

**Testimony of Don McGuffey,
Vice President, Data Acquisition and Strategy, ChoicePoint Services Inc.
before the Senate Banking, Finance and Insurance Committee
The Honorable Jackie Speier, Chair
March 30, 2005**

Chairwoman Speier, Senator Cox and Members of the Committee:

Good afternoon. I am Don McGuffey, Vice President of ChoicePoint for Data Acquisition and Strategy. I have been with the company since its inception in 1997. Let me begin by offering an apology on behalf of our company to those consumers whose information may have been accessed by the criminals whose fraudulent activity ChoicePoint failed to prevent. We have spent many hours investigating how this could have occurred and, more importantly, making fundamental changes to our products and business model to prevent this from happening in the future. I will share details of these actions in a moment.

The Committee has convened this hearing to gain a better understanding of the data aggregation business, and to address the important issues of the security of consumer information held by ChoicePoint and others in our industry. At ChoicePoint, our mission statement recognizes that in an increasingly risky world, information, through the use of modern technology, can be utilized to help create a safer more secure society.

We also recognize the concerns over how information is distributed and the limitations of technology in protecting this information. We know, and have been painfully reminded by recent events, that there can be negative

consequences when personally identifiable information gets into the wrong hands. For these reasons, we are strengthening our internal safeguards.

ChoicePoint is a leading provider of identification and credential verification services to businesses, government, and non-profit organizations. We have approximately 5,000 associates in nearly 60 locations—including more than 200 employees in multiple offices throughout the state of California. ChoicePoint provides services to more than 7,000 federal, state and local law enforcement agencies, as well as a significant number of Fortune 500 companies, more than 700 insurance companies and many large financial services companies.

Our goal is to put the positive power of information to work for society at large. Our products or services have identified 11,000 undisclosed felons seeking to volunteer with the nation's largest youth serving organizations, including 42 registered sex offenders, two from California. We are proud of our role in helping law enforcement officials solve crimes, including the identification of the D.C.-area snipers. Using information and services supplied by us, the National Center for Missing and Exploited Children has helped return more than 800 children to their loved ones.

Last year, ChoicePoint helped 100 million American consumers obtain home and auto insurance, and tens of thousands of American businesses obtain commercial property insurance. We also helped more than seven million Americans get jobs through our workplace pre-employment screening services. We helped more than one million consumers obtain expedited copies of their vital records – birth, death and marriage certificates.

And, ChoicePoint helped agencies at all levels of government fulfill their mission to safeguard our country and our citizens.

In response to your specific questions from your March 17 correspondence, I would like to describe our business based on the regulation of the underlying data, the end customer, and the percent of revenue generated. ChoicePoint's business is regulated to a large degree by federal legislation as well as various state regulations. ChoicePoint's business units are regulated by the Fair Credit Reporting Act (FCRA) and the recently enacted companion FACT Act, the Gramm-Leach-Bliley Act (GLB), and the Drivers Privacy Protection Act (DPPA).

- Approximately 60 percent of ChoicePoint's business is driven by consumer initiated transactions, most of which are regulated by the FCRA. Consumer driven transactions include not only pre-employment screening and insurance underwriting services, but also include tenant screening services, facilitating the delivery of vital records to consumers and the delivery of public filings for Title Insurance. These transactions are conducted as a result of a transaction initiated by the consumer.
- Nearly nine percent of ChoicePoint's business is related to Marketing Services, none of which include the distribution of personally identifiable information, but even so, are regulated by state and federal "do not mail" and "do not call" legislation.
- About five percent of ChoicePoint's business is the distribution of data to support local and federal law enforcement agencies in pursuit of their mission.

- Nearly six percent of our business supports law firms, financial institutions and general business to help mitigate risk through data and authentication solutions including litigation support and providing information needed to collect lawful debts.

The final 20 percent of our business sells software and technology services that do not include the distribution of personally identifiable information.

Much attention has been given to the topic of identity fraud and the security associated with sensitive consumer data. At ChoicePoint we have invested in protecting consumer information and have implemented industry standard practices including information security policies based on the International Standards Organization (ISO) Best Practice Standard 17799.

However, the ISO standard is limited because it does not establish best practices for credentialing. As a result, ChoicePoint has developed new standards and we are reaching out to others in our industry to develop industry principles that meet the rigorous requirements that we are rightfully expected to meet. Additionally, we have already taken several actions to avoid the problems we have experienced in the past which include:

- Creating an independent office of Credentialing, Compliance and Privacy that will report to our Board of Directors' Privacy Committee.

This office will be led by Carol DiBattiste, the out-going deputy administrator of the Transportation Security Administration and a former senior prosecutor in the Department of Justice with extensive experience in the detection and prosecution of financial fraud.

- We have appointed Robert McConnell, a 28-year veteran of the Secret Service and former chief of the federal government's Nigerian Organized Crime Task Force, to serve as our liaison to law enforcement officials.
- We have strengthened ChoicePoint's customer credentialing process and we are changing our products and services to many customer segments. We are requiring additional due diligence such as bank references and site visits before allowing businesses access to personally identifiable information. We are re-credentialing broad sections of our customer base, including our small business customers.
- We have decided to exit the non-FCRA consumer sensitive data market, meaning we will no longer distribute information products containing sensitive consumer data including social security and drivers license numbers except where there is a specific consumer driven transaction or benefit or where the products support federal, state or local government and law enforcement purposes. We will continue to provide authentication, fraud prevention and other tools to large, accredited corporate customers where consumers have existing relationships.

I know that your committee and your constituents are also concerned about the harm that may have been done to the approximately 35,000 California consumers, whose information may have fallen into the hands of criminals who posed as legitimate businesses to gain access to ChoicePoint's systems. Beyond our apology, we want to assure the public and the members of this

committee that we have moved aggressively to safeguard the information in our possession from future criminal theft.

We not only followed California law, but built upon the California notification law and notified consumers who may have been impacted across the country. We have arranged for a dedicated Web site and call-center for affected consumers, where they can access additional information and take advantage of a range of tools not required by any state or federal law, including a free, 3-bureau credit report and a one year subscription to a credit monitoring service.

We are also evaluating additional assistance to consumers who have been the confirmed victims of identity theft arising from this incident.

We also welcome the opportunity to participate in the efforts of this Committee and other policy-makers seeking to develop additional regulations governing the use of public record information.

We have all witnessed the significant benefits to society that can come with the proper use of information. ChoicePoint is proud of the role it has played in assisting law enforcement and homeland security agencies, as well as vast segments of the American business community in mitigating fraud.

ChoicePoint has learned first-hand the damage that can be caused when criminals improperly obtain access to personally identifiable information. We have spoken out previously and would welcome a debate on these issues and support efforts by the Congress to provide for independent oversight and increased accountability of entities that handle public record data.

We also support increased penalties for theft of personally identifiable information and a reasonable nationwide mandatory notification requirement of any unauthorized access to personally identifiable information. We thank this Committee for taking an interest in such an important issue.

I would be pleased to answer any questions that you might have.

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Media Contact: Kristen McCaughan 770.752.3765