" -- you know, it raised our antenna, and we started looking into it. And, two, something that apparently the media uncovered, which is, I think, rather entertaining, is that, you know, the good Todd Davis, who has been flashing his Social Security number around, has, in fact, become a victim of identity theft. So, somebody took out a payday loan in his name. So, one would like to think that he probably availed himself of his own company's protections and that's how protected he was.

>> Jon Leibowitz: Yes, sir?

>> Charlie Wojciechowski: Was this a particularly -- Charlie Wojciechowski from Channel 5 here in town. Was this a particularly egregious case? Because there are a number of other organizations, including most of the major banks, who were offering the same kinds of services. Did this guy do something really bad, or is this whole business something that the FTC and the attorneys general were looking into it?

>> Jon Leibowitz: Do you want to take that, or I'll take it?

>> Lisa Madigan: You can start.

>> Jon Leibowitz: Okay. Well, look, there are certainly some other companies that offer services like this. I think a lot of them probably offer legitimate services and they don't exaggerate what they're giving to consumers. From our perspective, we keep on looking around the industry to make sure that when people advertise, they're advertising honestly, and so consumers know, you know, what they're paying for. In this case, they weren't, and so this was a fairly egregious case of, you know, deceptive advertising, from our perspective. You know, is it as bad as, say, you know, a predatory mortgage or a foreclosure-rescue scam? No, it isn't, but in the aggregate, the amount of injury to consumers was pretty substantial.

>> Lisa Madigan: And just to follow up, Charlie, this situation is worse just because of the volume of advertising. Almost every day for months, if not years, I remember opening up some of our major newspapers here in Chicago and seeing, you know, full-page ads that had been taken out by

LifeLock in addition to, you know, very heavy ads on TV. So, it was more in volume. In addition, you know, did they provide some benefit? Yes, but, as you heard, most of what they did you can do on your own and you can do it for free. So, all you need to know is, you know, start, you know, if you want to put a security freeze on, okay. If you need to put a fraud alert on, okay. Get your free copies of your credit reports. So, there are things you can do. If you want to pay somebody to do that, that's your choice, but don't be misled into thinking that this service is foolproof and you will not become a victim of identity theft if you purchase it.

>> Theresa Gutierrez: Theresa Gutierrez, Channel 7 News. So, he's called a con artist, a scam artist. Why is he still in business?

>> Jon Leibowitz: Well, that's a good question. The answer is, we have with the attorneys general, the 35 state attorneys general, and under Attorney General Madigan's lead, we have ensured that, going forward, he has a legitimate business model, and we are going to stay on top of it. And as Attorney General Madigan pointed out, there are some legitimate things that the service offers. As long as they advertise truthfully, then it's not a problem. They've also changed their business model to some extent, and, going forward, it is far more within the realm of a legitimate business model with honest advertising to consumers. So, that's why he stays in business.

>> Theresa Gutierrez: Doesn't it send a message, though, that you can do something that's not right and still stay in business?

>> Jon Leibowitz: Well, look, you raise a very legitimate concern. We have been asking Congress to give us civil fighting authority so that we can go after malefactors, but having said that, we took all of the money they have on hand from that company. We're giving redress back to consumers. And so we think, actually, the lesson learned here is if you advertise deceptively, you know, the state attorneys general and the FTC are gonna come after you.

>> Paula Gómez: My name is Paula Gómez, Univision News in Chicago. My question is, if none of these services are 100% effective, what is the most common way for people to get their identity stolen? How does it happen? Why are these services not working? Why are they not effective?

>> Lisa Madigan: It's not that the services aren't working. It's that there is nothing you can do to provide yourself with 100% protection. So, if somebody on your way out of here takes your purse, uses your credit card, you're considered a victim of identity theft. We cannot give you 100% guarantee that that won't happen. In the same way, even if you put a security freeze on or you have a fraud alert on your credit, it will not prevent certain unscrupulous creditors from taking out credit in your name, which could be done by an identity thief. It also will not prevent -- For example, one of the claims that was made by LifeLock is that they can protect children's credit. Well, children don't actually have credit reports. They can't protect against that, and that's something that we see far too often, where parents who have ruined credit use their children's Social Security number to take out credit. So, there are a whole series of situations that, you know, you cannot buy a service to protect you from that crime, and so that's what we're trying to let people know. However, there are many resources that are free and many common-sense things you can do to monitor and do the best you can to make sure you haven't become a victim of identity theft, and if you have, to restore your good name and your credit.

>> Muriel Clair: Muriel Clair with WGN. What safeguards are in place for monitoring companies like LifeLock so that they don't repeat? You said that right now they're doing what you think they ought to be doing, but how are they being monitored?

>> Jon Leibowitz: You go ahead.

>> Lisa Madigan: Well, obviously, whenever there is a company that is engaged in what we consider to be deceptive practices, particularly when it comes to their advertising, we'll continue to monitor them. So, as the Chairman mentioned, LifeLock has changed their business model. They are no longer putting fraud alerts on their customers' credit reports. And so their new business model is one that we are very interested in seeing how it is they think they will protect people from identity theft. So, we'll constantly look into that now that we're working with them. It's similar to what we do with other companies. And, as you're aware, there have been times where we will, you know, settle with somebody, file a lawsuit against them, and a year or two later, we're back with

another one because they aren't abiding by the law. And so that's, you know, that constant vigilance.

>> Jon Leibowitz: Yeah. And I guess the only thing I'd add is that, you know, we also look at the advertisements in this industry, right? And we do that pretty regularly because we want to make sure nobody else is puffing to the point of exaggeration, because, again, there's nothing worse than someone who believes that they have, you know, ironclad protection against identity theft who then becomes a victim of identity theft, and so we'll stay on top of folks in this industry.

>> Kim Janssen: Hi, I'm Kim Janssen, "Chicago Sun-Times." I had a couple of questions. One, do you have anyone that was a customer of LifeLock that came forward that lost a significant amount of money that you can think of specifically?

>> Lisa Madigan: We have consumer complaints. I'd have to find out if we've got folks that have lost a significant amount of money. You?

>> Jon Leibowitz: We have several hundred -- we're aware of several hundred persons, at least, and probably more than that, who became victims of identity theft while using LifeLock. You know, because of privacy concerns, we keep those names -- we keep those names secure and private.

>> Kim Janssen: How much did they lose? And they said they offered a \$1 million guarantee. Was that worth anything?

>> Jon Leibowitz: I -- my --

>> Kim Janssen: Did they pay out?

>> Jon Leibowitz: I think it was worth something. I think they did -- My understanding is that LifeLock -- when someone who signed up for LifeLock used or became the victim of identity theft,

they did actually -- they did actually help out, and we did not bring that as one of our charges in our complaint, so -- Go ahead.

>> Lisa Madigan: Let me add, we did look into that, and so what they would do -- LifeLock would hire lawyers and private investigators, but they did not pay for any of your out-of-pocket expenses. So, any losses that you might have suffered trying to deal with the situation on your own, they wouldn't pay for. So, the 100% guarantee and the \$1 million, again, inflated in terms of what it actually provided to consumers.

>> Female Speaker: When it comes to the refunds, is this going to cover all LifeLock customers, and how much of their money can they expect to get back? Do we know how many customers there were?

>> Lisa Madigan: There were over a million customers across the country. They will, as I mentioned earlier, within the next few weeks, customers who signed up for services I think between April 2005 and when in 2009? March of 2009 will receive a joint letter from the FTC and their state attorney general explaining the settlement to them and asking if they want to participate in the settlement. Based on the number of individuals who say they want to participate, there will be a calculation done. I think you guys are doing that at the FTC, to determine how much, ultimately, those people will get. So, it will depend on how many people join the settlement.

>> Jon Leibowitz: Right. And, again, I think the most important part -- one of the most important parts -- of our settlement isn't so much the money that consumers are getting back, although that is important, it's the fact that we're cleaning up this industry going forward.

>> Male Speaker: Question to either one of you about something that came up today. Citibank announced that more than 600,000 of its customers Social Security numbers on the front of the envelope. Is that the makings of an investigation there? Is that under way? And if you can tell us what the status of that is.

>> Lisa Madigan: That's a security breach, and the bad news is security breaches, not exactly of that nature, take place every day, and that's one of the reasons that some of the tips that I went through -- you have to do it routinely. Like it or not, we are all potentially victims of identity theft in this society, and so you've got to make sure that you are doing everything you can to look at your credit report, make sure people aren't taking out credit in your name without your authorization, and trying to protect yourself. So, yes, we've been alerted. I don't know if there's a current investigation going on, but there are laws that cover what they have to do, and that's one of the reasons, actually, that they are now, my understanding is, alerting people to the fact that the security breach took place.

>> Female Speaker: Can I ask you a question about something else?

>> Lisa Madigan: You always do. [Laughter] What do you need to know?

>> Female Speaker: Have you been told at all by the governor's office how much your office might take in the proposed budget?

>> Lisa Madigan: We are not sure what the final numbers are gonna be in terms of a budget cut to our office. Obviously, the state is facing incredibly tough times. So, we've been doing everything possible to reduce the pressure that our budget puts on general revenue funds, and so last year, the budget that I submitted was actually, I think, the lowest in over 10 years in its request for G.R.F., in addition to which, for the last two years, my office has brought in over \$1 billion, and so I think we're a really good return-on-investment agency. And as you can imagine, not just by sitting here, but in the other issues that we cover throughout the year, when the economy is struggling the way it is today, the need for our services only grows, and so we've been doing an enormous amount of work to protect people -- in particular, those people who are struggling to stay in their homes. We have had to put on additional staff to try to help people get modifications so that they can continue to pay their mortgage. In addition, many of you would be interested, and maybe you've even availed yourself of the work that the Public Access Counselor is now doing. We've had to hire on additional staff to deal with that, so we've got some significant challenges we're facing, but we're

gonna do everything we can to come in with a budget that is as low as possible, particularly when it comes to G.R.F.

>> Female Speaker: Have you made your case to the governor?

>> Lisa Madigan: We're continuing to do that. [Laughs]

>> Jon Leibowitz: You know, if I can just add something, you know, state A.G.s and particularly the Illinois State A.G. -- They are a terrific return on investment. They protect consumers. They bring more revenues in than it costs to run their office. And, you know, it is -- we all understand that there are very difficult budgetary problems in every state government and in the federal government, but, you know, you like to think that law enforcement would be the last place that you have to cut.

>> Lisa Madigan: So, the Chairman will be sending a letter to Governor Quinn before he leaves here today.

>> Jon Leibowitz: I have a meeting with him later. [Laughter] Any other questions?

>> Male Speaker: I think we're gonna check the phone.

>> Jon Leibowitz: All right. Oh, the phone. Okay. While we're -- during this brief interregnum, let me mention the folks from the FTC who were involved in this investigation, several of whom are here today. David Lincicum, Maneesha Mithal, who runs our Division of Privacy and Identity Protection, Burke Kappler, Betsy Broder, Jessica Rich, and Joel Winston.

>> Claudia Bourne Farrell: Any more questions? Then we'll go to the phone. James?

>> James: just tell her.

>> Claudia Bourne Farrell: We're ready to take calls, Operator.

>> Operator: At this time, if you would like to ask a question, press star, then the number 1 on your telephone keypad. To withdraw your question, press the pound key. Your first question comes from the line of Terry Savage from "Chicago Sun-Times." Your line is open.

>> Terry Savage: Hi, Lisa. A very interesting press conference. I'm trying to understand a little bit about the issue you've created here. You say that you've gone after this company for exaggerated advertising. Now, every single credit bureau, whether you go through annualcreditreport or not, gives consumers the opportunity to purchase some form of protection. So, are you saying that all forms of protection, even those offered directly by the bureaus themselves, exaggerate the kind of protection they can offer? Are you saying they're all worth at least less than 100% protection? Are you, by only going after this company, endorsing those offered by the credit bureaus or by not at least going after them? Could you give us a continuum here of where this service becomes worthless, where it becomes fraudulent, and maybe on the other end where it has some value?

>> Lisa Madigan: Sure, Terry. I'd be happy to. So, I think as we both indicated, there are many free resources that everybody should avail themselves of to protect themselves from identity theft, but there is nothing that you can do or you can purchase that is a 100% guarantee against being a victim of identity theft, and so we, being -- you know, Illinois, 34 states, and the FTC investigated LifeLock, in large part, because of their claims that it was, you know, a 100% guarantee and that they would, you know, be able to protect you. Basically, it was the volume of their advertising as well as the claims that they made that led people, many people, to believe that they had greater protection than they really did from identity theft. And so going after and ultimately settling with LifeLock is not an implicit endorsement of other I.D.-protection services. Really, it serves as a warning to everybody in this industry, "Don't inflate what your services really provide." And what we hope comes out of this today is a heightened awareness among people that there is work that they can do for free to protect themselves from identity theft, and there are resources, from the FTC to the Illinois Attorney General's Office, that are there to help them monitor their credit as well as restore their good name and credit if they are a victim of identity theft.

>> Terry Savage: Just to follow up, since everybody who checks in for a free credit report, even if they go through annualcreditreport.com, goes through one of the three major credit bureaus and, without question, every request for a free credit report is accompanied by an offer, so that's an advertising volume, for some kind of service. Each bureau has a different kind of offer. Are you saying that the volume of advertising is what attracted you to LifeLock, or are you saying that the other -- have you investigated the ones offered directly through the bureaus -- forget all the other services -- and say that they are not exaggerating their claims of protection?

>> Jon Leibowitz: Well, I mean, let me -- if I can just respond to this question. First of all, we brought a case against freecreditreport.com in 2004 for misleading advertising. And then we have just written a rule, a proposed rule, that will require -- which will take effect, I believe, April 1st that will require much clearer advertising and an opportunity for every consumer to go to annualcreditreport.com, even if they go to freecreditreport.com or one of the other competing services. Again, we're -- as law-enforcement officials, we are in the business of going after the malefactors, and here we saw a, in terms of LifeLock, an example of a company that was clearly engaging in misleading advertising. And so is it, you know -- As in all industries, it is probably, to some extent, a continuum, but I would say this. You know, if you're a consumer and, you know, you see an advertisement that says, "100% guaranteed to prevent identity theft," that is a red flag, and, you know, you should call your state attorney general or you should call the FTC because we will take a very, very close look at advertising like that.

>> Claudia Bourne Farrell: Next question, Operator.

>> Operator: Your next question comes from the line of Bob Sullivan from MSNBC. Your line is open.

>> Bob Sullivan: Good morning. There are a couple of imitators now who are advertising heavily, very direct imitators of LifeLock Services. Do you have anything to say to them, to their customers, or to people who might be thinking about those services?

>> Lisa Madigan: Yes. Don't engage in misleading and deceptive advertising. We will go after you. In addition -- I'll say it again -- there are many free, legitimate resources that you can use to protect yourself from becoming a victim of identity theft, but there is nothing you can do or buy that is a 100% guarantee against being a victim of identity theft, and, Bob, we're happy you're with us today.

>> Bob Sullivan: Thanks. Thanks for having me.

>> Claudia Bourne Farrell: Next question, Operator.

>> Operator: Your next question comes from the line of Kim Zetter from Wired. Your line is open.

>> Kim Zetter: Hi. I had a couple of questions. The first one was related to what you said about data security. Can you give a little more detail about what LifeLock was failing to do to protect the consumers' data?

>> Lisa Madigan: Okay. One of LifeLock's claims to consumers was that they would protect them against all types of identity theft. But what they were mainly doing was to put fraud alerts on consumers' credit reports. Fraud alerts can only prevent identity theft when a creditor accesses a credit report prior to issuing credit, and so what that means is that fraud alerts do not prevent -- as I went through, it doesn't prevent someone from using your credit card in an unauthorized way.

>> Kim Zetter: Can I interrupt you?

>> Lisa Madigan: Sure.

>> Kim Zetter: That wasn't my question.

>> Lisa Madigan: I'm sorry.

>> Jon Leibowitz: Well, look, let me see if I can answer it. They said they -- In the simplest way, they said they did a number of things to ensure that sensitive customer information -- names, addresses, Social Security numbers, what we call P.I.I., personally identifiable information -- Are we in a wind tunnel now? We are in a wind tunnel now. I apologize. They said that they were protecting it. They also said that they were encrypting the data, and they didn't do either, so, in that sense, they were engaged in inadequate data security. At the FTC, we have brought more than two dozen cases involving inadequate data security. This was particularly problematic, though, because it was a company -- it is a company -- that's engaged in protecting consumers' identity and consumers' personal information.

>> Kim Zetter: Can you elaborate on what they weren't doing besides the lack of encryption? Was there a problem with firewalls and other things?

>> Jon Leibowitz: What we can do is if you give us your number -- I guess we have it -- we can send you a copy of the complaint, and that will give you more detail.

>> Kim Zetter: Okay. I have one other follow-up question. Did you guys look at all at the claims against Robert Maynard that he himself was an identity thief?

>> Jon Leibowitz: Yes, Robert Maynard. It was about Robert Maynard. Robert Maynard is the other principle in the company, and Robert Maynard is very well known to the FTC because we brought a previous action against him, I think in 1997 or 1998. I couldn't quite hear. Your question about Robert Maynard is...

>> Kim Zetter: There was a story published by some investigative reporters a couple of years ago that accused him, essentially, of allegedly stealing his own father's identity in order to open some bank accounts.

>> Jon Leibowitz: I'm not aware about the issue involving Robert Maynard and apparently stealing his father's identity. I do believe it's not the same Robert Maynard who used to be the editor of the "Oakland Tribune," though. [Laughter]

>> Kim Zetter: All right. Thank you.

>> Claudia Bourne Farrell: Next question, Operator.

>> Operator: Again, if you would like to ask a question, press star, then the number 1 on your telephone keypad. Your next question comes from the line of Jeff Gelles from Philadelphia. Your line is open.

>> Jeff Gelles: Hi. I wondered if you could give us some sense of the actual magnitude of the problem of identity theft at this point -- what the most recent data are and whether the Red Flag Rules have had any effect. I'd also be interested in why some of them have been delayed.

>> Lisa Madigan: Let me give you the Illinois data in terms of the volume of complaints that are received in the Illinois Attorney General's Office and recognize these numbers will only be indicative of consumers who have the wherewithal and have figured out that they can call us to help. So, last year, in 2009, the Office of Illinois Attorney General received 4,376 consumer-fraud complaints regarding identity theft. Our Identity Theft Hotline fielded, I believe, 5,500 -- 2009, the hotline received 5,517 calls, and since its inception in February of 2006, we've received over 24,000 calls, so approximately 6,000 calls a year to our Identity Theft Hotline. Looking at it, it's approximately 5,000 consumer-fraud complaints that are ultimately filed regarding identity theft. Those are the Illinois numbers but only reflective of what comes into my office. Chairman Leibowitz can give you some national data.

>> Jon Leibowitz: Yeah. Hi, Jeff. Last year we had 278,000 complaints at the FTC, and it has been the number-one area of complaints for, I believe, 10 years in a row. We periodically do identity-theft surveys, and the last time we did it, it was about four or five years ago, I think when I first came to the commission, and the number was in excess of 8 million people annually. There's a company -- I think it's called Javelin -- that does its own, I think, annual surveys of identity theft. They've been sort of consistent with our numbers and maybe even a little bit higher, but we do know that, you know, somewhere between 8 and 10 million Americans every year are victims of

some sort of identity theft, so it is a pervasive problem. The news about Citibank today, you know, putting Social Security numbers on the front of envelopes, you know, just points out how difficult it is to -- how difficult it is to stop this problem, because even, you know, the best corporations and the most well-intentioned entities sometimes, you know, don't have adequate data security or just do something that's, like, boneheaded. And -- that's a legal term, by the way. And then we all have to deal with the consequences.

>> Jeff Gelles: What about the Red Flag Rules?

>> Jon Leibowitz: Which Red Flag Rules?

>> Claudia Bourne Farrell: Red Flag Rules that the attorneys have said they shouldn't have to comply with and we've delayed implementation.

>> Jon Leibowitz: Oh, those Red Flag Rules. I was thinking it was those Red -- You mean the Red Flag Rules that are in litigation now, Jeff?

>> Jeff Gelles: Uh, yeah.

>> Jon Leibowitz: Well, it is a complicated -- You know, look, we are trying to enforce -- We have been trying to enforce them but also, you know, that provision which comes out of the Fair and Accurate Credit Transaction Act, FACTA, of 2003 required us to have 33 -- required the FTC to engage in 33 separate rule-making reports and other obligations. Many of the people engaged in -- who were engaged and who are now engaged in trying to stop predatory financial behavior had to do rule-makings. There is not a single page, not a single word, of Congressional history -- This is probably more than you want to hear -- for that Red Flags provision. Nevertheless, we think we have interpreted it as effectively, as appropriately, as possible. Our understanding is that the House and the Senate are both proposing to modify their language and include some legislative history in it this time. And so we have stayed enforcement of the Red Flags Rule I think until June 1st, and we hope by then Congress will sort of rethink it in a -- And, at the same time, we're engaged in litigation with the ABA over whether attorneys should be under the rule, and we're hopeful that

Congress will modify the provision in the next 2 1/2 months and that we can sort of move forward on a clear, effective, straightforward, identity-theft, Red Flags Rule that we can enforce and that will help reduce identity theft.

>> Claudia Bourne Farrell: Do we have another call, Operator?

>> Operator: There are no further questions at this time.

>> Jon Leibowitz: Well, thank you all for coming.

>> Lisa Madigan: Again, everybody should be appreciative of the fact that the Chairman of the Federal Trade Commission joined us in Chicago today for this announcement. He has made unprecedented moves to partner with states to protect consumers, not just in Illinois but across the country, and it's greatly appreciated.

>> Jon Leibowitz: Well, I'm glad to be here, and everyone should understand that Attorney General Madigan was the leader -- the leader -- of this effort, and I'm happy to be here today.

>> Lisa Madigan: Thank you. Thank you. Sure.

>> Male Speaker: Could I ask you to hold up your LifeLock letters?

>> Lisa Madigan: Oh, I'd be so happy to. [Laughter]

>> Male Speaker: Joe, you can come closer.

>> Lisa Madigan: I'm always excited when I get these things in the mail.

>> Kim Janseen: You said that it was the number-two complaint for the last couple years. What was the number-one complaint?

>> Lisa Madigan: Number-one complaint has been consumer-credit issues, so -- what? I'm sorry. I'm not helping. You're moving. So, problems with people's mortgages being -- Here, do you just want the letter, or do you want me?

>> Male Speaker: Oh, I think it should be you and your letter.

>> Jon Leibowitz: I'll just stand over here. You're Vanna White.

>> Lisa Madigan: Yeah, I'm not good at that. [Laughter] So, people who have gotten into difficult-to-pay mortgages, so predatory mortgages, people who have been victims of mortgage-rescue fraud, people who are being harassed by collectors, bill collectors, as well as people who have complaints about their charges on their credit cards, so that was the number-one complaint. And so with what's taking place in the economy, that's no surprise, but, again, 2006, 2007, identity theft was our number-one complaint. 2008, 2009, it's our number-two complaint. I want to say the consumer-debt category had about 8,000 complaints. This one, as I mentioned, is close to -- what did I say? -- 4,400 -- 4,400.

>> Claudia Bourne Farrell: Thank you, everyone.

>> Jon Leibowitz: Thank you, all.

>> Lisa Madigan: Thank you again. Thanks a lot.