

THE IMPACT OF AUTO THEFT TRENDS ON AUTO INSURANCE RATES

**Report to:
Michigan State Senate,
House Standing Committees on Insurance Issues,
and State Insurance Commissioner**

**Prepared by:
Michigan's Automobile Theft Prevention Authority**



July 2015

2015 Board of Directors and Staff Automobile Theft Prevention Authority (ATPA)

The ATPA operates under a Board of Directors appointed by the Governor. By law, the board includes the Director of the Michigan State Police and representatives of law enforcement, the automobile insurance industry, and purchasers of automobile insurance.

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To the Senate and House of Representatives Standing Committees on Insurance Issues and the Commissioner:

On behalf of the Board of Directors and staff of the Michigan Automobile Theft Prevention Authority (ATPA), it is a pleasure to present our 2015 Biennial Insurance Report, which shows that auto thefts declined by 2.4 percent in 2013. Furthermore, since the inception of the ATPA in 1986, Michigan's auto thefts have fallen from 72,021 vehicles stolen per year to 24,369 vehicles stolen, a decline of 66.2 percent.

ATPA's success in the battle against auto theft is the direct result of the dedication and efforts of the men and women who are a part of law enforcement agencies, prosecutor offices, and community organizations. These highly-motivated individuals go above and beyond the call of duty to recover stolen vehicles and to arrest those responsible for auto theft.

Some specific highlights of the report are as follows:

- Over the 27 years of ATPA's existence (1986-2013), Michigan residents have paid \$27 toward the cost of the ATPA program, yet have saved \$787 in premiums.
- In fiscal year (FY) 2014, ATPA teams made 1,976 arrests, and were involved in the recovery of 4,198 stolen vehicles and parts, with an estimated value of \$36 million.
- In FY 2014, the return on investment of ATPA funds was \$6.46 for every \$1 spent.

I also want to thank the insurance company investigators who diligently identify fraudulent theft claims and provide that information to law enforcement. Companies who make auto theft a high priority by maintaining an investigative unit have greatly assisted in reducing the number of auto thefts, in addition to arresting vehicle owners who attempt to defraud their insurer, all of which contribute to a decrease in insurance costs. This commitment of private industry resources has greatly aided our efforts to reduce auto thefts in Michigan.

Sincerely,



Col. Kriste Kibbey Etue
DIRECTOR
Michigan State Police

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PURPOSE AND SCOPE OF THE REPORT

This report was developed pursuant to the mandate set forth in the Insurance Code of 1956, 1956 PA 218, MCL 500.6101 et seq., which provides in MCL 500.6111:

By July of every odd numbered year, the automobile theft prevention authority shall prepare a report that details the theft of automobiles occurring in this state for the previous two years, assesses the impact of the thefts on rates charged for automobile insurance, summarizes prevention programs, and outlines allocations made by the authority. The director of the department of state police, insurers, the state court administrative office and the commissioner shall cooperate in the development of the report as requested by the automobile theft prevention authority and shall make available records and statistics concerning automobile thefts, including the number of automobile thefts, number of prosecutions and convictions involving automobile thefts, and automobile theft recidivism. The automobile theft prevention authority shall evaluate the impact automobile theft has on the citizens of this state and the costs incurred by the citizens through insurance, police enforcement, prosecution and incarceration due to automobile thefts. The report required by this section shall be submitted to the Senate and House of Representatives standing committees on insurance and the commissioner.

This report addresses the period of 2011 to 2013, comparing auto theft crime trends both nationally and in Michigan. ATPA-specific data will highlight the time frame through 2013; data pulled from outside sources may reference alternate dates to provide a broader perspective. The report also includes a brief summary of the major components of Michigan's comprehensive and cooperative effort against auto theft.

Data was obtained from the Michigan State Police (MSP), Michigan Department of Insurance and Financial Services, Michigan Department of State (which administers the titling of vehicles), and the licensing and regulation of vehicle dealers and vehicle service repair facilities. National and other state auto theft data were obtained from Federal Bureau of Investigation (FBI) publications.

INTRODUCTION AND BACKGROUND

In 1985, Michigan's auto theft rate was the second highest in the nation. Residents demanded that the government focus its resources to combat this serious problem; so Michigan's Legislature temporarily created the ATPA in Public Act 10 of 1986. The ATPA was funded, and is currently funded, by an annual \$1 assessment on each insured motor vehicle, plus interest earned by investing those funds. The ATPA assessment (approximately \$6 million annually) is collected by insurance companies through their normal premiums and passed on to the ATPA once each year. As a result of the program's success, it was given permanent status by Public Act 174 of 1992. Michigan's ATPA program was the first in the nation and has since been duplicated by at least 12 other states.

The ATPA funds grant programs that focus on all aspects of auto theft. Non-profit groups teach auto theft prevention techniques to residents and assist police in identifying locations of thieves and chop shops. Law enforcement consortiums specifically focus on investigation and apprehension of car thieves. Prosecutors concentrate on the intricacies of auto theft cases and demonstrate to judges and juries the seriousness of these crimes. Without ATPA funding, auto theft would likely be a lower priority crime, considered to be mostly an insurance company problem.

The Michigan Department of State has also implemented programs that have successfully closed loopholes in the salvage vehicle title area and monitored the use of stolen parts by automotive repair facilities. Automobile manufacturers have assisted in decreasing auto theft by the advancement in technology. Additionally, insurance companies have developed their own special auto theft investigation units and have funded a hotline program called HEAT[®] (Help Eliminate Auto Thefts); whereby callers are financially rewarded for providing information that leads to the arrest of auto thieves. Many vehicle owners have also taken advantage of technology to keep their vehicles safe, including the use of alarms, kill switches, electronic tracking systems, and steering wheel locks.

MICHIGAN'S MOTOR VEHICLE THEFT EXPERIENCE

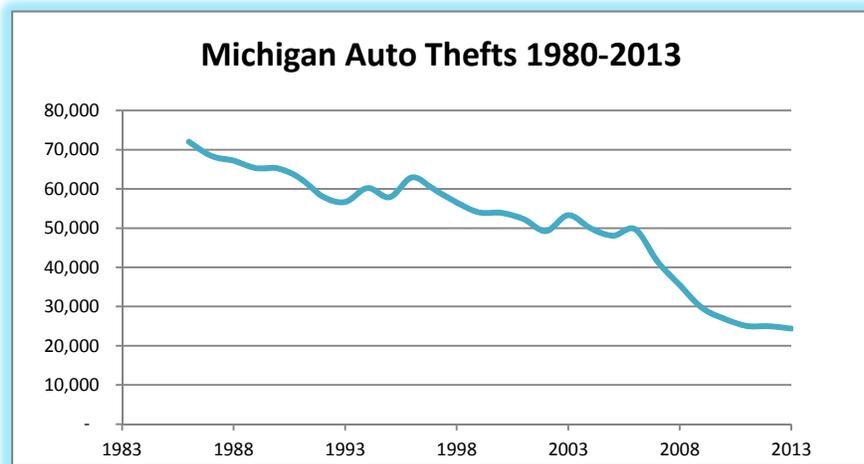
NUMBER OF THEFTS

From 1986 to 2013, auto theft incidents in Michigan decreased 66.2 percent. The FBI's Uniform Crime Report (UCR) for 2013 indicates that nationwide auto thefts have decreased 42.8 percent since 1986 (as shown below in Table 1 and Chart 1).

TABLE 1				
Motor Vehicle Theft Incidents Nationally and in Michigan 1986-2013				
Year	NATIONWIDE		MICHIGAN	
	Number of Thefts	% Change	Number of Thefts	% Change
1986	1,224,137	N/A	72,021	N/A
1987	1,288,674	+ 5.3	68,415	- 5.0
1989	1,564,800	+ 21.4	65,297	- 4.6
1991	1,661,738	+ 6.2	62,636	- 4.1
1993	1,561,047	- 6.1	56,670	- 9.5
1995	1,472,732	- 5.7	57,895	+ 2.2
1997	1,353,707	- 8.1	59,826	+ 3.3
1999	1,147,305	-15.2	54,018	- 9.7
2001	1,226,457	+ 6.9	52,310	- 3.2
2003	1,260,471	+ 2.8	53,307	+ 1.9
2005	1,235,226	- 2.0	48,064	- 9.8
2007	1,095,769	- 8.1	41,510	- 16.5
2009	794,616	- 27.5	29,647	- 28.6
2011	715,373	-10.0	25,048	- 15.5
2012	721,053	0.8	24,973	-0.3
2013	699,594	-3.0	24,369	-2.4
1986-2013 Change		-42.8	-66.2	

Source: FBI and Michigan UCR 1986-2013.

CHART 1



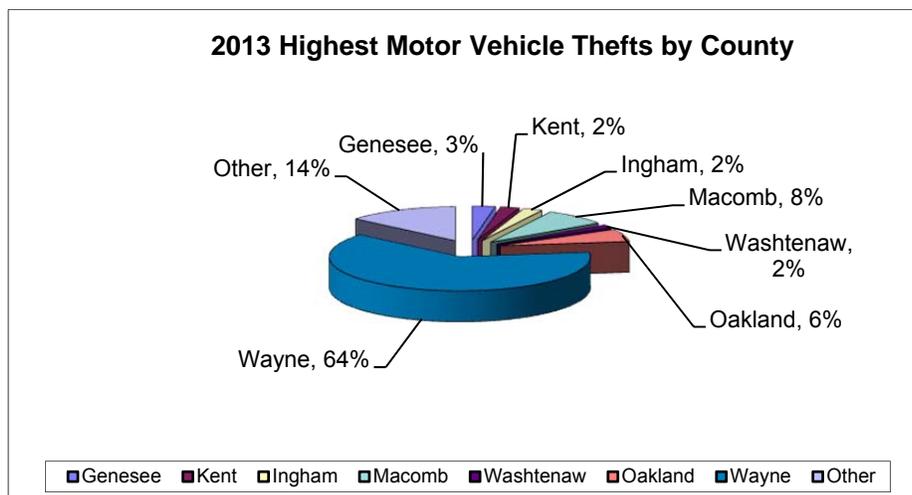
Source: FBI and Michigan UCR 1986-2013.

Table 2 and Chart 2 illustrate that from 1986 to 2013, the number of motor vehicle thefts in Michigan's high-theft counties declined. The ATPA concentrates most of its grant resources in the ten counties with the most auto thefts, and each of those counties has experienced a decline in auto theft.

County	Motor Vehicle Thefts			Change	Change	Change
	1986	1996	2013	1986-1996	1996-2013	1986-2013
Wayne	43,300	42,602	15,559	-1.6%	-63.5%	-64.1%
Macomb	5,832	2,836	1,941	-51.4%	-31.6%	-66.7%
Oakland	9,310	3,886	1,445	-58.3%	-62.8%	-84.5%
Genesee	3,290	3,329	705	1.2%	-78.8%	-78.6%
Ingham	812	857	585	5.5%	-31.7%	-28.0%
Kent	1,778	1,542	578	-13.3%	-62.5%	-67.5%
Washtenaw	1,449	1,122	383	-22.6%	-65.9%	-73.6%
Kalamazoo	591	556	354	-5.9%	-36.3%	-40.1%
Saginaw	569	588	215	3.3%	-63.4%	-62.2%
Muskegon	331	408	230	23.3%	-43.6%	-30.5%
Monroe	279	438	213	57.0%	-51.4%	-23.7%
Calhoun	244	473	170	93.9%	-64.1%	-30.3%
St. Clair	261	308	164	18.0%	-46.8%	-37.2%
Berrien	408	474	157	16.2%	-66.9%	-61.5%
Jackson	308	277	156	-10.1%	-43.7%	-49.4%
Bay	175	272	118	55.4%	-56.6%	-32.6%
Ottawa	194	226	96	16.5%	-57.5%	-50.5%
Allegan	74	120	74	62.2%	-38.3%	0.0%
Van Buren	150	116	61	-22.7%	-47.4%	-59.3%
St. Joseph	74	82	39	10.8%	-52.4%	-47.3%
Remaining Counties	2,592	2,418	1,126	-6.7%	-53.4%	-56.6%
Michigan Totals	72,021	62,930	24,369	-12.6%	-61.3%	-66.2%

Source: Michigan UCR 1986-2013.

CHART 2



Source: Michigan UCR 1986-2013.

MOTOR VEHICLE VALUE

While the number of auto thefts in Michigan decreased 2.7 percent from 2011 to 2013, the value of stolen vehicles fell 6.9 percent during that period. Total property stolen during the same period of time has increased by 70.4 percent. Table 3 reveals the following facts:

- 1) In 2013, auto theft represented 15.3 percent of total property stolen.
Additionally, 50.9 percent of stolen motor vehicle value was recovered.
- 2) In 2013, only 24.5 percent of total property value was recovered.

This data suggests the following:

- 1) Provided every vehicle had comprehensive insurance, the decrease in the value of vehicles stolen (2011 to 2013) saved the insurance industry \$7 million.
- 2) The fact that only 50.9 percent of stolen vehicle values are recovered may indicate:
 - a. Thieves are transporting more vehicles out of the state/country.
 - b. Thieves are dismantling vehicles for parts or are crushing them for cash.
 - c. More vehicles are recovered with major fire and water damage.

TABLE 3			
Motor Vehicle Portion of Total Value of Stolen/Recovered Property in Michigan (Thousands of Dollars), 2011-2013			
	2011	2013	Change 2011-2013
Total Property Stolen	411,940	701,914	70.4%
Value Stolen Vehicles	114,305	107,598	-6.9%
Motor Vehicles % of Total Stolen	27.7	15.3	-44.8%
Total Property Recovered	76,017	171,967	126.2%
Value Recovered Vehicles	57,924	54,816	-5.4%
Motor Vehicles % of Total Recovered	76.2	31.9	-58.1%
% Total Property Value Recovered	18.5	24.5	32.4%
% Stolen Vehicle Value Recovered	50.7	50.9	0.4%

Source: Michigan UCR 2011-2013.

MOTOR VEHICLES FREQUENTLY STOLEN BY MAKE AND MODEL

The National Insurance Crime Bureau (NICB) captured all the vehicles reported stolen during 2013, and compiled a list of the most frequently stolen automobiles by make and model:

Michigan Top Ten Most Stolen Cars - 2013	
1.	2004 Chevrolet Impala
2.	2000 Dodge Caravan
3.	2013 Ford Fusion
4.	2013 Ford Taurus
5.	2013 Chevrolet Malibu
6.	1999 Chevrolet Pick-Up (Full Size)
7.	2000 Jeep Grand Cherokee
8.	1999 Ford Pick-Up (Full Size)
9.	2004 Pontiac Grand Prix
10.	2013 Ford Explorer

Source: NICB.

According to a study recently conducted by the NICB, when new, a car that is popular with thieves will remain a theft target for approximately six years.

The NICB theorizes:

- 1) As a model line ages, its parts become more valuable if the model is not significantly redesigned.
- 2) It appears to take thieves three years to fully solve the manufacturer's theft deterrent systems.
- 3) Owners of older cars are less vigilant about installing after-market anti-theft devices and/or locking the vehicle.

MOTOR VEHICLE THEFT ARRESTS

The number of subjects arrested for motor vehicle theft-related crimes in 2013 was down 16.4 percent from 2011, as shown in Table 5 (below). Other trends from 2011-2013 include:

- 1) Adult arrests represent 85 percent of the total arrests.
- 2) Juvenile arrests represent 15.1 percent of the total arrests.
- 3) Adult male arrests represent 73.3 percent of the total arrests.
- 4) Juvenile male arrests represent 12.9 percent of the total arrests.

	2009	Change 2007-2009	2011	Change 2009-2011	2013	Change 2011-2013
Total Arrests	2,600	-25.4%	1,944	-25.2%	1,626	-16.4%
Male	2,249	-25.1%	1,677	-25.4%	1,402	-16.4%
% Total	86.5	N/A	86.3	-.2%	86.2	-.1%
Female	351	-26.9%	267	-23.9%	224	-16.1%
% Total	13.5	N/A	13.7	.2%	13.8	.1%
Adult	2,149	-21.4%	1,669	-22.3%	1,381	-17.3%
% Total	82.7	N/A	85.9	3.2%	85.0	-.9%
Juvenile (under 17)	451	-40.0%	275	-39.0%	245	-11.0%
% Total	17.3	N/A	14.1	-3.2%	15.1	1.0%
Male Adult	1,852	-20.7%	1,442	-22.1%	1,193	-17.3%
% Total	71.2	N/A	74.1	2.9%	73.3	-.8%
Female Adult	297	-25.6%	227	-23.6%	188	-17.2%
% Total	11.4	N/A	11.7	.3%	11.6	-.1%
Male Juvenile	397	-40.7%	235	-40.8%	209	-11.1%
% Total	15.3	N/A	12.1	-3.2%	12.9	.8%
Female Juvenile	54	-33.3%	40	-25.9%	36	-10.0%
% Total	2.1	N/A	2.1	None	2.2	.1%

Source: Michigan UCR 2009-2013.

AUTOMOBILE THEFT PREVENTION AUTHORITY

The ATPA provides financial support to non-profit, tax-exempt organizations, as well as law enforcement agencies, county prosecutors, and community organizations that show potential for fulfilling the ATPA's mission of reducing auto theft.

LAW ENFORCEMENT

The ATPA Board is convinced that placing specially-trained officers in the field to focus on auto theft is the most effective method of reducing auto-related thefts. The ATPA has historically committed over 80 percent of its funds to supporting law enforcement consortiums in high-theft areas. As shown in Table 6 below, these special auto theft teams have been very productive.

TABLE 6			
Law Enforcement Activity			
Year	Arrests	Recovery Incidents	\$ Value Recovered
1989-2004	39,561	46,309	\$408,765,810
2005	2,757	3,750	37,420,835
2006	2,957	5,060	49,220,230
2007	3,073	5,123	50,391,570
2008	2,256	4,689	39,541,465
2009	2,583	5,091	39,316,557
2010	2,311	4,133	28,370,280
2011	2,281	4,628	27,508,471
2012	2,701	4,196	34,246,620
2013	1,996	4,527	33,278,814
Totals	62,476	87,506	\$748,060,652

Source: ATPA Reports 1989-2013

PROSECUTION

In order to provide maximum attention to auto thieves, the ATPA funds assistant prosecutors in four counties with serious auto theft problems. These specially trained assistant prosecutors vertically handle cases through both district and circuit court systems, prosecute the thieves, and seek the maximum sentence length on all convictions. As shown in Table 7, from 1992 to 2013, these prosecutors achieved a conviction rate of 80 percent for all auto-theft related cases that went to trial, and 41 percent of subjects sentenced are incarcerated. Those who avoided jail time were placed on probation, fined, or are required to make restitution to the rightful owner.

TABLE 7						
Prosecution Activity						
Year	Warrants Issued	Guilty Pleas	Trials	Trial Convictions	Jail Sentence	Probation Sentence
1992-2004	29,518	20,167	1,270	1,092	9,967	10,143
2005	2,711	1,882	23	20	867	979
2006	3,094	2,221	29	27	957	1,254
2007	3,238	2,207	40	31	1,007	1,182
2008	2,419	2,025	17	15	911	1,519
2009	2,650	2,189	8	7	624	1,031
2010	2,737	2,279	13	9	861	1,140
2011	2,521	1,656	27	21	1,279	735
2012	2,421	2,050	66	47	914	863
2013	2,327	1,372	62	36	815	921
Totals	53,636	38,048	1,555	1,305	18,202	19,767

PREVENTION

As important as law enforcement officers and assistant prosecutors are in combatting auto thefts, the ATPA Board is convinced that comprehensive efforts against auto theft must include the prevention and education activities of non-profit community organizations. Historically, the ATPA has expended approximately two percent of its grant monies on non-profit community organizations. These organizations have provided valuable "street" information to law enforcement teams, which has led to many arrests and vehicle recoveries.

In addition, these organizations hold community meetings to teach residents how to prevent auto theft, distribute flyers and newsletters regarding auto theft prevention, organize neighborhood watch or citizens band radio patrol programs, and etch the vehicle identification number (VIN) onto the glass of residents' automobiles. As of September 2013, there were over 46,800 vehicles etched in this program. The activities listed above increase neighborhood awareness of auto theft and advertise auto theft tip hotlines, which provide a pipeline of important information to law enforcement teams.

INSURANCE FRAUD

Insurance fraud includes:

- 1) Vehicle owners who dispose of their vehicle and report it as stolen.
- 2) Vehicle owners who do not have collision coverage and report the vehicle stolen or carjacked after they have an accident.
- 3) Vehicle owners who insure non-existent vehicles prior to reporting them stolen.
- 4) Vehicle owners who purchase fake insurance certificates.
- 5) Tow truck drivers who take vehicles from the street without law enforcement authorization to collect storage fees from insurance companies.
- 6) Body repair shops that submit bills for repairs that were not needed or for damages they created.
- 7) Vehicle owners who participate in staged accidents.
- 8) Vehicle owners who report their vehicle damaged by some mystery vehicle while it was parked.
- 9) Vehicle owners who fail to report their vehicle parked in a high theft area at the time of theft.
- 10) Vehicle owners who claim fraudulent medical expenses after an accident.

Since the scope of insurance fraud activities is so vast, the ATPA focuses on the first three types of insurance fraud cases. Reacting to scenarios where vehicles are stolen is the ATPA's legislative mandate and fully utilizes available resources.

The remaining types of insurance fraud are a major source of consternation for the insurance industry and there may be a need for a program that addresses and assists in those areas, such as an insurance fraud authority.

ANTI-THEFT DEVICES

The ATPA was charged in Public Act 10 of 1986, with the responsibility for approving automobile theft prevention devices. At that time, the ATPA addressed devices in broad general terms so it would not be responsible for revising the list of devices every time a new one was introduced to the market.

In 1987, the ATPA approved and implemented standards for automobile theft prevention devices, and in 1993, the ATPA approved and implemented new standards. Installation of those devices qualified the insured for a reduction in the automobile's comprehensive insurance premium. Each company determines the amount of the reduction. A copy of these standards appears in Appendix II.

Table 8 indicates the discounts on comprehensive insurance premiums offered by major insurers.

TABLE 8		
Anti-Theft Device Discounts Offered by Six Major Michigan Insurers		
Company	Device	Discount
Allstate Insurance Group	- All devices	Up to 10%
Auto Club Group	-Encoded or pass key device -Passive or pass key -Active device or VIN etching	15% to 25% 10% 5% to 10%
Auto-Owners	-Passive device -Active device and VIN etching -Active device/VIN etching/alarm	10% 10% 5%
Citizens	-Tele-Trac device -Lo-Jack retrieve and Lo-Jack prevent -Passive device -Active device and VIN etching -Active device/VIN etching/alarm	25% 20% 5% 10% 5%
Farmers Group	-All devices	3%
State Farm Mutual	-Passive device -Active device and VIN etching -Active device/VIN etching/alarm	10% 10% 5%

Source: Department of Insurance and Financial Services



MICHIGAN DEPARTMENT OF STATE

The Michigan Department of State is responsible for licensing, registering, certifying, and regulating vehicle dealers, vehicle repair facilities, and vehicle mechanics, as well as conducting inspections and consumer complaint investigations involving these licensed entities.

Licensing and Administrative Oversight

The Business Licensing and Regulation Division within the Bureau of Regulatory Services manages all functions related to licensing of vehicle dealers, registration of vehicle repair facilities, and certification of vehicle mechanics. The division is also responsible for regulatory oversight of licensees with the objective being licensee compliance with the Michigan Vehicle Code (MVC) and the Motor Vehicle Service and Repair Act (MVSRA). This function is accomplished through dealer and repair facility training classes offered to licensee personnel, administrative reviews, and initiating formal administrative actions against licensees who have violated the MVC or MVSRA.

Licensee Inspections and Investigations

The Regulatory Monitoring Division within the Office of Investigative Services is responsible for records and inventory inspections, and consumer complaint investigations involving dealers, repair facilities, and mechanics. As part of the inspection responsibility, division investigative staff frequently assist law enforcement agencies with inspections of licensee locations suspected of possessing stolen vehicles or stolen parts. From January 2013 through May 2015, the division completed the following:

- 2,540 assembled vehicle inspections.
- 5,083 licensee compliance inspections.
- 3,017 complaint investigations.
- 13,396 Notices of Non-Compliance issued as a result of inspections and investigations.
- \$684,930 recovered for the Michigan Department of State mediated for consumers.

Division staff presented information at the September 2014 Michigan Association of Vehicle Theft Investigators (MAVTI) conference. They also regularly participate in Michigan Anti-Car Theft (ACT) committee meetings to share information, discuss new trends in auto theft and insurance fraud, and develop effective initiatives to combat theft and fraud in Michigan.

Customer Services Administration

The department's Customer Services Administration oversees the operating procedures of the state's 131 Secretary of State (SOS) branch offices. The administration participates in ACT committee meetings to share information about new branch office initiatives designed to combat fraudulent title and registration transactions, including insurance fraud, title fraud, and document fraud.

During 2013 and 2014, several SOS branch office initiatives were implemented to reduce fraudulent title and registration transactions:

1. Insurance Certification Verification:

Changes were implemented as a result of the growing problem with uninsured vehicles registered in Michigan and the use of counterfeit insurance certificates to obtain vehicle registration. In 2013, the SOS launched the Fight Auto Insurance Rip-Offs (FAIR) initiative to combat insurance fraud in cooperation with law enforcement agencies, the insurance industry, prosecutors, and the Michigan Department of Insurance and Financial Services.

As part of this campaign, beginning in January 2013, SOS branch office staff now attempt to verify the validity of insurance certificates presented at the counter. A certificate's validity is verified by contacting the issuing insurance agency or insurance company. If the certificate is determined to be invalid, a registration is not issued or renewed for the vehicle.

If an insurance certificate cannot be verified during the customer's visit, the insurance company is contacted after the license plate is issued or renewed. If it is found the certificate was not valid, the license plate is canceled. The vehicle can only be registered again by presenting a valid insurance certificate and paying full fees for a new license plate. This same requirement applies to certificates submitted with registrations renewed through the mail.

Individuals and organized crime rings have been caught selling fake insurance certificates to vehicle owners, sometimes with a phone number to a fake "help desk" or insurance agency. Upon calling the phone number, the fraudulent person represents themselves as an insurance agent and verifies the policy is valid. The SOS has referred these scams to law enforcement for investigation, resulting in arrests and prosecution.

2. Michigan Became a Participating State in the National Motor Vehicle Title Information System (NMVTIS):

In May 2014, Michigan completed the programming necessary to become a participating state in the National Motor Vehicle Title Information System (NMVTIS). Michigan's 13 million vehicle title records were electronically submitted to NMVTIS and added to the NMVTIS national database. Daily title activity updates are also sent to NMVTIS.

Forty-four states now submit their vehicle title records to NMVTIS, encompassing 96 percent of all vehicle title records in the nation. SOS branch office staff check all out-of-state titles against the NMVTIS database to ensure the title being presented is valid.

3. Vehicle Age for Self-Certification of Ownership Changes to Ten or More Years Old:

In 2012, the SOS tightened up the procedure provided in MCL 257.217(1)(d) of the Michigan Vehicle Code, under which title applicants can self-certify vehicle ownership in lieu of an assigned title. Under the tightened procedure, applicants must submit an appraisal of the vehicle's value. Also, the procedure was discontinued for use with out-of-state vehicles. Further, the VIN is checked against the NMVTIS database to ensure the vehicle is not titled in another state.

Effective April 2013, eligibility for using this procedure was further restricted when section 257.217(1)(d) was amended to change the vehicle eligibility age. Instead of being six or more years old to qualify, the vehicle must now be ten or more years old to qualify. If an applicant cannot present an assigned title for a vehicle less than ten years old, a surety bond is required.

4. Capture of Applicant Identification with Title Applications Automated:

In a change to help with investigations of vehicle title transactions by applicants who may have perpetuated fraud or criminal activity, the SOS automated the process of capturing the name and identification of the person who processed the application at the SOS branch office. The automated process captures whether the owner or an agent of the owner appeared at the office, and also captures the identification of the applicant (most often his or her driver's license number).

Previously, this information was handwritten on title applications by SOS branch office staff. On occasion this information was lacking, hindering efforts to identify who committed title fraud. The new process requires entry of this information when processing title transactions on SOS computer workstations.

5. Titling Ghost Vehicles or "Frame Only" Vehicles:

Some applicants have attempted to use a surety bond to title vehicles that were not brought to Michigan or to title a "frame only" vehicle. Effective September 2013, a TR-54 VIN inspection from a Michigan law enforcement agency is now required when a surety bond is used as proof of ownership and there is no Michigan title record. This verifies the vehicle exists and is in Michigan.

6. Tightened Lien Termination Procedure:

In response to increasing numbers of fraudulent lien termination statements presented with duplicate title or transfer title applications for newer vehicles, effective March 2014, SOS branch office staff contact the lienholder to verify the validity of a lien that was discharged on the face of a title or through the use of a separate termination statement. The verification is performed if the lien filing date on a title is less than two years old and the vehicle is six years old or less.

Citing privacy concerns, some lienholders will not verify if their lien is valid or has been discharged, claiming this information can only be provided to the account holder (vehicle owner). In these cases, the title transaction will be processed, but instant title service is not available. If the lien termination appears suspicious, the transaction is referred to the SOS Internal Security Division for review.

7. Owner Must Appear for Instant Title Service:

Due to increased fraud with instant title transactions using appointment of agent forms, effective January 2014, individual owners cannot appoint an agent for an instant title transaction. The owner must appear in person.

Exceptions are provided for licensed vehicle dealers, persons presenting a durable power of attorney for an owner who is no longer capable for conducting his or her own business affairs, and when a reasonable hardship prevents the vehicle owner from appearing (e.g., the vehicle owner is out of state in military service).

HELP ELIMINATE AUTO THEFTS (HEAT®) PROGRAM

In October of 1985, Michigan insurers initiated the statewide tip reward program, HEAT®, to encourage citizen participation and cooperation with law enforcement agencies to curb auto theft-related activity. By calling (800) 242-HEAT, callers can provide confidential information on auto theft activity. HEAT® rewards hotline callers with up to \$1,000 for information that leads to the arrest and prosecution of individuals suspected of auto theft, auto theft-related insurance fraud or identity theft, and up to \$10,000 if the tip results in the arrest and prosecution of suspected auto theft ring members or chop shop operators. In addition, as a result of the serious nature of the crime of carjacking, a \$2,000 reward is paid for information leading to the issuance of a warrant for a carjacking suspect.

The program is funded through and administered by the Michigan Automobile Insurance Placement Facility, an association of automobile insurers in Michigan. HEAT® tips are assigned to the appropriate ATPA-funded law enforcement team or sent directly to a police agency for immediate investigation.

Considered a trailblazer in the area of auto theft prevention, the HEAT® program provides free materials, as well as exhibits and speakers for ATPA-funded groups and other interested parties. HEAT® is a perfect example of how insurance companies, law enforcement agencies, businesses, and the citizens of Michigan can join together to help eliminate auto thefts.



HEAT® PROGRAM STATISTICS	
<u>10/1985-12/2014</u>	
Tip Calls Received	- 10,398
Tips Paid	- 3,728
Tip Money	- \$4,077,207
Suspects Arrested	- 3,588
Vehicles	- 4,753
Value of Recovery	- \$58,270,554

TIPS PAID BY TYPE	
<u>10/1985-12/2014</u>	
Individual	- 1,386
Auto Thefts	- 373
Chop Shops	- 205
Carjacking	- 151
Insurance Fraud	- 113
Major Activities	- 106
Theft Rings	- 14
Miscellaneous	- 14
Auto-Related Identity Theft	- 14
TOTAL TIPS	<u>2,362</u>

PRIVATE SECTOR TECHNOLOGY

Since 1986, several innovations have provided additional protection or theft deterrence to auto owners. Manufacturers have strengthened door locks and made the locking mechanisms more difficult to defeat. Steering wheel columns have been redesigned and strengthened to make the thief's job more time consuming. Ignition systems have been reinforced, relocated, and redesigned so they are more difficult to defeat. Microcomputer chips have been added to ignition keys so the vehicle will not start unless the vehicle's computer reads a unique electronic code on the key. Many new vehicles cannot be stolen without the original key.

Many aftermarket auto theft prevention techniques or devices have also been successfully promoted including steering wheel locks, metal column wraps, alarms, kill switches, and electronic tracking devices. Tracking devices are able to either provide law enforcement with the exact location of the vehicle or allow law enforcement to find the vehicle with a homing device. In these cases, the vehicle is usually recovered in a matter of hours. Side window glass can also be strengthened with a clear film which prevents the glass from disintegrating into glass pellets when a thief hits it with a hard object.

The federal government now requires that manufacturers of high-theft vehicles place a tag with the VIN on 13 major component parts of the vehicle. The tags are usually white and are glued to the parts. Thieves attempts to remove or replace the VIN tags with computer-generated ones are hampered by special tear-away glues, logos hidden in the tags, and chemical footprints left behind if the tag is removed.

The MSP Automated Fingerprint Identification System (AFIS) has also assisted in the identification of auto thieves. Prior to this system being implemented, auto theft investigators would dust a recovered vehicle for prints, but if the prints were not manually matched with a known local suspect, they were not able to follow up on the lead. With AFIS, auto theft investigators can access a statewide computer database of fingerprints and have a better chance of identifying a suspect.

Advances in deoxyribonucleic acid (DNA) technology have given law enforcement another means of positively identifying auto thieves. Agencies have successfully taken DNA swabs off the steering wheel or from food left in the vehicle to help identify potential suspects.



MICHIGAN DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES

One of the primary reasons for the creation of the ATPA was that auto theft was driving up the cost of auto insurance. Premiums for comprehensive coverage, which is the portion of an auto insurance policy that pays for the theft of a motor vehicle, were climbing steadily. Since the creation of the ATPA, premiums charged by auto insurers for comprehensive coverage have, in general, reflected the decrease in motor vehicle theft rates.

Table 9 utilizes data based on written premiums reported by insurance companies. The data reflects a likely premium paid by a Michigan policyholder. The premium includes both the average comprehensive premium and the combined average premium. (Note: this premium data is based strictly on the total reported premium and is not based on any particular location, vehicle, or driver characteristics.)

TABLE 9						
Comprehensive Premium as Percent of Combined Average Premium						
	Combined Average Premium		Average Comprehensive Premium		Average Comprehensive Premium of Combined Average Premium	
	2011	2012	2011	2012	2011	2012
Michigan	\$1,110.64	\$1,171.94	\$143.88	\$142.50	13.0%	12.2%
National	\$911.76	\$927.58	\$132.78	\$134.04	14.6%	14.5%

Source: 2014 National Association of Insurance Commissioners

When looking at comprehensive insurance rates in relation to auto theft, one should keep in mind that the portion of comprehensive premium attributable to theft varies from company to company. This variation stems from an insurer's marketing strategy and actual experience, which, at least in part, results from the areas of the state in which a majority of its policyholders are located. For example, those companies with a large number of policyholders in northern Michigan would likely experience fewer total losses from theft, and more losses resulting from car/deer accidents, than those with more policyholders in urban areas.

Table 10 presents ratios of the top six insurance companies in Michigan.

TABLE 10					
Company Ratios of Auto Theft Claims in Michigan to Total Comprehensive Claims					
Year	Auto Theft Claims	Comprehensive Claims	Year	Auto Theft Claims	Comprehensive Claims
Allstate			Citizens		
1993	5.1%	36.4%	1993	4.6%	24.6%
1995	3.9%	31.0%	1995	0.1%	0.2%
1997	4.0%	28.9%	1997	0.1%	0.3%
1999	4.0%	30.5%	1999	0.3%	0.9%
2001	4.2%	32.1%	2001	0.5%	1.6%
2003	3.8%	28.6%	2003	0.2%	0.3%
2005	3.8%	29.0%	2005	1.2%	14.9%
2007	2.9%	23.6%	2007	1.4%	11.0%
2009	6.7%	25.2%	2009	4.4%	15.8%
2011	4.5%	21.6%	2011	3.0%	8.1%
2013	3.9%	24.8%	2013	3.2%	9.6%
Auto Club			Farmers Insurance		
1993	7.0%	46.8%	1993	4.9%	31.5%
1995	13.6%	49.3%	1995	7.7%	32.5%
1997	11.0%	46.1%	1997	6.1%	27.0%
1999	4.2%	34.0%	1999	6.4%	30.7%
2001	3.6%	31.7%	2001	5.4%	27.6%
2003	5.2%	35.6%	2003	4.1%	25.3%
2005	5.1%	37.0%	2005	3.0%	17.1%
2007	3.8%	29.1%	2007	2.0%	11.7%
2009	3.0%	23.6%	2009	1.7%	10.8%
2011	2.3%	18.7%	2011	2.4%	17.6%
2013	1.9%	19.1%	2013	3.0%	21.4%
Auto-Owners			State Farm		
1993	2.4%	18.3%	1993	2.2%	21.2%
1995	2.0%	14.5%	1995	2.5%	23.7%
1997	1.9%	13.9%	1997	2.5%	23.2%
1999	6.2%	30.0%	1999	1.8%	17.7%
2001	5.4%	23.0%	2001	1.7%	15.6%
2003	5.9%	24.0%	2003	1.4%	13.3%
2005	2.5%	14.1%	2005	2.2%	19.4%
2007	1.6%	11.3%	2007	2.7%	18.9%
2009	1.2%	9.1%	2009	2.4%	14.5%
2011	2.7%	10.1%	2011	1.8%	12.9%
2013	3.7%	10.8%	2013	2.0%	14.1%

Source: Company Data, 1993-2013

Table 11 ranks the states with the highest average cost of comprehensive premium. The average comprehensive premium amount is calculated by dividing the total amount of comprehensive premiums written by the total number of vehicles that were insured in the state. Based on the most recent calculation, Michigan has dropped from fifth place in 1987 to 21st place in 2011.

The average comprehensive premium Michigan motorists paid has decreased from \$149.98 in 2009 to \$143.88 in 2011, a savings of 4.1 percent.

TABLE 11			
States With Highest Average Comprehensive Premiums 2009-2011			
State	Average Comprehensive Premium		% Change
	2009	2011	2009-2011
District of Columbia	\$244.70	\$226.22	-7.6%
North Dakota	\$218.87	\$219.63	0.3%
Kansas	\$198.11	\$208.56	5.3%
Louisiana	\$212.19	\$207.68	-2.1%
South Dakota	\$189.60	\$201.21	6.1%
Wyoming	\$198.78	\$198.01	-0.4%
Montana	\$183.52	\$187.65	2.3%
Arizona	\$204.61	\$187.38	-8.4%
West Virginia	\$171.48	\$186.32	8.7%
Texas	\$180.41	\$185.61	2.9%
Mississippi	\$172.73	\$184.79	7.0%
Nebraska	\$169.71	\$181.00	6.7%
Oklahoma	\$159.23	\$179.63	12.8%
Arkansas	\$158.15	\$169.06	6.9%
New Mexico	\$175.79	\$168.75	-4.0%
Minnesota	\$162.46	\$162.06	-0.2%
Iowa	\$155.90	\$159.67	2.4%
Missouri	\$154.01	\$155.14	0.7%
Georgia	\$154.00	\$153.03	-0.6%
South Carolina	\$144.73	\$149.16	3.1%
New York	\$146.61	\$144.11	-1.7%
Michigan	\$149.98	\$143.88	-4.1%
Alaska	\$147.86	\$143.36	-3.0%
National Average-50 States	\$132.78	\$134.04	-1.3%

Source: 2014 National Association of Insurance Commissioners

FACTORS THAT AFFECT STATE AVERAGE EXPENDITURES AND AVERAGE PREMIUMS

Many factors affect the state-to-state differences in average expenditures and premiums for automobile insurance. Some important factors include:

- Underwriting and loss adjustment expense
- Types of coverage purchased
- Relative amounts of coverage purchased
- Driving locations
- Accident rates
- Traffic density
- Auto theft rates
- Auto repair costs
- Population density
- Medical and legal costs
- Per capita disposable income
- Rate and form filing laws
- Liability insurance requirements
- Auto laws (e.g., seat belt, speed limits, etc.)

Insurance rates are developed based primarily on the insurer's cost of paying claims. Certain broad characteristics of a state contribute to the frequency and severity of auto claims and insurer loss costs in that state. Many of these cost factors can influence insurance prices, not only between states, but also between communities and neighborhoods, making price comparison between states and within a state extremely complex.

It is reasonable to consider that the general economic conditions in a state may affect the price of auto insurance, but no direct measure of this characteristic exists. There are measurable variables that can be used as imperfect substitutes for these general economic conditions to approximate their influence on auto insurance price.

Any time a factor of averages is used for comparison, it is best to recall how an average comprehensive premium is compiled. All insurers, regardless of their market share, are added together and the sum is divided by the number of insurers. This process places insurers who are not competitively priced and only hold a small fraction of the market on an equal footing with companies who are lower priced and increasing their already substantial market share.

Source: 2014 National Association of Insurance Commissioners

APPENDICES

APPENDIX I

Total Comprehensive (Comp.) for Six Major Companies 2003-2013

Year	Comp. Claims	Theft Claims	Ratio	Total Comp. Claims Paid \$1,000	Total Theft Claims Paid \$1,000	Ratio	Average Theft Claim \$ Paid
Allstate Insurance Group							
2003	41,678	1,584	3.8%	32,787	9,373	28.6%	5,917
2005	29,799	1,132	3.8%	24,360	7,062	29.0%	6,239
2007	26,651	773	2.9%	22,853	5,403	23.6%	6,989
2009	12,886	865	6.7%	20,144	5,081	25.2%	5,874
2011	31,485	1,428	4.5%	23,890	5,157	21.6%	3,612
2013	34,649	1,341	3.9%	26,011	6,458	24.8%	4,816
Auto Club Group							
2003	105,880	5,481	5.2%	110,301	39,256	35.6%	7,162
2005	81,052	4,113	5.1%	86,017	31,866	37.0%	7,748
2007	68,475	2,630	3.8%	71,287	20,772	29.1%	7,898
2009	65,638	1,965	3.0%	65,650	15,508	23.6%	7,892
2011	62,804	1,446	2.3%	62,972	11,795	18.7%	8,157
2013	54,618	1,059	1.9%	52,676	10,053	19.1%	9,494
Auto-Owners Insurance Group							
2003	22,865	1,366	5.9%	38,432	9,278	24.0%	6,792
2005	124,328	3,089	2.5%	141,252	19,918	14.1%	6,448
2007	52,383	823	1.6%	55,673	6,290	11.3%	7,643
2009	55,593	666	1.2%	49,107	4,457	9.1%	6,692
2011	18,306	495	2.7%	37,655	3,801	10.1%	7,680
2013	12,143	446	3.7%	35,057	3,785	10.8%	8,489
Citizens Insurance Company							
2003	43,834	78	0.2%	33,647	102	0.3%	1,314
2005	52,774	634	1.2%	28,735	4,281	14.9%	6,752
2007	64,154	901	1.4%	37,501	4,135	11.0%	4,590
2009	19,433	847	4.4%	29,681	4,694	15.8%	5,541
2011	10,792	328	3.0%	28,357	2,297	8.1%	7,006
2013	8,675	273	3.2%	23,413	2,236	9.6%	8,193
Farmers Insurance Group							
2003	11,197	459	4.1%	9,929	2,511	25.3%	5,472
2005	9,101	272	3.0%	6,853	1,173	17.1%	4,314
2007	12,065	243	2.0%	9,972	1,169	11.7%	4,809
2009	8,899	149	1.7%	8,052	866	10.8%	5,810
2011	7,636	180	2.4%	8,305	1,458	17.6%	8,102
2013	7,715	229	3.0%	8,607	1,844	21.4%	8,052
State Farm Mutual Insurance Company							
2003	121,287	1,721	1.4%	113,992	15,200	13.3%	8,832
2005	105,032	2,321	2.2%	111,665	21,628	19.4%	9,318
2007	80,333	2,135	2.7%	104,859	19,839	18.9%	9,292
2009	76,258	1,858	2.4%	99,193	14,425	14.5%	7,764
2011	66,024	1,216	1.8%	88,402	11,391	12.9%	9,368
2013	62,400	1,252	2.0%	92,772	13,081	14.1%	10,449

Source: Department of Insurance and Financial Services, Company Data

APPENDIX II
STANDARDS FOR AUTOMOBILE THEFT PREVENTION AND RECOVERY DEVICES
Approved By The Michigan Automobile Theft Prevention Authority, June 22, 1994
Effective January 1, 1995

The following automobile theft prevention and recovery devices have been approved by the Automobile Theft Prevention Authority (ATPA), in accordance with Act 143 P.A. of 1993. Any vehicles which are equipped with or contain these devices will qualify for a reduction in the automobile's comprehensive insurance premium. The amount of the specific reduction for each category will be determined by each insurance company, and insurers may choose to provide a greater discount to vehicles which have devices from two or more categories.

Two categories of effectiveness in preventing vehicle theft have been identified, as well as one category for systems which assist in the recovery of the vehicle if it is stolen. Proper use of the systems described in categories one and two will respectively provide an optimum level and a minimum level of theft deterrence. A vehicle properly equipped with a recovery device will enhance efforts to recover the vehicle.

CATEGORY ONE - PASSIVE SYSTEMS PROVIDING OPTIMUM LEVEL OF SECURITY

The systems in this category will provide the optimum level of deterrence. To qualify for this discount, the vehicle must be equipped with at least one passive device (e.g., device is activated automatically when the vehicle's ignition key is removed).

A passive alarm system which has a back-up battery and meets or exceeds criteria established in Category Two.

Passive disabling devices which prevent the vehicle's steering, fuel, transmission/transaxle, ignition or starting systems from operating, and devices which prevent the vehicle's braking system from releasing.

A passive time delay ignition system which allows the vehicle to be started only after a preset delay or delayed ignition cut-off system which disables the vehicle at a preset engine speed.

A passive vehicle entry/ignition key system.

CATEGORY TWO - ACTIVE SYSTEMS PROVIDING A MINIMUM LEVEL OF SECURITY

Any of the systems in this category will provide at least a minimum level of deterrence. To qualify for a discount, the vehicle must be equipped with at least one of these listed devices (which must be manually activated by the vehicle owner prior to leaving the vehicle). An insurer may choose to offer an increased discount if the vehicle has two or more of these devices.

Alarm only devices--activated by a door, hood, or trunk being opened or by motion inside the vehicle--which sound an audible alarm that can be heard at a distance of at least 300 feet for a minimum of three minutes.

Manually activated disabling devices which prevent the vehicle's steering, fuel, transmission/transaxle, ignition or starting systems from operating, and devices which prevent the vehicle's braking system from releasing.

Etching of 17-digit VIN on windshield, rear window glass and both front door windows.

CATEGORY THREE - SYSTEMS WHICH ASSIST IN VEHICLE RECOVERY

The systems in this category enhance the effort to recover the vehicle after it is stolen.

A device which, when activated, emits an electronic signal that can be tracked by either a law enforcement agency or by a private monitoring station which relays the information on the vehicle's location to law enforcement officers.

Source: ATPA

For additional information, please contact:

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Michigan State Police
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