

This Testimony is Embargoed Until Thursday, February 2nd at 9:00 AM

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HEARING ON  
THE ACCURACY AND USES OF THE DEATH MASTER FILE

Before the Subcommittee on Social Security of the House Ways and Means Committee  
of the  
United States House of Representatives

Washington, D.C.

Thursday, February 2, 2012

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Chairman Johnson, thank you for this opportunity to appear before the House Ways and Means Subcommittee on Social Security. For the record, my name is Stuart Pratt and I am President of the Consumer Data Industry Association.

CDIA is an international trade association with more than 190 member companies, providing our nation's businesses with the data tools necessary to manage risk in a wide range of consumer transactions. These products include credit and mortgage reports, identity verification tools, law enforcement investigative products, fraudulent check transaction identification systems, employment screening, tenant screening, depository account opening tools, decision sciences technologies, locator services and collections. Our members' products and services ensure that consumers can engage in fair and safe transactions, enjoy broader competition leading to better prices and to access a market which is innovative and focused on their needs. We estimate that the industry's products are used in more than nine billion transactions per year.

Today, my testimony will focus on two important points:

- The beneficial uses of the Social Security Administration's Death Master File (DMF) which need to be preserved, and the consequences of cutting off access.
- Changes to the DMF that reduce its completeness.

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Before I address these two points it is important to know that our members' products are subject to a number of federal laws that regulate the use of consumer data. For example many CDIA members are financial institutions regulated by Title V of the Gramm-Leach-Bliley Act. All members operate a consumer reporting agency regulated by the Fair Credit Reporting Act. Other laws may apply, as well.

### **Beneficial Uses of the DMF by CDIA Members:**

Now let me turn to the beneficial uses of the DMF and let's start with fraud prevention.

Banks, employers, insurance companies, the healthcare industry and the government all rely on data obtained from the DMF to identify deceased individuals in order to identify and ultimately prevent fraud. Our members are the technological bridge between DMF data and billions of consumer transactions. It is our private sector members that have ensured that the DMF data is available where it is needed in the US economy.

As an example our members which operate nationwide consumer reporting agencies obtain DMF data and load it into the databases used to produce credit reports. These data bases contain more than 200 million files on credit-active Americans. By loading the DMF it is delivered along with credit reports so that creditors are made aware that a potential application is associated with a person whose social is on the DMF or that a current customer is deceased. One of our members shared with us that in a recent review of financial transactions in a financial services portfolio 45 percent of transactions

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connected to records of deceased persons were found to be fraudulent. Preventing this type of identity theft relieves surviving relatives of the burden of dealing with fraudulent accounts resulting from misuse of their lost loved ones and saves financial institutions tens of millions of dollars each year.

Insurance companies similarly detect and prevent claims fraud by identifying benefits claims from and payments to deceased individuals. Fraud schemes have been identified using the names of deceased healthcare providers, including having claims submitted in their name. Within a disability insurance carrier's portfolio, fraudulent claims paid to deceased individuals can be as high as .1%; this represents a significant amount of money being fraudulently collected.

The benefits for healthcare providers are no different than for the financial services or insurance industries. Knowing that someone is attempting to access healthcare using the identity of a deceased individual can prevent losses and confusion for relatives of the deceased.

Government agencies providing benefits and entitlements are under attack by fraudsters that make use of the identities of deceased individuals. Benefit payments, tax refunds, and other programs are exposed; by using DMF data and data analytics it is possible to uncover many of these schemes.

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Beyond fraud there are other beneficial uses. Life insurance companies need access to reliable, comprehensive records identifying individuals known to have died. In the past life insurance companies have waited until being contacted by a policy owner, beneficiary, or estate before beginning the process of verifying a death, locating beneficiaries, and paying proceeds.

Today, life insurance companies are under increasing pressure in the states to proactively monitor the status of insureds and to proactively begin the process of verifying death, identifying and locating beneficiaries, and paying out insurance proceeds. Life insurance companies are required by several states to match their in-force and lapsed policies against the SSA DMF to determine whether there are deceased insureds for which policy proceeds have not been paid. If access to the DMF is eliminated, then these carriers could not comply with the state mandates to conduct the required searches.

Lenders and the receivables management industry (first party and third party collections) use data from the DMF in order to appropriately handle indebted, deceased customers. For example, accounts in collections which are associated with deceased individuals are handled differently from other accounts. This special handling includes both the sentimental and legal manner in which the bank or agency approaches collection, and a decision as to whether to attempt collection at all.

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Allowing CDIA's members to access the DMF in order for them to distribute it across the US economy brings clear benefits. Cutting off our members' access to the DMF will empower criminals.

Thieves are not perpetrating these crimes using DMF data. According to the Privacy Rights Clearing House identity thieves obtain information about deceased individuals in various ways including:

- Watching the obituaries and engaging in pretexting to obtain critical identifying information.
- Stealing or ordering death certificates
- The thief may also be a family member who may take advantage of the situation or who has already been using that identity. This may be especially true if the deceased suffered from lengthy illness, mental confusion, or if there is disagreement among family members prior to the death.

There are few options for preventing fraud and ensuring legal compliance if the DMF is cut off. In fact, while the DMF is made available today as a result of a 1978 Freedom of Information Act (FOIA) lawsuit filed in Federal District Court, it is the position of the CDIA that appropriate access to the DMF should be codified into law and not left to future interpretations of FOIA.

### **The Completeness of DMF**

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In 2002 the Social Security Administration began disclosing certain state records on the public DMF. However the SSA subsequently determined that it can no longer disclose protected state records. The SSA points out that Section 205(r) of the Social Security Act prohibits the SSA from disclosing State death records received through contracts with the states (some limited exceptions apply).

In terms of the effect on the DMF the SSA reports that the historical Public DMF contains 89 million records. SSA will remove approximately 4.2 million records from this file and add about 1 million fewer records annually. This loss of 1 million records is consequential since our members estimate that this is approximately 35% of all new records added each year.

We believe that in addition to codifying into law the appropriate access to the DMF, we also believe that Section 205(r) of the Social Security Act should be amended to allow for this access to include all state death records as part of disclosure.

### **Conclusion**

In closing let me emphasize some important points:

- Uses of the DMF for fraud prevention, legal compliance processes and for ensuring US businesses are aware of the status of their customers is not facilitating identity theft.

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- There is no substitute for the DMF available in the marketplace. If the DMF is not available US businesses will experience an increase in fraud and in some cases fail to comply with other state or federal requirements.
- Identity thieves are not obtaining access to the DMF via our members' business-to-business distribution of it. Our members vet their customers carefully and the distribution of the DMF often is in conjunction with products regulated by other federal laws such as the FCRA or GLB Title V.

We urge the Committee to consider amending the Social Security Act to codify appropriate business-to-business access and distribution of the DMF, including state records that cannot be disclosed today due to the SSA's interpretation of Section 205(r) of the Social Security Act.

Thank you again for this opportunity to appear before your committee. We look forward to working with your committee going forward and I am happy to answer any questions.