



Office of the Attorney General
State of Connecticut

**TESTIMONY OF
ATTORNEY GENERAL GEORGE JEPSEN
BEFORE THE BANKING COMMITTEE
MARCH 15, 2018**

Good afternoon Senators Winfield and Martin, Representatives Lesser and Simanski, and members of the Banking Committee. Thank you for the opportunity to provide testimony in support of Senate Bill 472, *An Act Concerning Fees for Security Freezes on Credit Reports, Notification of a Consumer's Decision to Place or Remove a Security Freeze on a Credit Report, and the Duration of Certain Identity Theft Preventing Services Required After a Data Breach*.

As you know, data breaches continue to occur at an alarming rate, highlighting the disturbing vulnerability of our personal information. My office is currently leading several national multistate investigations of massive breaches in the credit, retail and healthcare industries. These high profile breaches are not the only incidents my office investigates. During the past year, my office received well over 700 data breach notifications, or almost 60 per month on average. The latest bombshell breach involving Equifax impacted approximately 147.9 million Americans—nearly half of the nation's population. The exposed information included names, addresses, birth dates, Social Security numbers, and for some, driver's license numbers. In Connecticut, over **1.5 million** state residents were impacted by that breach.

In the wake of the Equifax breach, millions of consumers scrambled to take proactive steps to protect their identities. Those steps included paying for credit monitoring services and placing security freezes on their credit files. My office regularly helps consumers navigate this process. We know first-hand how disappointed, frustrated, and overwhelmed consumers are when they learn a company they trusted to protect their sensitive information has suffered a breach.

Senate Bill 472 would help mitigate some of the harms consumers suffer as a result of data breaches involving their personal information. Section 1 of the bill would prohibit credit rating agencies ("CRAs") from charging consumers to place, temporarily lift and remove security freezes. A security freeze is one of the most potent defenses against identity theft. It prevents credit, loans, and services from being approved without a consumer's affirmative consent. In essence, the security freeze and unfreeze is like the key that controls the lock on a consumer's financial home. At present, entities other than consumers hold the keys that should really belong to consumers. While a number of states have already moved to prohibit security freeze fees entirely, Connecticut law currently prohibits such fees in only a few, limited circumstances. Given that consumers must separately place and/or lift freezes with all major CRAs, freeze fees can quickly accumulate. Connecticut residents should not be forced to shoulder these costly fees

after their personal information is exposed through no fault of their own. In many cases, these fees prevent consumers from using security freezes entirely, thus weakening the benefits of the protection.

Section 1 of the bill also would afford consumers the option of freezing and unfreezing their credit files for free in a "one stop" manner, much like is already done with fraud alerts. Under the bill, a consumer could place a security freeze with all three of the major CRAs by filing a request with just one of them. The freeze process should be made as simple, straightforward and efficient as possible for consumers. At a time when no one seems to have an answer to the unrelenting onslaught of identity theft, giving consumers control and flexibility over their credit is a sensible and low burden method to enlist their vigilance and prevent would-be thieves from stealing enormous sums from individuals and financial institutions.

Section 2 of the bill incorporates changes that the Senate unanimously approved last year. *See* Senate Bill 974, Senate Amendment B, Section 2 (2017). Unfortunately, that measure, which included a number of other, more controversial provisions, was not called in the House of Representatives during the waning days of the legislative session. Under Section 2 of the bill before you, companies that experience a data breach involving Social Security numbers would be required to provide consumers with **two years** of identity theft prevention services instead of the one year required under existing law. Although my office currently insists upon two years of credit monitoring in such cases, making it a statutory requirement would ensure that Connecticut consumers receive that level of protection in all instances. It is undeniable that Connecticut residents are at a greater risk of identity theft after their information has been exposed in a data breach— not just for one year, but for years to come. Stepping up the requirement to two years will offer greater protection to state residents. It also would substantially reduce the amount of time my staff currently devotes to negotiating with companies over this issue.

Lastly, Section 2 of the bill also includes a relatively technical, but important change to the current law setting forth the circumstances under which companies are required to provide notice to consumers of a data breach. It is our view that Connecticut law requires a notification when a credit or debit card number is breached even if the three digit security number on the back of the card (the "CVV") was not breached. The contrary view among some companies is a very recent development. This bill would clarify our state law in this regard.

I urge the Committee to advance these important consumer protection measures. Please do not hesitate to contact me for additional information or with any questions that you may have.