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Issues and Practices

SNI

Vehicle Theft Prevention Strategies

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- What goes into a comprehensive anti-theft program?
- Who needs to be involved?
- Can you get car owners, departments of motor vehicles, police agencies, insurance companies, prosecutors, and legislators to combine forces?
- Why is regional and national cooperation important?

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Vehicle Theft Prevention Strategies

by
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with assistance from
Debra Whitcomb

June 1984

Issues and Practices in Criminal Justice is a publication series of the National Institute of Justice. Designed for the criminal justice professional, each *Issues and Practices* report presents the program options and management issues in a topic area, based on a review of research and evaluation findings, operational experience, and expert opinion in the subject. The intent is to provide criminal justice managers and administrators with the information to make informed choices in planning, implementing and improving programs and practice.

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INTRODUCTION

1.0 Description of the Vehicle Theft Problem

In 1981, over 1,073,988 motor vehicles were stolen, worth a total of over 3.4 billion dollars.[1] This represents a greater number of vehicles and a greater loss than ever before. True, the introduction of improved security measures in the late 1970s seems to have capped a vehicle theft rate which had more than doubled in the preceding decade, so that the 1980s actually witnessed a slight decline in vehicle thefts. However, the apparent drop in the theft rate does not mean that the problem has lessened in severity, for there are several reasons to believe that the problem has changed in ways that defy even the most foolproof anti-theft devices.

First, vehicle theft is no longer a matter of juvenile joyriding. It is increasingly becoming an adult crime. The proportion of persons arrested for vehicle theft who were under the age of 18 decreased from 56 percent in 1970 to 40 percent in 1981. A concurrent decline in case clearance rates is consistent with the decline in juvenile involvement: juveniles are usually easier to catch than adults, since they are inexpert at concealing their offenses and may spread stories of their exploits among schoolmates and friends. The proportionate increase in arrests of adults, who are more difficult to identify and apprehend, suggests that many more of them are active in vehicle theft than before.

Second, there have been shifts in the types of vehicles stolen. In the past, the majority of vehicles stolen were passenger cars. Recently, thefts of more expensive vehicles not commonly used by the average consumer have been increasing. An examination of National Crime Information Center data for the month of November 1970, showed that 91 percent of the vehicles reported stolen were autos, 2 percent were trucks, and 7 percent were motor-

[1] Unless otherwise noted, the statistics in this chapter were taken from Federal Bureau of Investigation, Uniform Crime Report, for the years 1981, 1980 and 1970, published in Washington, D.C. by the Government Printing Office in the years 1982, 1981 and 1971, respectively.

cycles and other vehicles. However, in 1981, the FBI reported that only 75 percent of stolen vehicles were autos, 14 percent were trucks and buses, and 11 percent were motorcycles and other vehicles. Thefts of farm and heavy equipment are on the rise as well.

Third, the recovery rate has dropped significantly. In the past, owners of stolen vehicles had an excellent chance that their vehicles would be recovered. Juveniles who "borrowed" cars for temporary use typically abandoned them somewhere, and most were recovered within 48 hours. Now, however, the chances of recovery are much lower: the rate of stolen vehicle recoveries dropped from 84 percent to 55 percent in just ten years. At the same time, the value of unrecovered vehicles has multiplied by a factor of ten, from $140 million in 1970 to $1.46 billion in 1980.

These three facts--increasing adult involvement, increasing thefts of trucks and commercial vehicles, and declining recovery rates--are strong indicators that vehicle theft has become the province of professional criminals. Professional thieves are finding that vehicle theft can be "big business," offering relatively high profits at low risk. Some specialize in reselling stolen vehicles, here or abroad. Others operate "salvage switch" activities in which seemingly legitimate ownership documentation is obtained from cars that have been totaled to conceal the identity of and to sell stolen vehicles. Another popular business is the "chop shop," in which stolen vehicles are dismantled for their parts, a technique which potentially triples the vehicle's market value.

Still other professional thieves are collaborating with vehicle owners in lucrative insurance frauds. In recent years, insurance companies have noted an increase in attempts at fraud involving the "thefts" of fictitious cars which are nonetheless insured, collusion between owner and thief in the "theft" of an automobile so that the owner can collect the insurance, and the related problem of vehicle arson, in which an unwanted car is "stolen" and burned in order to make certain that it is a total loss.

The National Automobile Theft Bureau estimates that 10 to 15 percent of reported vehicle thefts nationwide may be attempts to defraud insurance companies.[1] In Massachusetts, the Governor's Task Force on Automobile Theft reported that as many as 25 percent of thefts reported in the state may be frauds.[2] While fraud is conceptually distinct from theft, in practice

[1]These percentages represent an average. In some areas of the country the percentage is substantially higher; in other parts, lower. Remarks by Paul W. Gilliland, President, National Automobile Theft Bureau, Proceedings of the 28th Annual Seminar of the International Association of Auto Theft Investigators, August 1980, p. 85.

[2]Governor's Task Force on Automobile Theft, Auto Theft in Massachusetts: An Executive Response, (Boston: Commonwealth of Massachusettsm Executive Office of Public Safety, March 1980), p. xxii.

the two are often intertwined, and investigating for possible fraud must be an integral part of the response to a vehicle theft.

Combatting professional theft and fraud requires different strategies from those used to address the juvenile theft problem. It is not enough to improve the locks and make the ignitions more secure. The skilled thief can defeat these mechanisms in a matter of seconds. Rather, it is necessary to pass and enforce legislation and regulations which will provide better control of vehicle documents, to provide law enforcement with better tools to investigate and build cases, and to improve coordination between public and private sector efforts in investigation and prevention. While certain measures can be undertaken independently by various public agencies and private industry, coordinated efforts are key to closing the loopholes and gaps in regulation and enforcement.

Equally important, the public must be involved in theft prevention efforts. Professional thieves and joyriders alike benefit from the numerous opportunities automobile owners create. In four out of five cases of auto theft, owners have left doors unlocked; in one of five cases, keys have been left in the ignition.[1] Perhaps the most serious impediment to prevention strategies is the lack of incentive for the individual to take responsibility for preventing theft since he may quickly recoup his losses by collecting insurance. Public education campaigns can increase individual awareness of the costs of vehicle theft, estimated at $3.4 billion annually, and demonstrate the savings preventive measures can yield, especially in the cost of replacing goods stored in the car, substitute transportation, higher insurance premiums, and higher taxes for police investigations.

1.1 Brief History of Prevention Efforts

In recent years a number of agencies and organizations representing both public and private sectors have been introducing reforms and developing strategies to reduce vehicle theft. Current state and local efforts to combat vehicle theft are best understood in the context of past and continuing federal legislative and regulatory efforts and industry initiatives to develop a comprehensive approach to reduce vehicle theft.

[1]Crime Prevention Coalition, "Preventing Auto Theft," 1979; National Automobile Theft Bureau, "Tips to Prevent Vehicle Thefts," n.d., p. 1.

1.1.1 The Federal Role

The federal government is not new to the field of vehicle theft control. In 1919, Congress passed the Dyer Act, making it a federal offense to transport stolen motor vehicles across state lines. Apprehending vehicle thieves became one of the FBI's major activities. By the 1960s, however, the Department of Justice felt that vehicle theft efforts were absorbing an unduly large proportion of federal investigative and prosecutorial services, since vehicle theft offenders accounted for only 20 percent of all convicted federal offenders.[1] Thus, in 1970, the Department of Justice issued new guidelines limiting the federal role and directing its investigative and prosecutorial efforts towards organized auto theft rings.

The National Highway Traffic Safety Administration (NHTSA) of the Department of Transportation promulgates standards which affect vehicle theft prevention and control strategies both directly and indirectly. For example, Federal Motor Vehicle Safety Standard Number 115, in effect since January 1, 1969, requires each automobile to have a unique identifying number. (Prior to 1969, a Vehicle Committee of the Society of Automotive Engineers, an industry sponsored group, set standards for manufacturers regarding vehicle identification numbers.) While the primary purpose of the vehicle identification number (VIN) is to enable NHTSA to administer the safety defect and standard non-compliance recall program, the numbers also provide the best available tool for identifying vehicles and keeping records on them. Recent revisions to the standard have changed the VIN format to increase the accuracy of recorded VINS and to make it easier to detect errors and fraudulent numbers. (See Section 3.2 below for more detail.)

Other federal standards directly address vehicle theft prevention. Federal Motor Vehicle Safety Standard Number 114, in effect since January 1, 1970, requires that passenger cars have a system which prevents steering or self-mobility of the vehicle once the key is removed. Another security-related measure, the "Master Key Act,"[2] passed as part of the Postal Reorganization Act of 1971, makes it illegal to send motor vehicle master keys through the mails.

By 1975, the need for coordinating federal efforts and rethinking the federal role in vehicle theft control was apparent. A Federal Interagency Committee on Auto Theft Prevention was formed, co-chaired by officials from

[1] New York State Senate Committee on Transportation, Auto Theft, 1979: A Survey of Recent Motor Vehicle Theft Prevention Activities and Publications, September 1979, p. 6.

[2] 18 U.S.C. 1716A.

the Departments of Justice and Transportation and with representatives from a number of federal agencies and departments, including Treasury, State, and Commerce. The Committee established six primary objectives:

- the installation of improved locking devices for motor vehicles;
- better identification of motor vehicles and their major components;
- improvement of motor vehicle titling and controls over salvage vehicles;
- establishment of controls over the transportation of used motor vehicles to foreign countries;
- local anti-theft campaigns to stimulate citizen involvement; and
- better coordinated law enforcement between federal, state, and local levels of government.[1]

The Committee's work culminated in the drafting of the Motor Vehicle Theft Prevention Act. The bill was first introduced into Congress in 1978, and reintroduced every year since, but has failed to pass thus far. The bill contains several provisions for the control of vehicle theft which are worthy of note. For example, the 1983 version which was introduced by Representative Bill Green (R-NY) would:

- open the way for the development of a federal standard requiring the placement of identification numbers on all major component parts provided the costs do not exceed $10 per vehicle;
- make it a federal offense to alter or remove a VIN and allowed any motor vehicle or part with an altered number to be seized;
- make it a federal offense to traffic in motor vehicles or parts with altered or missing identification numbers;
- require exporters to record VINs of all vehicles and file an export declaration with Customs before sailing; and

[1] Ralph Culver, Private Property Unit, General Crimes Section, Criminal Division of the U.S. Department of Justice, presentation on "The Auto Theft Problem," National Workshop on Auto Theft Prevention, Compendium of Proceedings, (Albany, NY: New York State Senate Committee on Transportation, February 1979), p. 7.

- make it a federal offense to export or import a vehicle with an altered VIN.

Aside from regulatory and legislative efforts, the federal government contributes to anti-auto theft efforts through the FBI's National Crime Information Center (NCIC), a nationwide index of criminal information which serves as a central clearinghouse for information on stolen vehicles. Connecting terminals are located throughout the country in police departments, sheriffs' offices, state police facilities, federal law enforcement agencies, and other criminal justice agencies. The NCIC computers are linked to many statewide computers, including NLETS (National Law Enforcement Telecommunications System), a state-supported electronic switching system which permits the direct transfer of information and messages among state and local law enforcement agencies. These systems enable enforcement officers to recognize stolen vehicles when they are recovered in jurisdictions other than the ones in which they were stolen.

Finally, the FBI and other federal agencies remain active in the investigation of vehicle theft and fraud. Customs has the chief responsibility for controlling the import and export of stolen vehicles and parts, and investigates cases involving auto theft export operations. Also, the Postal Inspectors may investigate cases where postal laws have been violated, such as cases in which fraudulent claims are mailed to an insurance company.

1.1.2 The Role of Private, Professional, and Trade Organizations

Several private organizations, professional and trade associations have been active in developing vehicle theft control strategies. Among these, the National Automobile Theft Bureau (NATB) occupies a unique position. Founded in 1912, the NATB is a non-profit organization funded by 550 member insurance companies.

At present, member insurance companies are encouraged to report thefts for which claims have been filed to NATB.[1] NATB then assists insurance companies and law enforcement agencies in identifying vehicles, investigating cases of professional theft, and by providing information and training to personnel of member companies and law enforcement agencies.

[1]Non-member companies do not report thefts to NATB except in New York and Massachusetts, where state law requires all insurance companies providing theft protection to report to NATB. In Connecticut, legislation has been passed, though not yet implemented, requiring police agencies to report all vehicle thefts and recoveries to NATB, regardless of whether the vehicle is insured.

The NATB also operates NATIS, the North American Theft Information System. NATIS consists of nearly 2.4 million on-line records of vehicle thefts, recoveries, salvage, impounded vehicles, past thefts, police inquiries, and fire files. In addition to providing for information retrieval and exchange, NATIS is programmed with vehicle identification numbers of stolen and recovered vehicles. With the cooperation of motor vehicle manufacturers, NATB maintains microfilms with the manufacturing and shipping records of all domestic vehicles and many foreign-made vehicles. These records enable NATB to verify that a vehicle was actually produced and to trace it from the factory through the dealer to the original owner. NATB is thus able to detect phantom vehicles and vehicle records with incorrect or altered VINs. This information is available to law enforcement, and the Bureau encourages inquiries.

In addition to NATB, a number of other organizations have studied the vehicle theft problem and proposed strategies to combat it. A few of the most prominent are:[1]

The American Association of Motor Vehicle Administrators (AAMVA), an organization of officials responsible for the administration of motor vehicle laws in the states and Canadian provinces, has been particularly active in advocating improvements in titling and registration practices.

The International Association of Chiefs of Police (IACP) maintains a committee on vehicle theft. The IACP works to develop effective law enforcement strategies against vehicle theft and has urged changes in laws and regulations to control vehicles and vehicle documents. In 1972, the IACP, in conjunction with the International Association of Auto Theft Investigators, published a major document in the field--Vehicle Theft Investigation Manual.[2]

The International Association of Auto Theft Investigators (IAATI) is composed of auto theft investigators from both the public and private sectors. IAATI disseminates information on vehicle theft investigation through its newsletter and an annual seminar for the exchange of information on new developments and discussions on changes needed in state statutes and other areas.

The National Association of Attorneys General published a major report, Organized Auto Theft, in 1979.[3]

[1]A more complete list can be found in New York Senate Committee on Transportation, Auto Theft, 1979: A Survey of Recent Motor Vehicle Theft Prevention Activities and Publications, September 1979.

[2]International Association of Chiefs of Police, Vehicle Theft Investigation Manual (Gaithersburg, Maryland: IACP, Inc., Research Division, 1972). Plans to update and revise the manual are currently under discussion.

[3]Jeffrey M. Trepel, Organized Auto Theft (North Carolina: The Committee on the Office of Attorney General, The National Association of Attorneys General, July 1979).

The National Committee on Uniform Traffic Laws and Ordinances, a non-profit organization made up of representatives from state and local government, the vehicle manufacturing industry, the insurance industry, motor clubs, safety councils, and other organizations having interests in vehicle laws, publishes the Uniform Vehicle Code which has served as the basis for most state vehicle codes.

A number of other trade and industry associations have participated in public discussions of the vehicle theft problem and its solution. While many of these clearly represent particular interest groups, their official positions and recommendations, as well as the statements of their representatives at hearings and meetings, demonstrate an understanding of the complexity of the problem and a willingness to accept reforms despite the burdens they would place on the industries. Three of the most active have been the Automotive Dismantlers and Recyclers of America, the Motor Vehicle Manufacturers Association, and the Insurance Coalition to Curb Auto Theft.

1.1.3 National Workshop on Auto Theft Prevention

In 1978, the New York State Senate Committee on Transportation hosted the first National Workshop on Auto Theft Prevention. Made possible, in part, by a grant from the National Institute of Justice, the workshop brought together nearly 300 individuals from over 30 states, representing business, industry, and public agencies at the local, state, and national levels. The workshop participants passed 24 resolutions, many of which are consistent with provisions of the proposed federal Motor Vehicle Theft Prevention Act; others are directed at the states. As follow-up, the workshop published A Compendium of Proceedings, created a National Liaison Committee, initiated a survey of motor vehicle prevention activities and publications, and published its results the following year.

The most notable feature of the recommendations of the workshop, the various state and regional task forces, and the many organizations which have been vocal on the issues, is that they generally agree about what needs to be done to prevent vehicle theft. Despite such agreement, however, it has proven difficult to win support for recommended legislation or to mobilize resources for large-scale prevention and control activities.

1.2 Overview of the Monograph

In preparing this monograph, information was collected from a number of sources:

- An advisory panel of experts in the field, convened at the outset to discuss current efforts in vehicle theft prevention and control, and to make decisions about the scope of the document and the topic areas to be addressed.

- A review of the available literature in the field, including public documents, articles in professional and trade publications, training materials, and the transcripts and proceedings of hearings and meetings on the vehicle theft topic.

- Contacts with organizations and agencies which had implemented vehicle theft prevention or control strategies or had been active in public discussions of the problem.

- On-site observation of four states considered to be leaders in the development and implementation of strategies to combat vehicle theft. These states--Massachusetts, New York, California, and Illinois--were identified through the literature review and recommendations of the advisory panel and other experts.

- Interviews conducted in each state with officials who could provide information on the legal environment, law enforcement initiatives, procedures and activities of the administrative agency for motor vehicles, insurance regulations and industry initiatives, regulation and other activities involving the dismantling and recycling industries.

- Contacts with other state and local jurisdictions to obtain information on specific problems or initiatives.

All authorities consulted in the course of preparing this document agreed that vehicle theft is a complex problem requiring an attack on a number of different fronts. An effective approach must include:

- improved identification of vehicles and parts and improved recordkeeping by vehicle industries in order to track the identity and legitimate ownership of vehicles and parts;

- improved practices in the control of vehicle titling and registration to combat the legitimizing of fraudulent documents;

- improved claims practices by insurance companies to discourage fraudulent claims and prevent the misuse of documents from vehicles which have been declared total losses and taken for salvage; and

- coordinated efforts by law enforcement agencies to stop illegal traffic in stolen vehicles and parts.

This monograph synthesizes information gathered during the site visits with information from documentary sources. It summarizes recommendations regarding the many aspects of the vehicle theft problem and describes strategies and practices in the forefront of vehicle theft prevention and control efforts. Specifically, it is intended to:

- increase awareness on the part of all involved of their potential contribution to reducing vehicle theft;

- identify particular methods by which each type of public agency and private sector group involved can help reduce vehicle theft;

- examine motor vehicle theft prevention and control strategies used by selected jurisdictions and organizations; and

- present guidelines for coordinating all types of vehicle theft prevention and control activities at the state, regional, and national levels.

Clearly, efforts to control the vehicle theft problem must involve legislators at all levels; administrators of law enforcement, motor vehicle, and licensing and regulatory agencies; representatives of the insurance, vehicle manufacturing, and vehicle dismantling and recycling industries; and public interest and community groups concerned about vehicle theft. All these groups comprise the intended audiences for this monograph, and the following chapters focus on the role that each must play in vehicle theft prevention and control.

Chapter 2

VEHICLE INDUSTRIES: MANUFACTURING, DISMANTLING/RECYCLING, SCRAP PROCESSORS

2.0 Introduction

Preventing theft and discouraging illegal trafficking in vehicles and parts requires the adoption of safeguards by a range of auto industries--beginning with those involved in manufacturing and ending with the dismantling and recycling industries. These industries are responsible for implementing two basic types of theft prevention strategies: (1) measures involving changes in the manufacturing process, such as developing improved security devices and marking major component parts; and (2) recordkeeping safeguards that require documentation of the origin and demise of the vehicle. Origin documents, standard vehicle security devices, and identification numbers for component parts involve vehicle manufacturers, while requirements for recordkeeping on vehicles and parts affect salvage dealers and scrap processors. This chapter reviews the appropriate--often mandated--roles of auto industries in theft control efforts, and discusses specific voluntary and regulatory actions that might improve industry participation.

2.1 Vehicle Manufacturing Industry

Vehicle manufacturers are involved in theft prevention as a result of legal requirements, voluntary efforts of individual companies, and the activities of the Motor Vehicle Manufacturers Association (MVMA). Their role in improving vehicle documents, security systems, and identification procedures is discussed below.

2.1.1 Improved Documentation: The Uniform Manufacturer's Certificate of Origin

When a vehicle is produced, the manufacturer issues a document containing the vehicle's identification and origin information. This document goes to

the dealer with the new car and is transferred to the owner at the time of sale. It then becomes the proof of ownership that the new owner must furnish in order to obtain a state title and register the car. Clearly, it is important that the original manufacturer's document be difficult to alter or forge.

Prior to 1979, each manufacturer had a different certificate of origin; sometimes separate divisions of the same manufacturer used different certificates. With so many variations, it was easy for thieves to counterfeit these documents, present them to departments of motor vehicles for certificates of title, and use the new ownership documents to conceal the identities of stolen automobiles. In 1979, the American Association of Motor Vehicle Administrators developed a Uniform Manufacturer's Certificate of Origin (MCO), which has been adopted for use by most major manufacturers and is required for 1981 and later model year vehicles in at least twenty states.[1]

The Motor Vehicle Manufacturers' Association supported the development of the uniform MCO and encourages its members to use it even where it is not required by state law. (A sample of the uniform MCO is included as Figure 2.1.) Proponents of the uniform MCO argue that its use should not be a voluntary matter; rather, all states should consider adopting the uniform MCO as a required document for all new vehicles.

2.1.2 Vehicle Security Devices

Security devices on the vehicles themselves are generally effective in reducing amateur thefts. However, discouraging the professional thief is not so easy. Moreover, security devices which could be effective against the professional thief will not be used by the general public if they are inconvenient[2] or if the costs are higher than the perceived benefits. Not surprisingly, a consumer considering the purchase of an expensive security

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[1] As of October 1981, the following states required the MCO: Connecticut, Delaware, Georgia, Idaho, Kansas, Maine, Maryland, Massachusetts, Minnesota, Missouri, Montana, Nebraska, New Hampshire, New Jersey, Rhode Island, Tennessee, Texas, Vermont, Virginia, and Wyoming. (Letter to Abt Associates from Glen Crawford, American Association of Motor Vehicle Administrators, October 9, 1981.)

[2] Jerry Williams, Vice President of the Motor Vehicle Manufacturers Association, presentation on "The Role of Private Industry in Helping to Curb Auto Theft," National Workshop on Auto Theft Prevention: Compendium of Proceedings, (New York State Senate Committee on Transportation, February 1979), p. 70.

Figure 2.1

Uniform Manufacturer's Certificate of Origin

CERTIFICATE OF ORIGIN FOR A VEHICLE

American Bank Note Company

DATE

INVOICE NO

VEHICLE IDENTIFICATION NO

YEAR

MAKE

BODY TYPE

SHIPPING WEIGHT

H.P. (S.A.E.)

G.V.W.R

NO. CYLS

SERIES OR MODEL

SPECIMEN

I, the undersigned authorized representative of the company, firm or corporation named below, hereby certify that the new vehicle described above is the property of the said company, firm or corporation and is transferred on the above date and under the invoice Number indicated to the following distributor or dealer.

NAME OF DISTRIBUTOR, DEALER, ETC

DEALER — FINANCE INSTITUTION

THIS SPECIMEN OF THE UNIFORM CERTIFICATE OF ORIGIN IS FOR COMPARISON AND COMPUTER TESTING.

It is further certified that this was the first transfer of such new motor vehicle in ordinary trade and commerce.

MANUFACTURER'S NAME
(TWO LINES IF NEEDED)

FACSIMILE SIGNATURE

BY: _____
(SIGNATURE OF AUTHORIZED REPRESENTATIVE) (AGENT)

ISSUING LOCATION

CITY - STATE

AB015900 FORM NUMBER

DISTRIBUTOR-DEALER ASSIGNMENT

FOR VALUE RECEIVED, THE UNDERSIGNED TRANSFERS THE VEHICLE DESCRIBED ON THE FACE OF THIS CERTIFICATE TO

NAME OF PURCHASER(S)

ADDRESS

AND CERTIFY THAT THE VEHICLE IS NEW AND HAS NOT BEEN REGISTERED IN THIS OR ANY STATE AND WARRANT TITLE TO THE SAID VEHICLE AND STATE AT THE TIME OF DELIVERY WAS SUBJECT TO THE FOLLOWING SECURITY INTERESTS AND NONE OTHER.

FEDERAL REGULATIONS REQUIRE YOU TO STATE THE ODOMETER MILEAGE UPON TRANSFER OF OWNERSHIP

I certify to the best of my knowledge that the odometer reading is _____ and reflects the actual mileage of the vehicle unless one of the following statements is checked ☐ 1 The amount of mileage stated is in excess of 99,999 or ☐ 2 The odometer reading is not the actual mileage

AMOUNT OF LIEN DATE OF LIEN KIND OF LIEN IN FAVOR OF

LIENHOLDER'S ADDRESS

DEALER _____ BY _____
NAME OF DEALERSHIP DEALER'S LICENSE NO AUTHORIZED SIGNATURE OF DEALER TITLE OR POSITION

I CERTIFY UNDER PENALTY OF LAW, THAT THE STATEMENTS MADE HEREIN ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF

Being duly sworn upon oath says that the statements set forth are true and correct. Subscribed and sworn to before me this _____ day of _____ 19__.

Notary Public Notary Seal

USE CERTIFICATION OR NOTARY, WHICHEVER IS APPLICABLE TO JURISDICTION

DEALER RE-ASSIGNMENT

FOR VALUE RECEIVED, THE UNDERSIGNED TRANSFERS THE VEHICLE DESCRIBED ON THE FACE OF THIS CERTIFICATE TO

NAME OF PURCHASER(S)

ADDRESS

AND CERTIFY THAT THE VEHICLE IS NEW AND HAS NOT BEEN REGISTERED IN THIS OR ANY STATE AND WARRANT TITLE TO THE SAID VEHICLE AND STATE AT THE TIME OF DELIVERY WAS SUBJECT TO THE FOLLOWING SECURITY INTERESTS AND NONE OTHER.

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FOR VALUE RECEIVED, THE UNDERSIGNED TRANSFERS THE VEHICLE DESCRIBED ON THE FACE OF THIS CERTIFICATE TO

NAME OF PURCHASER(S)

ADDRESS

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Being duly sworn upon oath says that the statements set forth are true and correct. Subscribed and sworn to before me this _____ day of _____ 19__.

Notary Public Notary Seal

USE CERTIFICATION OR NOTARY, WHICHEVER IS APPLICABLE TO JURISDICTION

device may decide instead to take the risk, believing that loss is, after all, a highly improbable event. It may be reasonable to say that until such devices can so clearly demonstrate their effectiveness that they become standard equipment (voluntarily or through regulations), cost considerations will continue to thwart the use of advanced technology by many consumers. However, some security devices, in addition to the optional equipment available to consumers, are now mandated by federal standards.

Security Features Required by NHTSA

NHTSA Motor Vehicle Safety Standard 114, which went into effect January 1, 1970, requires that passenger cars be equipped with a key locking system which either prevents the car from being steered or from being driven forward without the key. Only one of the major manufacturers selling cars in the U.S. market (SAAB) opted to install a system preventing forward motion. The other major manufacturers installed ignition locks on the steering column which immobilize the steering apparatus when the key is removed. Standard 114 further requires that: (1) the number of key locking systems used by each manufacturer must be at least 1,000 or equal to the number of passenger cars manufactured, whichever is less--a provision intended to frustrate the use of masters; and (2) a warning be activated when the driver's door is opened if the key has been left in the ignition.

Research has demonstrated that some ignition locks meeting the federal standard are easier to defeat than others, and that all can be defeated by skilled thieves in a matter of seconds.[1] Nevertheless, evidence suggests that these required locking systems do reduce auto theft,[2] though the impact is most likely on amateur thieves. Still, the success of these devices has prompted recommendations that similar standards be developed for light trucks and motorcycles,[3] which are prone to theft by amateurs. Another

[1] U.S. Department of Justice, Law Enforcement Assistance Administration, Preliminary Study of the Effectiveness of Auto Theft Devices by D. Barry, J. Collard, E. Perchonok, W. Preysnar, and H. Steinberg (Washington, D.C.: Government Printing Office, 1975), and Testimony of Rufus M. Whittier, Government's Task Force on Automobile Theft: Compendium of Proceedings (Boston: Commonwealth of Massachusetts, Executive Office of Public Safety, 1980), p. 84.

[2] Glen B. Craig, Effect of Steering Column Locks on Vehicle Theft (Sacramento, CA: California Highway Patrol, 1975), p. 6.

[3] D. Barry et al., Effectiveness of Auto Theft Devices.

proposed standard would require that interior vertical lock buttons be either of uniform thickness or tapered, with the thicker end at the bottom. Because security devices add to the price of the vehicle, however, the manufacturing industry prefers to see positive demonstrations of their effectiveness before federal regulations mandate their use.

Additional Security Measures

In addition to their adherence to required standards, motor vehicle manufacturers have voluntarily introduced certain security measures to help prevent theft. These include elimination of the vent window (a major access route to the interior door locks) and development of new designs for interior locks and buttons and for the locks themselves.[1]

Various locks, alarms, and other devices are also available as options from the vehicle manufacturer or as add-on items from independent manufacturers and dealers. In Massachusetts, state law requires insurance companies to offer discounts on comprehensive insurance rates for vehicles equipped with approved devices such as additional locking systems or alarms, or with additional identification measures such as identification numbers etched in the window glass. While this is one way to encourage owners to purchase extra security devices, the Massachusetts practice has been criticized for lack of evidence demonstrating that the devices qualifying for discounts actually reduce theft.

Experts in the field recognize that improved locking devices and other security hardware can be developed.[2] However, they also recognize that thieves typically respond to such innovations by developing improved methods of defeating them. Thus, the introduction of new hardware is not sufficient to curb vehicle theft. These security devices must be used in conjunction with other theft prevention measures. The one which most directly affects the manufacturing industry is the identification of vehicles and parts. Over the past 13 years, the vehicle identification number has proven to be one of the most valuable leads in the detection and arrest of automobile thieves.

[1] Ibid.

[2] U.S. Department of Commerce, Vehicle Anti-Theft Security System Design, Volume II - Technical Report, by John S. Howland (Springfield, VA: National Technical Information Service, 1978).

2.1.3 Identification of Vehicles and Parts

The importance of developing and improving identification systems cannot be over-emphasized because they often provide the only means of tracing stolen vehicles and parts. Since 1969, manufacturers have been required to place a unique vehicle identification number (VIN) on all passenger cars. The VIN must be placed in one visible and several hidden locations on the vehicle. A new VIN format, introduced in 1981 for all highway legal motor powered and non-motor powered vehicles, is expected to assist investigators in detecting altered or transferred VINs and to increase the accuracy of VIN numbers recorded in law enforcement and motor vehicle agency data systems (see discussion in Section 3.2). Experts in theft prevention note that VIN standards should be extended to off-highway motor vehicles, farm machines and equipment, and off-highway specialty and construction vehicles. This appears to be the most pressing change needed in the area of vehicle identification; however, the identification of vehicle parts is an issue for all types of vehicles.

The need for manufacturers to affix identification on component parts of their vehicles is a recurrent theme in the vehicle theft literature, in public discussions, and in the formal recommendations of many task forces and organizations. Proponents argue that proper identification of major component parts will deter thefts for stripping or dismantling, enable inspectors and investigators to identify and trace suspected stolen parts, and permit the creation of audit trails for parts handled by legitimate dealers, thereby discouraging traffic in stolen parts. Proponents of parts identification numbers also seem to agree that the VIN should be used. The parts to be identified should include, at a minimum, the engine, transmission, and major body parts such as doors, fenders, hood, grill and bumper, trunk lid, and rear body sections, including quarter panels, deck lids and floors.[1] At the present time, only two major component parts typically carry identification numbers--the engine and the transmission. These parts are rarely offered for sale by thieves. Most often, they are shredded, buried or submerged in convenient bodies of water.[2] Occasionally, they are offered for sale with the identifying numbers altered or removed.

[1] Statement of Donald J. Rouse, Director of Field Services, Automotive Dismantlers and Recyclers of America, Hearing Before a Subcommittee of the Committee on Government Operations, House of Representatives, Ninety-Fourth Congress, August 4, 1976. Also interviews with law enforcement personnel conducted by Abt Associates, July-August 1981. In addition, an outline of various factors to be considered in requiring identification numbers on major motor vehicle components is contained in a report from the Committee on Interstate and Foreign Commerce to accompany H.R. 4178, Motor Vehicle Theft Prevention Act, October 8, 1980.

[2] Ibid.

There is some debate concerning whether these numbers should be attached by riveting, welding, impressing, stamping, or etching. Selecting the best alternative is complicated by the competing considerations of foiling attempts to alter or obliterate the number on the one hand, and containing the cost of applying the numbers on the other.[1]

Generally, manufacturers have resisted requirements for marking component parts, arguing that the potential impact on theft rates does not justify the costs. In September 1979, Ford Motor Company embarked on a two-year experimental program to test this hypothesis. The complete Ford Vehicle Identification Number (VIN) was affixed to six component parts of its Continental models: left front fender, right front fender, right front door, hood, trunk lid, and rear body structure. The left front door carries the NHTSA compliance certification label which also contains the VIN. All the labels were computer-printed on material which will self-destruct or disintegrate if attempts are made to remove it.[2]

Ford hoped that sufficient data would be amassed over the two-year period to determine if the identification program had any effect on thefts. However, unexpectedly low sales volumes forced Ford to extend the study period another two years, until September 1983, and to expand the program to include 1982 models of the Continental.

Under the experimental program, the cost of producing and affixing the labels, estimated at less than $5 per car, was not added to the price of the car. Should the data eventually prove that this effort did reduce thefts of this particular model, Ford hopes that insurance companies will reduce their comprehensive premiums for vehicles carrying the identified parts, thereby offsetting the cost of the labels to consumers.[3]

General Motors conducted a similar pilot parts marking program during 1980 and 1981 using its Cadillac Eldorado and Seville models. In a comparison of theft and recovery rates of these models for the four-year period prior to

[1] See Automotive Dismantlers and Recyclers of America, Guide for State Legislation on Auto Theft and Proceedings of the 28th Annual Seminar of the International Association of Auto Theft Investigators, August 1980, Results of the 1979 Auto Theft Opinion and Information Survey; pp. 27-35.

[2] Memorandum from Donald J. Bardell, Executive Director, American Association of Motor Vehicle Administrators, July 29, 1979; and information supplied to Abt Associates by Jerry Williams, Ford Motor Company, February 10, 1982.

[3] Telephone interview with Jerry Williams, Ford Motor Company, conducted by Abt Associates, February 12, 1982.

parts marking and the period of experimentation, General Motors found no significant differences and concluded "from this initial analysis, parts marking on these vehicles did not appear to be a deterrent to auto theft." The report added, however, that other variables, including state laws to prohibit removing or defacing identification numbers, might bear different results.[1]

Despite the lack of conclusive evidence on the effectiveness of component marking as a theft deterrent, other advantages of marking parts argue strongly for action in this area. For example, marking allows the development of an audit trail and helps law enforcement agencies identify stolen parts. Nevertheless, it appears that manufacturers will resist parts identification unless (1) it is legislatively mandated, or (2) public pressure grows, perhaps in response to insurance premium reductions for vehicles with marked parts. If individual states begin to pass the necessary legislation, they should coordinate their efforts to avoid a proliferation of different identification and marking requirements.

2.2 Dismantling/Recycling Industries

The salvage and recycling industries are mainly concerned with the recovery of parts from vehicles that are either totally inoperable or in need of repairs that would cost more than the vehicles' current market value. Although these vehicles may be sold directly to the salvage dealer by the private owner, dealers usually acquire them from salvage pools (middlemen who buy damaged vehicles for resale to salvage dealers), insurance companies, and public agencies responsible for disposing of abandoned vehicles. Salvage yards remove useable parts for resale to individual owners or to rebuilders. When all the parts with some resale value are removed, the hulks are sold to scrap processors who recover the remaining metals for recycling.[2]

Three types of theft operations affect the dismantling and scrap processing industries:

- theft of vehicles for resale using the titles and VINs from salvage vehicles (the "salvage switch");

[1]Hearing Before the Subcommittee on Telecommunications, Consumer Protection and Finance of the Committee on Energy and Commerce, House of Representatives, 79th Congress, 20th Sess., on H.R. 4325, Motor Vehicle Theft Law Enforcement Act, Sec. 97-109 (1982).

[2]Automotive Dismantlers and Recyclers of America, Summary Report of the Used Auto and Truck Parts Industry.

- theft of vehicles for the purpose of selling the parts; and
- theft of vehicles for their scrap value.[1]

These illegal operations make it difficult for legitimate business to operate competitively. Thieves specializing in the salvage switch will pay more to obtain salvage vehicles for their titles than the legitimate salvage dealer can afford. Also, thieves dealing in stolen parts can undercut the prices of legitimate dismantlers and used parts dealers.[2]

In an effort to curb traffic in stolen vehicles and parts, several states now regulate the dismantling and scrap processing industries by licensing salvage dealers, parts dealers, and scrap processors, as well as requiring more detailed recordkeeping. In some cases, police are authorized to conduct inspections and close down businesses operating in violation of regulations. The intent of such regulations is to insure that legitimate dealers do not, knowingly or unknowingly, transact business with dealers of stolen vehicles and parts, and ultimately, to put illegal operations out of business.

Licensing of Dismantlers/Recyclers

Licensing of salvage dealers, used parts dealers, and scrap processors typically permits the state to screen applicants, set requirements for operations and recordkeeping, and control operations by authorizing revocation of the license if regulations are violated. It is important that licensing provisions differentiate among the types of businesses involved in the dismantling/recycling process. Dismantlers and used parts dealers are typically licensed to receive vehicles and remove and sell parts; scrap processors are licensed only to process scrap metal and should not be permitted to sell vehicles or parts that have not been reduced to strips, shreds, or some other form useful only for remelting. Under New York State licensing provisions, a scrap processor can only buy salvage from a licensed salvage dealer, insurance company, governmental agency, or the person whose name appears on the certificate of title or other ownership document. Such provisions help to insure that only legitimate transactions take place.

Also, as is discussed in the following section, licensing provisions generally do not require as strict an accounting of vehicles from the scrap proces-

[1]"Vehicle Theft and Its Relation to the Industry," Dismantlers Digest, November-December 1977, p. 18.

[2]Ibid.

sor as from the salvage dealer. Less stringent accounting requirements only pose a clear threat if licensing provisions fail to prohibit scrap processors from selling vehicles or parts. Obviously, a scrap dealer with flexible accounting standards and a license to sell vehicles and parts has virtually unrestricted opportunities to serve as a conduit for stolen goods. State licensing provisions vary in terms of the kinds of businesses they cover, whether they are imposed by statute or administrative rule, and what agencies are responsible for implementing and enforcing them. Some states only require ordinary business licenses. Some states license dismantlers but not scrap processors.[1] A few states, such as Illinois, require licenses for all types of vehicle dealers, including dismantlers and scrap processors. In most states, licensing provisions are broad and an administrative agency is charged with handling the procedural details. States typically grant inspection powers to both motor vehicle and law enforcement agencies.

Although recordkeeping and inspection can be mandated without requiring businesses to be licensed, licensing offers three major advantages: (1) it permits the use of administrative controls before resorting to criminal justice agencies for enforcement; (2) it generally provides more precise operating regulations, and (3) it authorizes police inspection of licensee premises during reasonable business hours without the time-consuming and sometimes cumbersome requirement of obtaining a search warrant.

2.2.2 Recordkeeping Requirements

Key to preventing traffic in stolen vehicles and parts is the existence of a documentary, or audit, trail of both vehicles and parts. An audit trail for vehicle parts is as important as it is for whole vehicles. Many states have certain recordkeeping requirements for dismantlers and recyclers; but these vary in terms of who is required to keep records, what information is required to be kept on which parts, how the information is to be kept, and the penalties for non-compliance.

As with other licensing provisions, recordkeeping requirements should apply to all types of vehicle parts and scrap dealers, but different types of records may be required of the different businesses. For example, dismantlers and salvage dealers are usually required to keep more detailed records than are scrap processors because the latter process vehicles and parts in large loads. New York and Connecticut require scrap processors to keep

[1] Scrap processors are subject to licensing in Illinois (P.A. 78-1205, Section 1, P.A. 81-908, and P.A. 81-932). In Virginia, scrap processors are restricted by law to certain business activities (Chapter 401, approved March 26, 1979).

records only on major component parts. However, New York exempts the processor from keeping records on major component parts received in a mixed load.

Recordkeeping requirements should specify which parts require individual records. Records are typically required on major component parts, defined to include at least the engine, transmission, and major body parts. Illinois goes as far as specifying that all parts must be accounted for. Such broad provisions are difficult to implement and enforce since the volume of paperwork generated by a literal interpretation would be immense.[1]

Salvage dealers' records on vehicles received should include the make, year, engine number, VIN, the name and address of the seller, and the date of receipt. If the dealer later sells the vehicle, the record should contain the date of sale, name and address of the purchaser, and whether a certificate of title or salvage certificate was obtained (see Section 3.3).[2] If the dealer sells a major component part, the record should list the part sold, the name and address of the purchaser, and the date of sale. If major parts do not carry identification numbers put on by the manufacturer, salvage dealers may have to affix their own identification numbers. Since this practice would result in individual dealers having different numbering systems, a better audit trail would be created if all major parts carried VINs put on by the manufacturer.

Records of parts originating with the salvage dealer should then be transferred to the scrap processors, who should also be required to keep records on all vehicles or parts received, as well as records of their disposal. States should require scrap processors to report the acquisition of vehicles to the department of motor vehicles and to hold those vehicles for a specified waiting period before destroying them. This waiting period allows the department to check records and send an investigator to inspect the vehicles, if necessary.

For the very large salvage dealers who maintain computerized inventories, recordkeeping procedures are probably not difficult to implement. However, some states specifically require a "police book" ledger, to be filled out by hand, in addition to specific provisions for handling vehicle documents. Computerized records should be allowed but the format for the information

[1] Interview with David Watkins, Director, Department of Investigation, Secretary of State's Office, Illinois, conducted by Abt Associates, July 1981.

[2] Strict recordkeeping requirements for salvage dealers exist in Connecticut (P.A. 80-292), Michigan (H.B. No. 5371), Ohio (S.B. No. 121, eff. Jan. 1, 1980), and Texas (S.B. 601, 1977).

should be specified. Above all, recordkeeping requirements must be reasonable and practical to implement or they will be difficult to enforce and most surely resisted by the industry.

2.2.3 Inspection and Enforcement

Enforcement of licensing provisions and recordkeeping requirements is usually accomplished through inspections and records examinations. Some states permit inspection only during normal business hours, while others authorize inspection at any "reasonable" time of the day or night. Inspection is usually carried out by local or state auto theft squads, who target particular businesses based on information suggesting non-compliance with regulations or the presence of stolen vehicles or parts on the premises.[1] Few jurisdictions, if any, have the resources to inspect all business premises. In fact, any predictable, systematic inspections would be unwise.

Efforts to regulate the dismantling and recycling industries should be backed by strong criminal laws, such as criminal penalties for altering, defacing or removing vehicle or parts identification numbers; laws authorizing enforcement agencies to confiscate parts with altered identification numbers;[2] and laws making it a criminal offense for businesses to operate without appropriate licenses or in violation of key requirements.

Proper regulation of the dismantling and recycling industries should curtail the market for stolen vehicles and parts while protecting the interests of legitimate businessmen. States which have implemented and enforced strict requirements, such as Illinois, have succeeded in closing down illegal operations.

2.3 Summary

Improvements in vehicle security appear to have reduced thefts by amateurs, but additional measures are needed to combat professional thefts and trafficking in stolen vehicles and parts. From the factory to the scrap pile,

[1] The right of police to inspect scrap processing operations during business hours exists in Connecticut, Florida, Illinois, Michigan, Ohio, and Texas.

[2] See Motor Vehicle Theft Law Enforcement Act, H.R. 4325, Section 201 on the need for similar state provisions regarding confiscating parts with altered or removed identification numbers.

pile, a vehicle and its major parts should be traceable. This requires identification numbers on the vehicles and on the major component parts, control of vehicle documents, and careful recordkeeping by dismantlers, recyclers, and scrap processors. To accomplish these goals, several specific actions should be considered:

- voluntary adoption of the uniform Manufacturers' Certificate of Origin by all manufacturers, and/or enactment of state legislation requiring the document (in states not already requiring it);
- enactment of state or federal legislation requiring manufacturers to place VINs on the engine, transmission, and major component parts;
- licensing of salvage, recycling, and scrap processors in order to provide a firm basis for regulation;
- establishment of recordkeeping requirements for all transactions involving vehicles or major component parts so that their identity and origin can be verified; and
- establishment of both administrative remedies (license revocation) and criminal penalties for violations of license and recordkeeping requirements.

Chapter 3 examines the administrative aspects of controlling vehicle documents and enforcing regulations.

Chapter 3

TITLING AND REGISTRATION PRACTICES

3.0 Introduction

With the increase in professional thefts and trafficking in stolen vehicles and parts, improved control of vehicle documents has become a major theft prevention strategy. Effective titling and registration practices can combat a variety of theft-related abuses, especially that of obtaining new ownership documentation for stolen vehicles.

Historically, most titling and registration laws were established to generate revenues. Owners had to pay a fee for the privilege of driving their vehicles. Registration papers, which served only as receipts, were relatively easy to procure: one had only to claim rightful possession and pay the prescribed amount, with no proof of ownership required. Since information on how the vehicle was financed was not recorded, stolen vehicles were extremely difficult to detect.

A first step in tightening controls over vehicle documentation was to expand the purpose of registration to confirm rightful ownership. Motor vehicle agencies adopted certificates of title which protected lienholders' investments against theft and made it more difficult to acquire false documentation. To obtain the certificate of title--a prerequisite for selling any vehicle--applicants had to provide evidence that they had paid in full for the vehicle or give verifiable information on lienholders. Unfortunately, only amateur thieves were deterred by this requirement; professionals simply refined their already sophisticated techniques to procure ownership documentation. Titles did, however, provide a formal record of how the vehicle was financed. If a theft occurred, parties who had helped finance the vehicle could prove their interest and recoup their losses.

The role of departments of motor vehicles (DMVs)[1] in vehicle theft prevention has become more important as abuses in titling and registration have come to figure prominently in trafficking of stolen vehicles. Policies and procedures adopted by administrative rule or through legislation can affect the level of vehicle theft activity, both within the state and regionally. The following examples demonstrate the potential impact of titling and registration practices on professional vehicle theft:

- Preventing Fraudulent Documentation. Measures to prevent and control document fraud include:

  --Adopting uniform documents which incorporate security features;

  --Securing documents in a central repository; and

  --Developing document control procedures.

  States which have adopted some of these procedures report a significant decline in the number of counterfeit or altered documents submitted in application for title. While no direct relationship can be conclusively drawn between fraudulent documentation and the level of vehicle theft activity, titling and registration experts surmise that making ownership documents difficult to counterfeit reduces the incentive for theft by making it harder to sell stolen vehicles.[2]

- Inspecting Vehicle Identification Numbers (VINs). Most state administrative agencies conduct selective inspections of VINs prior to issuing local title or registration. According to theft prevention experts, states which do not conduct such inspections are probably allowing thousands of stolen vehicles to go unnoticed in the titling and registration process.[1]

- Licensing and Regulating Salvage Operations. Strict licensing and recordkeeping requirements for salvage processors, recently introduced in Illinois, have led to the shutdown of 16 suspicious operations.[2]

- Improving Investigative Resources. Information contained in department of motor vehicle files can be invaluable in investigating theft cases. If it is up-to-date, accurate, and easily accessible, this information can be critical in identifying vehicles. Additionally, special investigative units established by departments of motor vehicles can undertake independent, small-scale investigations of theft cases or assist state and local law enforcement in large-scale investigations. Other prevention activities of DMV investigative units include inspecting salvage processors, examining rebuilt salvage, inspecting and replacing vehicle identification numbers, and inspecting title documents. A special title verification unit in Illinois' Motor Vehicle Department, for example, examined approximately three and one-half million titles per year for suspicion of alteration and identified hundreds of altered and counterfeit titles.[3]

Professional vehicle theft rings have discovered numerous and complex loopholes in the titling and registration process, but there are also countermeasures--both administrative and legislative--that motor vehicle administra-

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[1] For the purposes of our discussion, the term "departments of motor vehicles" refers to all administrative agencies in charge of vehicle titling and registration regardless of their formal designation. This includes: department of revenue, state tax commission, department of transportation, department of public safety, driver and vehicle services, division/department of licenses, secretary of state, and department of justice.

[2] Interviews with representatives from Illinois, Massachusetts and New York departments of motor vehicles conducted by Abt Associates Inc., July-August, 1981.

[1] Donald Bardell, Executive Director of the American Association of Motor Vehicles; Glendon Craig, Commissioner of the California Highway Patrol; Dennis Curran, Assistant Counsel to the Governor of Massachusetts; Paul Gilliland, President of the National Automobile Theft Bureau; Thomas Horrigan, Executive Secretary of the International Association of Auto Theft Investigators; Stephen Weglian, Attorney for General Litigation and Legal Advice Section of the U.S. Department of Justice; Advisory Board meeting for project on Vehicle Theft Prevention Strategies, Washington, D.C., April 1981.

[2] Illinois Secretary of State, "Illinois Plan to Use Licensing Powers as Auto Theft Prevention Tool," presented to Midwest Task Force on Auto Theft Prevention, September 1980.

[3] Craig Lovitt, Executive Assistant to the Illinois Secretary of State, presentation on, "The Illinois Plan," Governor's Task Force on Automobile Theft: Compendium of Proceedings (Boston: Commonwealth of Massachusetts, Executive Office of Public Safety, 1980), p. 204.

tors can take. Our discussion of these measures draws heavily on guidelines for title issuance developed by Michael DiMiceli and Hugo B. Becker for the National Highway Traffic Safety Administration,[1] and on-site study of measures taken by administrative agencies for motor vehicles in four states: California, Illinois, Massachusetts, and New York.

3.1 Preventing Fraudulent Documentation

A common technique among professional thieves is to alter legitimate documents or to enter false information on stolen blank documents or counterfeits. The resulting papers are used to create a "paper car" or to conceal the identity of a stolen car.

To create paper cars, thieves use fraudulent documents to purchase insurance and apply for title. This establishes an administrative record for a nonexistent vehicle. The thief can then claim the "vehicle" was stolen and collect a total loss settlement. Other thieves use fraudulent documents to mask the identity of stolen vehicles before selling them to unsuspecting buyers. The innocent buyers then obtain legitimate papers when they re-register and re-title the vehicles in their own names.

Variations in the titling and registration documents themselves and in the methods of processing them work to the thieves' benefit. State administrative agencies can make it easier to detect fraudulent paperwork by adopting uniform documents and certain safety-related storage and issuance procedures.

3.1.1 Document Uniformity

Verifying the authenticity of ownership documentation is difficult, complex, and time-consuming. Auto thieves know this and they take advantage of it. Lack of document uniformity across states, and even within a given state, is perhaps the most serious aspect of the verification problem. Documents which commonly serve as proof of ownership include:

[1] Michael DiMiceli and Hugo B. Becker, Guidelines Manual: Vehicle Theft Countermeasures in the Issuance of Certificates of Vehicle Title (Washington, D.C.: Arthur Young and Company, 1977), hereinafter referred to as DiMiceli and Becker, Guidelines for Title Issuance.

- Manufacturer's Certificate of Origin (MCO), issued to individuals when they purchase new cars directly from factories or dealers. The MCO contains essentially the same information as a title--the vehicle's make, model, year, VIN, horsepower, etc.

- Bills of Sale, which accompany any transfer of ownership of used cars, depending on state practice. This includes transfers of damaged vehicles from insurers to individuals or to salvage processors. Bills of sale generally list the VIN, license number, make of the vehicle, purchase price, financial history (whether any loans are outstanding), and the parties involved in the transfer. In certain instances, bills of sale serve as the only ownership documentation.

- Original owner title and registration documents.

- Duplicate original copies or photocopies of any of the above.

States vary as to which documents they recognize as valid proof of ownership. Some recognize duplicate copies as legitimate ownership documents; others will accept originals only. Without interstate coordination, some states do not recognize each other's documentation as valid proof of ownership.

Moreover, titles vary in size, color, and content. States adopted title laws at different times and thus their title documents were developed independently. (See Figure 3.1.) In addition, to deter counterfeiting, some states periodically change the format of title documents, resulting in a confusing array of equally legitimate title formats within a single state. Consequently, most states are hard-pressed to spot fraudulent papers.

To alleviate this problem, at least 20 states now require manufacturers to use a uniform MCO for all vehicles produced in 1981 and later, so that at least the original documentation is easily identified as legitimate. Standards have also been proposed for other types of ownership documents, although thus far none has been adopted on as wide a scale as the MCO.

3.1.2 Document Safety: Storage, Centralized Issuance, and Security Features

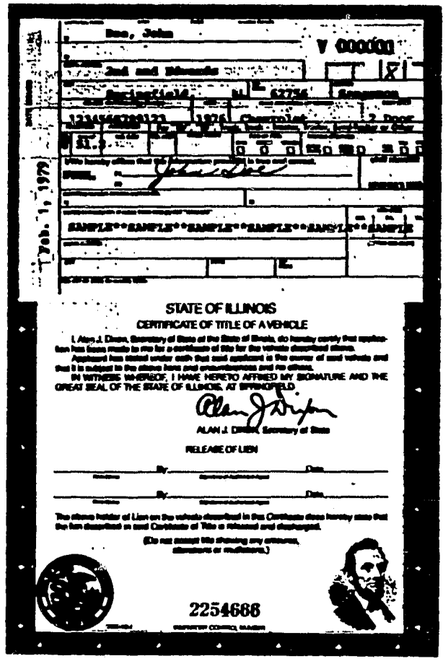
Document Storage

A common approach for many thieves is to steal blank title documents from departments of motor vehicles or from printing establishments where storage

Figure 3.1

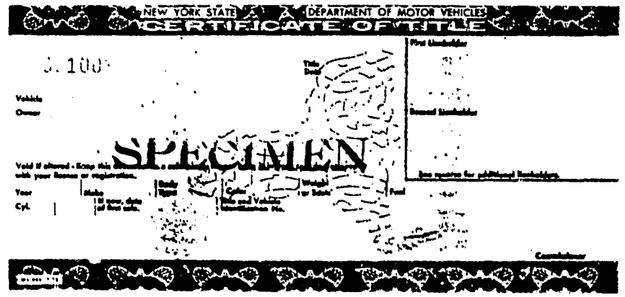
Sample Title Documents from Two States

Illinois
Certificate of Title



Actual Size: 5½" x 8½"

New York
Certificate of Title



Actual Size: 3½" x 8½"

Source: National Automobile Dealers Association, Summary of Motor Vehicle Laws and Regulations, 1979

facilities are not secure. Similarly, they steal Manufacturers' Certificates of Origin from factories or printshops or blank bills of sale from DMVs. To foil this technique, all blank documents should be stored in a secure area. Also, taking inventory and issuing document control numbers permits the issuing agency to account for the number of certificates issued and the parties to whom they were distributed. Any original documentation surrendered to the DMV by owners applying for title and registration should also be stored securely. The effects of lax security can be disastrous: in one state, 18,000 blank titles with a former administrator's name were stolen from the trash, where they had been deposited when the new motor vehicle administrator was appointed. DMVs throughout the country were alerted to inspect closely any titles presented with the former administrator's name.[1]

Centralized Issuance

Some states issue documentation from several branch offices to enable residents to register and title vehicles quickly and easily. However, local issuance also increases opportunities for document theft and reduces the chances of detecting fraudulent applications. Centralized issuance and elimination of over-the-counter practices provide greater control against theft, allow additional time for inspection of paperwork, and provide greater uniformity in checking procedures.

All four states visited for case study--California, Illinois, Massachusetts, and New York--issue ownership documentation from a central office of their state department of motor vehicles. As an additional security measure, all original documentation submitted when applying for local title and registration is forwarded by local branch offices and stored in the same central office.

Security Features

Thieves use several techniques to alter legitimate documentation:

- washing and weathering the document to mask color contrasts, erasures, and other alterations;
- bleaching and re-typing selected letters or numbers; and

[1] Jeffrey M. Trepel, Organized Auto Theft (North Carolina: The Committee on the Office of Attorney General, The National Association of Attorneys General, July 1979), p. 12.

- destroying portions of the document containing the information to be changed.[1]

To deter counterfeiters, several states, including Illinois and Massachusetts, have incorporated internal security features in their Certificates of Title. Titles are printed on bank note paper, which have "the feel of steel." Some documents incorporate "latent images" in the intricate backgrounds and borders. Visible only when the document is viewed from certain angles or under certain light conditions, latent images are especially difficult to counterfeit. In Illinois' title, for example, the letters "IL" can be seen in the margin when the title is held at eye level and turned so that the viewer sees the document edge first. Many titles have security features which can be seen only under special lights. For example, some states use special tape to laminate vital information, including vehicle identification number, title control number, odometer reading, year, make and model of the vehicle. Any attempt to alter the information beneath the tape--either by erasing or writing over characters or numbers--will be clearly revealed under the special lights. Internal security features, though costly to implement, are generally considered to be highly effective in deterring fraudulent applications for title and registration.

3.1.3 Document Authenticity

It would be ideal, but impractical, to inspect every document presented as proof of ownership. Instead, most states have identified certain indicators that trigger an inspection, for example: (1) frequently stolen models; (2) applications received from jurisdictions with an unusually high rate of vehicle theft; and (3) documents from jurisdictions which are known to be susceptible to document fraud. For example, administrators in nearby states usually specify close inspection of documentation originating in Kentucky because, until recently, it was the only state without a certificate of title law.[2]

[1] DiMiceli and Becker, Guidelines for Title Issuance, p. 3; U.S. Department of Transportation, National Highway Traffic Safety Administration, A Manual of Anti-Theft Guidelines for State Motor Vehicle Titling Programs (Springfield, VA: National Technical Information Service, 1980), p. 5.

[2] Kentucky's experience led to the development of a comprehensive anti-theft legislative package, which supporters hope will reverse Kentucky's position from last to first in the area of vehicle theft prevention. In July 1982, Kentucky became a title law state.

Departments of motor vehicles should also inspect title documents against authentic samples. Several published references available to DMV's contain sample titles from all states.[1] The Illinois' Department of Vehicle Services also maintains and routinely updates a bulletin board in the title processing division displaying sample titles from all states.

Information presented in applications for transfer of ownership should be verified prior to issuing local titles even for vehicles transferred within the state. Currently, most departments of motor vehicles only check state records when the application seems "suspicious" and do not even attempt to verify information on out-of-state titles prior to issuing local titles. Instead, they simply surrender titles to the states of origin or notify them of the sale, assuming that they can revoke the local title if the original out-of-state title is found to be invalid. Unfortunately, as a reactive strategy, title revocation is ineffective in deterring or preventing vehicle theft, especially since it penalizes unsuspecting buyers instead of thieves.

Finally, introduction of a waiting period before issuing new documentation allows DMV staff to inspect title documents for correctness of form and accuracy of contents. Although issuing local ownership papers over the counter is certainly more efficient, it does not allow sufficient time to verify either the identity of the vehicle or the authenticity of the documents presented.

3.1.4 Training

Document intake workers must be thoroughly trained to detect fraud. Some of the more critical areas for training are: title document recognition, common alteration and counterfeiting techniques, use of special equipment (depending on the state's document security features), and actions to take upon recognizing fraudulent documents.[2] To date, no state offers a formal training

[1] See, for example, Peck's Titling Manual, available from Stevens Peck, Inc., P.O. Box 1826, Salt Lake City, UT; Polk's Registration Manual, available from R.L. Polk and Company, Motor Vehicle Registration Division, 431 Howard Street, Detroit, MI 48231; and the National Automobile Dealers' Association's Summary of Motor Vehicle Laws and Regulations, available from the NADA at P.O. Box 1407, Corvina, CA 91722.

[2] DiMiceli and Becker, Guidelines for Title Issuance; U.S. Department of Transportation, National Highway Traffic Safety Administration, Anti-Theft Guidelines for State Motor Vehicle Titling Programs, p. 5.

program on document recognition and detection of document fraud, but many states are initiating informal training. For example, Illinois' Department of Motor Vehicles, which has one of the more sophisticated titling programs, provides informal on-the-job training. In addition, its title processing division has specialized its inspection functions so that some staff members, for example, inspect only out-of-state title applications. This staffing arrangement allows administrators to concentrate limited training resources in specific areas.

One impediment to training document intake workers is the high turnover rate among DMV staff. Each time a new administrator is appointed, many staff members are replaced. Therefore, it is important that in addition to training, formal policies--such as adopting security features, using uniform titles, storing blank documents in secure areas--be implemented.

3.2 Preventing Alterations of Vehicle Identification Numbers

As was discussed in Chapter 2, vehicle identification numbers (VINs) play an important role in preventing vehicle theft. Unfortunately, the VINs are not foolproof, and many professional vehicle thieves are able to turn them to their advantage. For example, the VIN plate can be removed from one car and installed on a stolen vehicle of similar make, model and year. Using the legitimate VIN, it is possible to obtain documentation for the stolen vehicle, and to sell that automobile with little fear of being caught. Thieves may also alter the numbers on the VIN plate of the stolen car so that it cannot be traced. Uniform VINs, physical inspections of vehicles at the time of application for registration and title, and adoption of certain procedures for replacing VINs can make these techniques easier to detect.

3.2.1 VIN Uniformity

VINs vary widely among manufacturers, both in length and in the arrangement of characters. This variation makes precise identification of vehicles a complicated task for even the most experienced examiner. It also increases the chance for error when transcribing VINs onto ownership documents and state records, which, in turn, can hinder the detection of theft. In addition, lack of uniformity hampers effective coordination of data systems on stolen vehicles.

In 1978, the National Highway Traffic Safety Administration issued a rule designed to standardize VIN format and content,[1] thereby reducing transcription errors and facilitating accurate and efficient identification of vehicles. Effective with 1981 model cars, the standard requires manufacturers to assign a 17-character fixed format VIN, with an internal check digit to verify the accuracy of the number.

The new standard initially met with considerable resistance from manufacturers and some motor vehicle administrators. Manufacturers objected to the fixed format on the grounds that the number of characters and their fixed placement are not adequate to provide a unique identity for every vehicle. Furthermore, they claimed that changing to the fixed format would require extensive and costly modifications in machinery. Motor vehicle administrators who opposed the standard asserted that adopting a uniform VIN will force states to purchase computers and other recordkeeping equipment, making them "quasi-departments and instruments of NHTSA."[2] More recently, however, the Motor Vehicle Manufacturers Association, recognizing the merit of the standardized VIN, stated that it would comply with the standard if certain amendments to reduce the burden on manufacturers were adopted.[3] Despite the inconvenience and additional cost of implementation, a standardized VIN format should streamline the processing of titles and registrations.

3.2.2 VIN Inspection Programs

VIN plates that are inconsistent with the documented VINs, VINs that have been altered or defaced, and VINs that incorrectly describe the automobile are all indications that a vehicle may be stolen. To detect such problems, some states have initiated VIN inspection programs. VIN inspection programs can also reduce the incidence of "paper" cars because applicants for local title and registration must present their vehicles for examination.

Again, practical considerations and the volume of title applications dictate the development of specific selection criteria to target high-theft models

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[1] Amendment to Federal Motor Vehicle Safety Standard Number 115, Vehicle Identification Number, 45 Fed. Reg. 36, 448 (1978).

[2] Trepel, Organized Auto Theft, p. 40.

[3] Motor Vehicle Manufacturers Association, Amended Petition for Rulemaking Regarding Federal Motor Vehicle Safety Standard 115-Vehicle Identification Number, letter to Raymond Peck, Administrator of the National Highway Traffic Safety Administration from V.J. Adduci, President and Chief Executive Officer, Motor Vehicle Manufacturers Association, April 15, 1982.

or vehicles from high-theft areas. For example, all out-of-state vehicles, vehicles from non-title states or countries, or vehicles being titled or registered for the first time could be singled out for VIN inspection. California's DMV field investigators physically inspect the VINs on all out-of-state vehicles presented for local title and registration applications. Figure 3.2 displays VIN inspection procedures for each state. Slightly over half the states conduct VIN inspection under select criteria.

As is the case with detection of fraudulent documents, DMV staff must be trained to interpret VINs and recognize altered VINs. The National Highway Traffic Safety Administration has published training materials on this topic.[1] DMV administrators can also take advantage of training seminars in VIN inspection techniques offered by law enforcement agencies. The International Association of Auto Theft Investigators, composed of over 1,000 law enforcement officers involved in vehicle theft prevention efforts in the United States and Canada, sponsors regional workshops which include instruction in VIN interpretation. In Massachusetts, the Criminal Justice Training Council offers three-day workshops in vehicle theft investigation and has compiled a training manual which addresses VIN inspection. Finally, the National Automobile Theft Bureau publishes the Passenger Vehicle Identification Manual,[2] which contains photographs of VIN plates of all vehicle manufacturers and decodes them. The Manual is revised annually and is selectively distributed to law enforcement agencies and vehicle theft investigators throughout the country.

3.2.3 VIN Replacement Procedures

Occasionally, an original VIN must be replaced or a new VIN must be assigned to a vehicle. Sometimes, the reasons are quite legitimate, as when the car has been custom-made or when the vehicle has been badly damaged and then rebuilt. However, many jurisdictions have relatively unstructured VIN replacement procedures which, for example, permit independent owners to develop and attach their own arbitrary numbers or to attach VIN plates bearing state-assigned numbers without the supervision of the department of motor vehicles. Such practices encourage thieves to tamper with VINs and thwart efforts to detect stolen vehicles.

[1] U.S. Department of Transportation, National Highway Traffic Safety Administration, Training Program for Titling and Registration Personnel, Recognition and Verification of the Vehicle Identification Number, DOT HS 900 052 and 055, July 1980.

[2] National Automobile Theft Bureau, 1981 Passenger Vehicle Identification Manual (Palos Hills, Illinois: NATB, 1981).

Figure 3.2

VIN Inspection Programs

INSPECTION REQUIRED IN ALL CASES

Alabama, Kansas, Maine,[2] Mississippi, Nevada

INSPECTION REQUIRED IN SELECT CASES

-- First time registration or title, except for vehicle purchased from state dealers:	Alaska, Arizona, District of Columbia, Idaho, Iowa, Kentucky, New Hampshire, Wisconsin
-- Used cars:	Maryland, Massachusetts
-- Out-of-state vehicles:	California, Colorado, Connecticut, Delaware, Hawaii, New Mexico, Ohio, Oklahoma, Oregon, Pennsylvania, Utah, Washington
-- From non-title states or counties:	Georgia
-- When discrepancies or errors are noted:	Michigan, New York

INSPECTION REQUIRED BUT CONDITION NOT SPECIFIED

Arkansas, Minnesota, Rhode Island, Wyoming

OWNERS RESPONSIBLE FOR INSPECTION

New Jersey, Virginia

INSPECTION NOT REQUIRED

Illinois, Louisiana, Missouri, Montana, Nebraska, North Carolina, South Carolina, South Dakota, Tennessee, Texas

NO INFORMATION ON VIN INSPECTION LISTED

West Virginia

[1] Information on inspections of rebuilt salvage is contained in Section 3.3.2.

[2] Beginning with 1975 model vehicles.

SOURCE: National Automobile Dealers' Association, Summary of Motor Vehicle Laws and Regulations (Covina, California: NADA Title and Registration Book, 1979).

In reassigning VINs, states may either assign the original manufacturer's number or use a new number devised by the department of motor vehicles. Opinions are divided on which method is preferable. Those in favor of assigning a new number cite the convenience and lower cost of pre-printed plates. On the other hand, vehicles which are assigned a new VIN once had an original manufacturer's number, and the new number may be misinterpreted as a reference to a second car. In effect, the new number may "create" another car, when, in fact, only one exists. Alternatively, by assigning the original manufacturer's VIN, the identity of the vehicle remains intact so that future transfers of ownership are less confusing. However, this approach is far more costly and time-consuming, since the DMV must research the original number.

The Vehicle Equipment Safety Commission, an organization through which member states specify uniform performance requirements for vehicle equipment, specifies a standardized replacement vehicle identification number system in Regulation VESC-18 (see Appendix A). The regulation provides that certain types of vehicles should be inspected routinely for VIN replacement. These include: rebuilt salvage, specially constructed vehicles, all vehicles and identifiable components with missing or altered identification numbers, and those vehicles where discrepancies are noted between the VIN recorded on ownership documents and the VIN plate on the vehicle.

The regulation further provides that original VINs should be reassigned. In the event that the assigned VIN plate is lost, no duplicate plate should be issued, but an entirely new VIN plate should be assigned. This practice ensures that two VIN plates with the same number cannot be circulating at any time. Meanwhile, the original (lost) plate can be treated as invalid. Finally, the regulation specifies various design, placement, and security features for the VIN.

All sites visited for case study--California, Illinois, Massachusetts, and New York--had VIN replacement procedures. The main features of the four programs are displayed in Figure 3.3. In California, the state law enforcement agency is responsible for VIN replacement; in Massachusetts and New York, departments of motor vehicles replace VINs; and in Illinois, the responsibility for VIN replacement is shared between state law enforcement and the motor vehicle department. California and Illinois attempt to reassign original manufacturer numbers for vehicles with altered or missing VINs; the other two states assign new numbers prestamped on special plates which tear if any attempt is made to remove or alter them. The motor vehicle administrators interviewed in these states predicted that they will eventually adopt the practice of reassigning original VINs.

Figure 3.3

VIN Replacement Programs for Four Selected States

	CALIFORNIA[a]	ILLINOIS	MASSACHUSETTS	NEW YORK
TYPE OF VEHICLES WHICH REQUIRE VIN REPLACEMENT				
• Special Construction		X	X	X
• Altered VIN	X	X	X	X
• Missing VIN	X	X	X	X
VIN ASSIGNED				
Original # Assigned	X[b]	X[c]		
New # Assigned	X[b]	X[d]	X	X

Source: On-site study conducted by Abt Associates, July-August 1981.

[a]VIN replacement in California is performed by the California Highway Patrol.

[b]Preference is given to reassigning the original manufacturer's number wherever possible. In instances when the identity of the vehicle cannot be determined, a new number is assigned.

[c]Reassigning the original manufacturer VIN is the responsibility of the Illinois State Police.

[d]Assigning new VINs in instances in which the vehicle's identity cannot be established is the responsibility of the Department of Police, the investigative unit of the Motor Vehicle Department.

Costs of equipment (i.e., plates and tools for attachment) and personnel--either hiring and training additional staff for VIN replacement or diverting existing staff time--are the major objections raised against VIN replacement programs. The expense incurred for training staff will depend on whether states choose to reassign the original VIN or to assign new numbers. In the former case, staff will need extensive training in reconstructing the

original VIN.[1] In states which assign new numbers, staff will require instruction in proper VIN plate attachment. However, even if only a part of the staggering annual financial losses from vehicle theft can be reduced, the investment in a VIN replacement program seems worthwhile.

3.3 Preventing the "Salvage Switch"

Of all auto theft scams involving titling and registration, the salvage switch is by far the most elaborate and difficult to detect. Also known as conversions, retagging, or duping, this scheme is of particular concern to departments of motor vehicles.

The key to the salvage switch is a vehicle so badly damaged that the cost of repair exceeds the value of the vehicle. Such vehicles are declared total losses[2] by insurance companies and are usually sold in quantity to salvage operators--dismantlers, scrap processors, junk yards, and shredders.

This is how the salvage switch works. The thief purchases a salvage vehicle and corresponding ownership documentation at a very low cost. He then steals a car identical in year, make, and model, and performs any physical alterations necessary (VIN, color, components) so that the stolen car conforms exactly to the specifications of the salvage vehicle. The converted stolen vehicle, with apparently legitimate documentation, is then sold to a third, unsuspecting party who re-registers and retitles the vehicle in his own name, giving it a legitimate identity virtually impossible to trace back to the thief.

The salvage switch is extremely profitable. The costs of doing business--for example, repainting the stolen vehicle or buying equipment to alter numbers on VIN plates--are offset by huge profits because converted stolen vehicles can be sold at prices lower than dealer purchase price for legitimate used cars. Moreover, thieves deal in such volume that the cost per switch is relatively low.

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[1] Technical assistance is available from field officers of the National Automobile Theft Bureau, who are experts in identifying vehicles with missing or altered VINs. The National Automobile Theft Bureau is described in greater detail in Chapter 4 on Insurance Practices.

[2] Vehicles which are stolen and never recovered may also be declared total losses by insurance companies and technically are considered salvage vehicles. Though the procedures for transfer of ownership documentation in cases involving total loss settlements due to theft are no more formally established than those for total loss settlements due to damage, our discussion of salvage vehicles is confined to the latter type of total loss cases.

The salvage switch is also a very low risk business because:

- Many states have no formal policy for transfer of title of salvage vehicles;
- Most states do not distinguish between transactions involving salvage vehicles and those involving operable vehicles;
- Titles for salvage vehicles are not surrendered to the local DMV or to the state of issue;
- Insurers do not routinely notify departments of motor vehicles when salvage vehicles are sold; and
- Titles issued to rebuilt salvage vehicles do not indicate the previous physical condition of the vehicles.

Common practices of salvage processing operations also contribute to the problem. Records of identification numbers for major component parts and information on their acquisition and sale are often incomplete or nonexistent. Notification or documentation of the vehicles' disposition (i.e., destruction) may not be forwarded to the department of motor vehicles. Finally, vehicles are often destroyed before they can be inspected for missing or altered VIN plates.

To reduce the opportunity for salvage switch operations, motor vehicle administrators must cooperate with the insurance and dismantling industries to establish a traceable chain of ownership through more systematic processing of documentation and improved control over salvage vehicles themselves.

3.3.1 Establishing Titling Procedures for Salvage Vehicles

Both the Uniform Vehicle Code[1] and the guidelines for titling and registration developed by the National Highway Traffic Safety Administration recommend programs to control salvage vehicles and related documentation.

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[1] The Uniform Vehicle Code is a set of rules designed for adoption by state legislatures to establish safe and efficient use of highways. The Code is periodically updated by the National Committee on Uniform Traffic Laws and Ordinances, a non-profit, independent organization, made up of representatives from federal and state government as well as private industry groups. Most states utilize portions of the UVC.

Formal procedures for processing salvage vehicles have been legislatively mandated in some states, including Arizona, Connecticut, Delaware, Illinois, Maine, Maryland, Michigan, New Hampshire, New York and Virginia.[1] Other states have implemented salvage title procedures through formal agency rules or through routine changes in agency operations. While each approach may result in adoption of improved procedures, legislative mandates generally offer the strongest statement of support, which, in turn, should enhance interagency cooperation and implementation.

The key to preventing thieves from obtaining ownership documentation for salvage switches is removing the original title from circulation. In most states, salvage vehicles are given titles which are identical in every respect to those of non-salvage vehicles--including security features--except for a notation indicating SALVAGE. Some states do not even require the owners of salvage vehicles to surrender their original certificates of title in exchange for a salvage title.

Under a sound salvage title system, however, original owners of damaged vehicles must exchange their original titles for salvage certificates of title regardless of whether they choose to keep the vehicle or sell it to a salvage company. Also, insurance companies which acquire damaged vehicles as a result of total loss settlements must obtain original documentation from the owners and surrender it to the department of motor vehicles, which then issues a salvage certificate of title in exchange. Once the vehicle is titled as salvage, any transfers of ownership (from insurance companies to salvage processors, for instance) are recorded on the salvage certificate which the seller must endorse and surrender to the purchaser. The salvage certificate must not resemble the original title in any way, so that it can be immediately recognized and easily distinguished. This procedure removes the original title from circulation and creates a permanent record of the vehicle's status as a salvage vehicle.

To establish a sound salvage title program, DMV administrators must (1) foster the necessary cooperation from insurance companies and individuals who sell salvage vehicles, and (2) ensure the smooth flow of salvage documentation. It is important that salvage certificates be issued promptly to insurance companies: total loss vehicles quickly depreciate in value and delays in issuing the salvage certificates may tempt insurers to skip the

[1] 1980 Conn. Pub. Acts: Senate Bill No. 1347, An Act Concerning Practices and Procedures of the Department of Motor Vehicles; 1981 Del. Laws: Senate Bill No. 44, An Act Relating to the Transfer and Selling of Salvages; New York State Senate Committee on Transportation, Auto Theft, 1979: A Survey of Recent Motor Vehicle Theft Prevention Activities and Publications, September 1979; and interviews conducted by Abt Associates with legal experts in titling and registration in Illinois and New York, July-August, 1981.

title surrender procedure. Also, to facilitate interstate title transfer, DMV administrators should ensure that neighboring states recognize each other's salvage titles as valid proof of ownership. Connecticut, for example, issues titles stamped VOID instead of issuing salvage certificates of title. However, not all surrounding states accept such titles as valid proof of ownership, making it difficult for owners to re-register and re-title these vehicles in another state. Finally, a sound salvage title program requires that local departments of motor vehicles be notified within a specified period whether the salvage vehicle will be dismantled or destroyed. This helps to ensure that records of the salvage vehicle cannot be switched to an identical stolen vehicle.

The four states visited for case study have developed different systems for processing ownership documentation of salvage vehicles, summarized in Figure 3.4. Some are relatively informal; others are highly sophisticated and organized. Massachusetts, for example, currently has no formal provisions--administrative or legislative--for processing salvage vehicle documents. No notation of the vehicle's previous history is made on applications for title involving salvage vehicles. In contrast, in California, once vehicles become salvage and are declared total losses, original certificates of title must be endorsed and sent within ten days to the DMV. The DMV then issues salvage certificates of title, either to individuals who keep their vehicles or to insurance companies which acquire them from total loss settlements.

New York State's new salvage title law, effective in September 1981, created a three-part salvage certificate: a transfer copy, a copy for the DMV, and a file copy for the original owner. The DMV supplies these forms directly to insurance companies and salvage processors. The three-part salvage certificate presents both advantages and drawbacks. On the one hand, it establishes a definite chain of ownership for salvage vehicles and provides all involved parties with a convenient record of transfers. In addition, issuing insurers their own supply of salvage certificates eliminates the waiting period entailed when exchanging original titles with the DMV for salvage certificates (see section 4.3, improving insurance practices in total loss settlements). On the other hand, New York's Department of Motor Vehicles anticipates some confusion due to the sheer volume of paperwork generated by triplicate forms. Also, as with any new form, once it has been in use for some time, there may be a need for modifications.

Illinois' salvage title law not only establishes a protocol for processing documentation of salvage vehicles but also distinguishes between roadworthy and inoperable salvage by issuing two separate types of titles. Junking certificates of title enable owners to possess, transport or transfer ownership of vehicles which will be destroyed or recycled. Once a junking certificate of title is issued, the vehicle cannot subsequently be re-titled as salvage, nor can it be titled by a regular certificate of title. The Illinois system makes clear from the outset the final disposition of these

Figure 3.4

Processing Ownership Documentation of Salvage Vehicles in Four Selected States

CONDITIONS	MASSACHUSETTS	CALIFORNIA	NEW YORK	ILLINOIS
Salvage Title Law or Administrative Procedures Implemented by DMV	None	Administrative Procedure	Salvage Title Law effective September 1981	Salvage Title Law effective January 1980
Original title must be exchanged for salvage certificate prior to sale of salvage	Not applicable	Yes: Under certain circumstances, salvage may be sold without proof of ownership	No: Insurance companies and licensed salvage processors are issued their own supply of three-part salvage certificates	Yes: One of two types of salvage certificates may be issued, depending on condition of vehicle: Operable or potentially roadworthy--Salvage Certificate; inoperable, for scrapping or dismantling purposes--Junking Certificate
Parties permitted to sell salvage	Not applicable	All	Initially, only insurers and licensed processors, but salvage may then be transferred to individuals	Insurers and licensed processors only for potentially roadworthy salvage; all parties, including individuals, may handle "junking" material
Vehicle history indicated on new title for rebuilt salvage	Not applicable	Yes: "Salvage" indicated on new title	Yes: Separate salvage certificate issued.	Yes: "S.V." marked on new title. Vehicles titled by junking certificates may not be re-titled

SOURCE: On-site study and interviews conducted with Department of Motor Vehicle representatives in each state by Abt Associates, July-August, 1981.

vehicles. This distinction helps to prevent and control vehicle theft by establishing two separate, traceable chains of ownership.

3.3.2 Inspection of Rebuilt Salvage Vehicles

Inspection of rebuilt salvage vehicles is often considered primarily a consumer protection device because it helps to determine whether the car is, in fact, roadworthy. However, the importance of inspection as an anti-theft measure should not be overlooked by departments of motor vehicles. A thorough physical inspection of rebuilt salvage may also be used to verify ownership and detect stolen vehicle parts which have been used to restore salvage vehicles. To detect stolen vehicle parts, DMVs should require owners to provide appropriate documentation for all major component parts when filing applications for title. DMVs also should indicate the vehicle's history on the new, rebuilt salvage certificate of title. This practice not only informs consumers about the condition of the vehicle they are purchasing, but also alerts DMVs to inspect carefully both the vehicle and associated documentation when presented for local title and registration.

Under the new salvage title law in New York, intensive examinations of rebuilt salvage vehicles will be conducted by DMV field investigators. The new owner must provide legitimate transfer of ownership papers and bills of sale for all major component parts used for restoration. The investigators will check the vehicle's identifying numbers against the DMV's and law enforcement's files of stolen vehicles. Officials expect most requests for examination of rebuilt salvage to come from dismantlers wishing to confirm the absence of stolen parts before they sell the vehicles.

An estimated 40-60,000 rebuilt salvage vehicles per year will require processing under the New York law. To meet the demand for inspections, 40 additional investigators were hired, for a total of 84 investigators in the state. Though backlogs are predicted, the new law is expected to have an impact on vehicle theft rates.[2]

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[1] VIN inspection procedures in general are discussed in Section 3.2.2.

[2] Interviews with Joseph Donovan, Assistant Counsel for the New York State Department of Motor Vehicles, and Tom McGraw, Supervisor of the Investigation and Information Section, conducted by Abt Associates, August 1981.

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3.3.3 Licensing and Regulating Salvage Processors

In addition to establishing systematic titling procedures for salvage vehicles and introducing safety inspections for rebuilt salvage, DMV administrators should consider licensing and regulating salvage processors. Most states' administrators have established licensing requirements for salvage processors simply as a means of generating revenues and of ensuring compliance with general rules such as zoning laws and building codes. Other states, however, have recognized the potential of licensing for controlling vehicle theft activity by making continued operations contingent upon meeting reporting and recordkeeping requirements. In this way, licensing and regulating salvage processors become essential to establishing a traceable chain of ownership for salvage vehicles.

Licensing and regulation of salvage processors has been unanimously recommended by DiMiceli and Becker[1] and the National Highway Traffic Safety Administration[2] in guidelines for titling. In addition, several organizations involved in vehicle theft prevention efforts, such as the American Association of Motor Vehicle Administrators[3] and the Midwest Task Force on Auto Theft Prevention,[4] have supported licensing and regulation. Even the industry itself--the Automotive Dismantlers and Recyclers of America--recognizes the importance of such regulation although it is understandably opposed to undue restrictions.[5]

Licensing and regulation of salvage processors may be implemented legislatively or, as in Illinois, under administrative rule. While it may be easier and quicker to impose regulation by administrative rule, the legislative approach is preferred since it lends greater authority and is less likely to change with new administrations. Departments of motor vehicles are

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[1] DiMiceli and Becker, Guidelines for Title Issuance.

[2] U.S. Department of Transportation, National Highway Traffic Safety Adminstration, Anti-Theft Guidelines for State Motor Vehicle Titling Programs.

[3] American Association of Motor Vehicle Administrators, Policy Positions.

[4] Illinois Secretary of State, "Illinois Plan to Use Licensing Powers as Auto Theft Prevention Tool."

[5] Donald Rouse, Director of Field Services, Automotive Dismantlers and Recyclers of America, presentation on, "Laws and Regulations Relating to Vehicle Titling and Salvage Control Procedures," National Workshop on Theft Auto Theft Prevention: Compendium of Proceedings (New York State Senate Committee on Transportation, February 1979), pp. 38-41.

typically responsible for implementation and administration of licensing and regulating efforts, although they generally work in cooperation with law enforcement agencies.

A properly constructed licensing and regulation program can achieve the following goals:

- Establish a traceable chain of ownership for salvage vehicles,
- Facilitate the inspection process, and
- Reduce economic incentives and deter illegal organizations.

Proposed licensing and regulatory schemes require salvage processors to record complete information on the sale and acquisition of vehicles. Data items include the date of acquisition; purchase price and type of payment; any specific identifiers the owner may have placed on the vehicle (such as identifying numbers etched on windows); whether any of the manufacturer vehicle identification numbers have been altered, defaced, or removed; and data on persons from whom the salvage vehicle was obtained or to whom it was sold. Salvage processors would also be required to obtain appropriate ownership documentation when purchasing salvage vehicles, and to endorse and surrender salvage titles upon sale. Many salvage processors feel that proposed programs will impose an undue reporting burden on them, perhaps even forcing them to hire additional personnel solely to meet new reporting requirements. DMV administrators can enhance compliance on the part of the salvage industry if they keep the associated paperwork to a minimum.

Licensing and regulation procedures can also be designed to monitor the way in which salvage operations process the vehicles themselves. This aspect of regulation is as important in efforts to control vehicle theft as establishing recordkeeping and reporting requirements. For example, in order to prevent thieves from using salvage vehicles to conceal the identity of stolen automobiles, departments of motor vehicles can specify that any unexpired license plates inadvertently left on salvage vehicles be removed and turned over to the DMV. Salvage processors can also be required to hold vehicles for a specified length of time before destroying them. This holding period allows DMV investigators to check the identity of vehicles during inspections of salvage yards. License requirements and industry regulations can also require scrap processors to permit periodic inspections to monitor compliance with reporting requirements. To facilitate these inspections, the regulations can specify that VIN plates should not be removed. Finally, if organizations are found to be operating without a license, or if their recordkeeping systems are not in order, the regulations can mandate the imposition of strict civil penalties.

Because salvage switch activities are both profitable and difficult to prove, legal experts suggest[1] that stiffer criminal sentences are not likely to be effective deterrents. Rather, a greater impact may be achieved by significantly reducing the monetary profit to be made from illegal operations. This may be accomplished by (1) imposing larger fines (dismantling processors operating without a license or in violation of recordkeeping requirements are currently charged only a negligible fee), (2) conducting rigorous and frequent inspections, and (3) identifying and confiscating stolen vehicles or major component parts.

Licensing and regulating salvage processors may be instrumental in preventing illegal "chop shop" operations. For example, in the first two years since the Secretary of State implemented the Illinois Plan to Use Licensing Powers as an Auto Theft Prevention Tool (1978-1980), 35 Cease and Desist Notices were issued to organizations operating without licenses. In twelve cases in which owners failed to comply with orders within fifteen days, the Attorney General filed suit.

Highlights of state licensing and regulation provisions based upon the on-site study are provided below in Figure 3.5.

3.3.4 Protocol for Control of Vehicle Identification Number Plates on Salvage Vehicles

In some states, such as New Hampshire and Rhode Island, it is common practice to remove VIN plates from salvage vehicles. Until recently, VIN plate removal was considered helpful in combatting auto theft on the assumption that sending VIN plates from total loss vehicles to the DMV would prevent thieves from acquiring them.

Currently, however, removal of the VIN plate has become the subject of considerable debate. According to several experts, removal of VIN plates by dismantlers exposes the plates to loss and theft. Moreover, without the plates, vehicle inspectors are hard-pressed to identify vehicles and compare them against existing records of stolen vehicles. The Automotive Dismantlers and Recyclers Association recommends that VIN plates remain on salvage

[1] Interviews conducted by Abt Associates staff with officials in Illinois' Secretary of State Titling Division and New York's State Department of Motor Vehicles, July-August 1981.

Figure 3.5

Sample Provisions for Licensing and Regulating Salvage Processors Based on a Study of Four States

LICENSING REQUIREMENTS:

- Application fee of $25-$50
- Meet local ordinances
- Operate from an established place of business
- Post license

RECORDKEEPING REQUIREMENTS:

For all motor vehicles and major component parts:

- Name, address of seller
- Appropriate personal identification
- Date of purchase
- Purchase price
- Type of payment
- General description
- Year, make and model
- Vehicle identification numbers

AGENCIES AUTHORIZED TO INSPECT RECORDS AND PREMISES:

Department of Motor Vehicles and law enforcement

PENALTIES FOR NON-COMPLIANCE:

License suspended or revoked

Injunctions ordered

SOURCE: Interviews with representatives from California, Illinois, Massachusetts, and New York departments of motor vehicles conducted by Abt Associates Inc., July-August 1981; 1980 CAL. [VEH.] CODE; 1980 IL. [VEH.] CODE; 1980-81 N.Y. [VEH.& TRAF.] LAW.

vehicles and that unauthorized removal, alteration or defacement with the intent to conceal the vehicle's true identity be punishable by law.[1]

In 1974, legislation was brought before the Maryland General Assembly requiring that VIN plates for salvage vehicles be sent to the Maryland Motor Vehicle Administration. The MVA, however, subsequently persuaded the governor to veto the bill, because (1) by removing the VIN plate, the identity of the vehicle is completely lost; (2) in the event that the salvage vehicle is restored, another VIN would have to be assigned; and (3) since Maryland reassigns original manufacturers' numbers to rebuilt salvage, assigning a new VIN would require costly and time-consuming research.[2]

3.4 Motor Vehicle Agency Investigative Resources

Departments of motor vehicles can also assist in the control of vehicle theft by opening their registration and drivers' license files to investigators and by conducting their own investigations. Indeed, DMV efforts to inspect title documentation, examine and replace VINs, inspect salvage operations, and investigate cases of theft may be extremely effective. For example, in Illinois, the auto theft unit of the state department of motor vehicles recovered vehicles worth millions of dollars by following up on altered or counterfeit documents identified by a unit in the titling division established expressly to examine documentation.[3]

The following sections review the general issues involved in the maintenance and exchange of motor vehicle data and information. Approaches for establishing auto theft investigation units are also discussed, using examples from the four jurisdictions chosen for on-site study.

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[1] Donald Rouse, on, "Laws and Regulations Relating to Vehicle Titling and Salvage Control Procedures," National Compendium of Proceedings: Workshop on Auto Theft Prevention, pp. 38-41.

[2] Clarence Woody, Systems Planning and Implementation, Maryland Motor Vehicle Administration, presentation on, "Laws and Regulations Relating to Vehicle Titling and Salvage Control Procedure," National Compendium of Proceedings: Workshop on Auto Theft Prevention, 1978, pp. 37-38.

[3] Craig Lovitt, presentation on, "The Illinois Plan," Governor's Task Force: Compendium of Proceedings, pp. 200-207.

3.4.1 Motor Vehicle Information Systems

State departments of motor vehicles maintain records on drivers' licenses and on vehicle registration, both vital to verifying the ownership of vehicles. State and local law enforcement agencies, as well as DMV investigators, rely on the DMV as a primary source of vehicle information. Data currently maintained by DMVs and commonly requested by investigators include: VINs assigned by the manufacturers or the DMV and corresponding characteristics of the vehicles (make, model, year, color); owner name and profile--address, age, sex, physical description, etc; and registration and license numbers. Some states also maintain information on convictions of vehicle owners and operators in DMV files.

Key aspects of improving motor vehicle information systems are accuracy, accessibility and completeness of the information. Unless information is regularly updated and readily accessible to investigators, its usefulness in detecting stolen vehicles will be limited. For example, if newly assigned VINs and respective owners are not entered into the system, investigators will be unable to identify these vehicles.

To assist departments of motor vehicles in checking VINs for proper length and character position, detecting errors in transcription, and matching VINs with the appropriate vehicle manufacturer specifications, R. L. Polk and Company offers a computer software package called the Vehicle Identification Number and Analysis System (VINA). VINA will determine whether there is an error in the VIN and, if so, where the error is, including the check digit. VINA matches vehicle specifications to VINs, displaying the vehicle information (make, model, year, assembly plant) indicated by the VIN, so that by entering a VIN, DMV inspectors can tell whether the specifications describe the actual vehicle before them. This information is updated each year as new models are released. North Carolina's Motor Vehicle Department, the first to acquire VINA, reports that it eliminated the burden of collecting VIN specifications from manufacturers which would be "a gross case of reinventing the wheel. VINA has dramatically increased the number of matches with insurance reporting."[1]

Although around-the-clock accessibility is critical for law enforcement officers on patrol during non-business hours, officers often experience delays in obtaining information from DMVs. One way to alleviate this problem

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[1] Remarks by Laeron R. Roberts, Director of Data Processing, North Carolina Department of Transportation, before the American Association of Motor Vehicle Administrators, Motor Vehicle Information Systems Workshop, Pittsburgh, Pennsylvania, April 5, 1977.

is to provide officers with direct access to the DMV information system. In Chicago, for example, certain squad cars are equipped with mobile terminals with a direct link to state and local stolen vehicle files and to the Secretary of State's titling and registration files. Simply by listing the license plate number, the officer can obtain the VIN, owner information, and information on whether the vehicle has been reported stolen in approximately fifteen seconds.[1] Alternatively, officers can radio their requests to the dispatch operators, who then call the DMV and relay the information back to the officer within minutes.

States which have introduced salvage title laws all require some additions to complete their DMV information systems. Tracing the chain of ownership of salvage vehicles requires files which indicate past owner and registration information. A "dead" file, listing information on salvage vehicles which have been destroyed, will ensure that the VINs and titles cannot later be used to conceal the identity of stolen vehicles.[2] Finally, an important consideration in DMV data system improvement is coordination with law enforcement and criminal justice agencies to avoid duplication of effort. Some economies of operation can be realized by combining information bases rather than maintaining independent ones.

3.4.2 DMV Auto Theft Investigative Units

While both state and local law enforcement may collaborate with motor vehicle administrators in implementing and monitoring preventive measures, the DMVs must assume the primary responsibility for measures involving titling and registration. In order to investigate suspicious cases, many DMVs have established their own auto theft units. Investigative units of departments of motor vehicles are more knowledgeable than law enforcement agencies in administrative procedures and the common scams involving titling and registration. Moreover, they have immediate access to motor vehicle records. Presented below is a brief discussion of issues to consider in establishing auto theft investigative units, including the scope of work, departmental affiliation, setting internal priorities, officer status, and coordination with law enforcement and other agencies.

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[1] Interview with Kenneth Durbin, Director of Data Processing Department, Office of Secretary of State, conducted by Abt Associates, July 27, 1981.

[2] NATB also encourages insurers to report sales of salvage vehicles. Information is stored in a salvage file, which is periodically checked against state department of motor vehicle records to determine whether the salvage vehicle has been re-registered.

Scope of Work

Responsibilities of DMV auto theft units may include any or all of the following:

- small-scale investigation of vehicle theft cases;
- inspection of salvage processing operations to check compliance with reporting and recordkeeping requirements;
- examining rebuilt salvage vehicles; and
- inspection and replacement of vehicle identification numbers.

Displayed in Figure 3.6 are features of the DMV theft units from each of the four sites that were visited for this report.

In determining the scope of work for DMV investigators, motor vehicle administrators must consider both the priority assigned to the problem of vehicle theft and state policies regarding vehicle theft. For example, because Massachusetts currently has no salvage title law, investigators only intermittently conduct inspections of dismantling operations. Instead, staff of the Registry's auto theft unit devote most of their time to case investigation.

The scope of work also determines the size of the vehicle theft unit. Illinois' vehicle theft unit, the Department of Investigation, is staffed by 160 sworn officers and 34 civilians. The Department of Investigation, an arm of the Secretary of State's Office, is responsible for regulating the salvage industry, assigning VINs to rebuilt salvage, investigating auto theft cases that might involve fraud, and other duties not related to auto theft prevention, including conducting internal investigations, supervising security for the Capitol Complex in Springfield, and collecting licenses and old plates from drivers whose licenses have been revoked. In contrast, only eight investigators of the Registry of Motor Vehicles serve the entire state of Massachusetts, where resources are concentrated on investigating auto theft cases.

Figure 3.6

Features of Vehicle Theft Units of Departments of Motor Vehicles in Four Selected States

	CALIFORNIA	ILLINOIS	MASSACHUSETTS	NEW YORK
Administrative agency	Dept. of Motor Vehicles	Secretary of State	Registry of Motor Vehicles	Department of Motor Vehicles
Intradepartmental affiliation of vehicle theft unit	Division of Compliance, Investigative Section	Dept. of Investigation	Independent Auto Theft Unit	Office of Field Investigation
Vehicle-related responsibilities	License & register dealers & dismantlers; verify VINs; inspect re-built salvage; impound vehicles	Regulate body shops; investigate fraudulent cases; check VINs	Inspect documentation; VIN replacement; inspect rebuilt salvage	Inspect fraudulent documents; screen out-of-state titles; replace VINs
Number of officers and officer status	All peace officers with limited authority	160 sworn officers with full police powers; 34 civilians; 50% plainclothes, 50% uniformed	8 with full police powers	84 statewide with limited authority
Other responsibilities of investigative unit	N/A	Security, collect revoked licenses and license plates, act as collection agency for Secretary of State	N/A	Internal affairs, accuracy of odometer, license tests, security

SOURCE: On-site study and interviews conducted with department of motor vehicle representatives in each state by Abt Associates, July-August, 1981.

Departmental Affiliation

The scope of work envisioned for DMV investigators will also determine placement of the auto theft unit within the department of motor vehicles. Establishing auto theft units which operate independently of other divisions within the DMV allows investigators to devote all available resources to theft prevention activities. Many of the DMV auto theft units examined, however, are affiliated with the more general division of investigation. DMV investigators in such units often perform several tasks in addition to those related to vehicle theft prevention, as in Illinois. Affiliating DMV auto theft units with another division may result in some economies in operations, but the greater breadth of responsibilities may dilute the attention given to auto theft prevention.

Setting Internal Priorities

Assigning investigators to dual functions within another DMV department may produce conflicts in priorities and scheduling. Experience has shown that in the absence of clear directives, auto theft tends to be placed last. Assigning specific tasks within the investigative units so that some staff members work full-time on vehicle theft prevention is one way to ensure that the problem receives proper attention. Assigning other investigative staff exclusively to responsibilities not related to vehicle theft prevention, such as security and internal investigations, leaves the vehicle theft staff free to inspect salvage yards and pursue other anti-theft activities.

Investigator Status

The choice of officer status--full law enforcement authority or limited authority--for vehicle theft investigative units of DMVs is usually at the discretion of the DMV administrator. DMV investigators with full police power to make arrests and confiscate stolen parts or vehicles, without having to contact a separate law enforcement agency, can process cases more quickly and efficiently. On the other hand, this level of independence may lead to a lack of regular communication with police agencies. Duplication of effort is often the result as the two agencies pursue cases individually.

Some DMVs have found that the work of investigative units can be performed just as effectively by officers whose authority is limited to matters related to traffic and automobiles. For example, although investigative units in California and New York are staffed by officers with limited authority, the scope of their activities is almost identical to those of the Illinois and

Massachusetts units, which are staffed by officers with full law enforcement powers.

Coordination with Law Enforcement

An important consideration in establishing a DMV auto theft unit is cooperation and coordination with law enforcement agencies. Historically, shared responsibility for auto theft investigation has resulted in arguments over "turf," with attempts to collaborate on cases interpreted as intrusive rather than helpful. In addition, agencies may resent sharing the credit for developing and solving cases.

One way for law enforcement and motor vehicle agencies to establish regular contact with one another is by participating on task forces, exchanging information or developing a joint vehicle theft prevention program. Sometimes jurisdictions assign different case types to each agency, with cases involving "paper" cars assigned to DMV theft units, and those involving organized crime assigned to law enforcement.

3.5 Summary

As departments of motor vehicles have recognized the increasing involvement of professional criminals in vehicle theft, they have taken steps to prevent and control the problem by modifying titling and registration practices. Efforts have been concentrated in three major areas:

- fraudulent ownership documentation,
- vehicle identification number alterations, and
- salvage switches.

Key prevention steps in each area are reviewed below.

Preventing Fraudulent Documentation

To prevent and control the abuse of ownership documentation, departments of motor vehicles can:

- Develop uniform ownership documents and coordinate with neighboring states to adopt consistent policies for processing;
- Store blank documents in a secure area, take inventory periodically, and issue control numbers;
- Issue ownership documents from one central office of the administrative agency to facilitate document control and security;
- Incorporate internal document safety features (e.g., bank note printing, latent images, lamination);
- Establish a protocol for selective inspection of documents, beginning with comparisons against authentic samples;
- Introduce a fixed waiting period between receipt of an application for title and issuance of local documentation to allow for investigation;
- Verify information for selected applications by consulting existing state records on ownership and/or law enforcement files on vehicle thefts;
- Return out-of-state documentation to the state of origin to confirm authenticity and accuracy; and
- Train document intake workers in title recognition and detection of fraud.

Preventing VIN Alterations

To prevent VIN alterations, they can:

- Support efforts to adopt uniform VINs;
- Establish selective VIN inspections; and
- In replacing VINs, give priority to reassigning the original manufacturer's number, where possible.

Preventing Salvage Switches

To control salvage switches, departments of motor vehicles can:

- Establish a formal policy for transfer of title of salvage vehicles requiring surrender of original documentation in exchange for salvage certificates of title;
- Require notification of salvage vehicles' destruction from salvage processors, but specify a length of time for which salvage vehicles must be held to allow for any necessary investigation;
- In the event that a salvage vehicle is rebuilt, conduct a physical inspection to determine whether the vehicle is safe and to verify ownership of any major component parts purchased for restoration;
- When a new title is issued for a rebuilt salvage vehicle, insert some notation of the vehicle's history;
- Conduct periodic inspections of salvage processing operations to ensure compliance with requirements for reporting, recordkeeping and processing of salvage vehicles; and
- Abolish VIN plate removal programs, instead requiring salvage processors to leave VIN plates intact.

Chapter 4

INSURANCE PRACTICES

4.0 Introduction

The insurance industry is an integral part of both the vehicle theft problem and its solution. Knowing their losses will be covered by insurance, individual owners are sometimes lax in taking security precautions. Professional thieves capitalize on these opportunities either by actually stealing cars, or by defrauding insurance companies whose loss recovery policies have been set up for the convenience of the consumer. Insurers can alleviate the problem by adopting certain practices and policies to encourage the use of security measures and to discourage fraudulent claims.

Insurance companies can adopt many of the techniques DMVs use to prevent vehicle theft. For example, by training claims adjusters to recognize fraud and establishing special units to investigate suspicious claims, insurance companies can reduce their losses from phony theft claims. Also, by tightening procedures for acquiring and selling total loss vehicles, insurers can help to foil the "salvage switch." Although some insurance companies perceive preventive measures as a burden to staff and resources, companies which have implemented preventive practices have demonstrated their worth. Insurers can also support auto insurance market systems which create incentives for owners and insurance companies to take preventive measures against vehicle theft.

4.1 Preventing Vehicle Theft Insurance Fraud

Many vehicle "thefts" are, in fact, insurance fraud scams--registration of "paper cars" or staging of a theft. Insurance companies pay twice for these scams--first, by inadvertently honoring fraudulent claims, and second by committing large amounts of staff time to investigations. The cost of fraudulent theft claims to insurance companies in Massachusetts alone is estimated at $12 million each year.[1]

[1] Harry Martens, First Senior Vice President of Commercial Union Assurance Companies presentation on, "Insurance Fraud," Governor's Task Force on Automobile Theft: Compendium of Proceedings (Boston: Commonwealth of Massachusetts, Executive Office of Public Safety, 1980), p. 34.

In addition to reducing fraudulent claim rates by training claims adjusters to recognize fraud and by establishing special investigative units, insurance companies can take several other steps to prevent vehicle theft insurance fraud. They can reduce the incidence of paper cars by requiring vehicle inspections before issuing policies. They can also introduce stringent reporting requirements for owners filing theft claims, for example, requiring owners to sign an affidavit verifying that their cars were actually stolen before issuing payment. On a larger scale, insurance companies can lobby for legislation that would complement their individual efforts to reduce insurance fraud. Well advertised laws imposing criminal penalties for filing false written reports of theft may have a deterrent effect, while laws granting insurers immunity for releasing information related to investigation of vehicle theft cases could encourage greater sharing of policy and claims information among agencies involved in investigations.

4.1.1 Preventing "Paper Cars"

According to the Report of the Insurance Fraud Sub-Committee to the Governor's Task Force on Automobile Theft, insuring "paper cars" accounts for a substantial number of theft claims made each year in Massachusetts. As a rough indicator, fifteen percent of the policies examined from the files of one insurance company involved "paper cars."[1] While it is difficult to estimate the incidence of the "paper car" scam in general, it is likely that thieves employ this scheme in other states as well.

One obvious way to prevent this scam is to conduct physical inspections of vehicles prior to issuing insurance. In its recommendations to the Massachusetts Governor's Task Force on Auto Theft, the Insurance Fraud Sub-Committee endorsed automobile inspection "to curtail the criminal practice of insuring 'paper cars' for the sole purpose of reporting them stolen and collecting the insurance proceeds."[2] State law requires that 10 percent of all vehicles applying for insurance be inspected prior to issuing policies.[3] In some states, however, the insurance regulations prohibit such inspections. Insurers in these states should lobby to repeal or amend these laws.

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[1] Governor's Task Force on Automobile Theft, Report of the Insurance Fraud Sub-Committee (Boston: Commonwealth of Massachusetts, Executive Office of Public Safety, February 1980), p. 15.

[2] Governor's Task Force on Automobile Theft, Auto Theft in Massachusetts--An Executive Response (Boston: Commonwealth of Massachusetts, Executive Office of Public Safety, March 1980), p. 64.

[3] M.G.L. Ch. 175 §III3 Insurance Regulations; I78 Massachusetts Department of Insurance Regulations.

Of course, the sheer volume of applications for vehicle coverage precludes insurance companies from inspecting all vehicles. Developing criteria for targeting suspicious applications will help companies narrow down the number of vehicles to inspect. Insurance companies are likely to inspect vehicles if: the owner requests theft--but not collision--coverage for a recently purchased expensive model; the owner has no receipt or bill of sale for the vehicle; or the seller gave no permanent residence and cannot be located. To reduce the administrative and financial burden of conducting physical inspections, insurance companies can secure support from vehicle lienholders, requesting them to conduct inspections. Upon application for vehicle insurance, the prospective policyholder would have to submit a written statement from the lienholder describing the vehicle, including the VIN, and indicating that a physical inspection has been completed.

4.1.2 Improving Processing of Theft Claims

According to an insurance industry spokesman in Massachusetts, fraudulent theft claims by professional vehicle thieves and by policyholders in collaboration with criminals are on the rise.[1] As many as 10 to 25 percent of all theft claims filed are estimated to be fraudulent.[2] The insurance industry has only recently begun to recognize that improvements in the processing of theft claims can deter professional fraud:

> We in the insurance industry need to take a look at our claim procedures to be certain we are not part of the theft problem by paying claims without proper investigation.[3]
>
> We must look at our claim handling practices to be sure we are doing all we can to detect, investigate and refuse to pay fraudulent claims.[4]

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[1] Martens, Governor's Task Force on Automobile Theft: Compendium of Proceedings (Boston: Commonwealth of Massachusetts, Executive Office of Public Safety, 1980), p. 34.

[2] Charles W. Hannert, Vice President of the Motors Insurance Corporation, presentation on, "The Role of Private Industry in Helping to Curb Auto Theft," National Workshop on Auto Theft Prevention: Compendium of Proceedings (Albany, New York: New York State Senate Committee on Transportation, February 1979), p. 68.

[3] Ibid.

[4] Martens, Governor's Task Force on Auto Theft: Compendium of Proceedings, p. 37.

Three ways in which insurance companies have tried to tackle the problem of fraudulent theft claims are: (1) by developing fraud profiles, (2) by training claims adjusters to recognize the signs of fraud, and (3) by establishing special investigative units.

Developing Fraud Profiles

Fraud profiles are developed by examining claims and policies that are known to be fraudulent and identifying characteristics that recur with some frequency. While each company's fraud profile will reflect the nature of the local fraud problem, certain elements almost always warrant a thorough investigation:

- the claimant does not have appropriate ownership documentation;
- the vehicle identification number of the stolen automobile does not fit the description of the vehicle;
- the vehicle is recovered burned;
- the claimant has not reported the theft to the police.

Also, certain combinations of apparently innocent situations indicate possible fraud. For example, whereas neither the theft of a newly insured vehicle nor the owner's need for prompt payment alone is unusual, if seen in combination on a claim, they warrant further investigation.

To provide assistance to insurers in developing fraud profiles, the National Automobile Theft Bureau has compiled a list of suspicious claim conditions that typically warrant investigation. Many individual insurance companies, such as Aetna Life and Casualty, Commercial Union Assurance, Geico and Kemper, have also developed their own fraud profiles.

Training Claims Adjusters

Training programs for claims adjusters typically begin by explaining the company's fraud profile, how to use it, and what to do if they suspect a claim is fraudulent. Procedures for investigating suspicious claims should be written and established as company policy and distributed to all adjusters. Adjusters also should be given names of individuals to contact within

the company (such as director of the special investigative unit) and from other agencies such as law enforcement and the department of motor vehicles. Because professional thieves often change their techniques, training should be ongoing.

To avoid duplication of effort, insurance companies are collaborating on training sessions for claims adjusters. For example, the Greater Cleveland Crime Prevention Committee sponsored a workshop for insurance claims adjusters in April 1980. The training covered such topics as local police investigations of auto theft, and detecting and investigating fraudulent claims.

Establishing Special Investigative Units

Most insurance companies seek outside or contract support for investigative work because of the expense of hiring specialized staff for this task. However, a few have established in-house special investigative units (SIU), despite the initial expenses involved and the apparent lack of economic incentive to expend resources with no immediate pay-off. These companies have recognized that policyholders, and the public generally, ultimately pay the costs of false claims, and that insurance companies have both the responsibility and opportunity to develop effective methods of containing these costs.[1]

In companies that have internal investigative units, adjusters are instructed to refer suspicious claims to the SIU manager for review. If the SIU manager decides there is sufficient reason to suspect the claim is fraudulent, he notifies the local police and, in some states, NATB.[2] A complete investigation of cases involving professional fraud rings may take up to two or three months. Such an investigation typically involves: contacting the previous owner and insurer to verify the existence of the vehicle, its sale and condition; contacting friends and family of the insured to verify the theft; contacting repair shops or dealerships to verify any improvements to the vehicle; tracing the VIN with NATB to confirm the vehicle's identity; and

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[1] Rudy Brushwood, Director of Automobile Claims of the Hartford Insurance Company, presentation on, "Support and Participation by the Insurance Industry in Vehicle Theft Prevention," Governor's Task Force on Automobile Theft: Compendium of Proceedings (Boston: Commonwealth of Massachusetts, Executive Office of Public Safety, 1980), p. 264.

[2] As mentioned earlier, the National Automobile Theft Bureau is a non-profit organization sponsored by insurance companies. In most states member insurance companies report to NATB on a voluntary basis. In New York and Massachusetts, all companies must report to NATB regardless of their membership status.

checking with the department of motor vehicles to determine whether the vehicle reported stolen has been titled and registered since the theft claim was filed.

SIUs can monitor their effectiveness by documenting the results of investigations of suspicious claims. (Two sample reporting forms used by SIUs appear in Figure 4.1.) Proof of the SIU's effectiveness is essential to assure continued support from the parent organization and will encourage other companies to establish similar units. For example, investigations of theft claims conducted by the SIU of New York's Geico Insurance Company resulted in 12 arrests in a six-month period.[1] Commercial Union's SIU, one of six in the Boston area alone, received 482 cases of suspected fraudulent theft over two years. Claims for 191 of those cases, or 40 percent,[2] were denied, representing a savings of approximately $500,000. Since it was founded in 1977, Commercial Union's SIU has seen a decline of over 50 percent in the number of auto theft claims filed, which the company attributes to a drop in fraudulent claims. Similarly, during the first two years of operation of Kemper's SIU, the number of theft claims to Kemper companies in Massachusetts dropped 57 percent. A cost analysis determined that every dollar spent on the Kemper SIU represented a three-dollar return to the company from the denial of fraudulent claims.[3] SIU investigations may be time-consuming, but can also be rewarding.

4.1.3 Owner Reporting Requirements

Some jurisdictions have found that imposing strict reporting requirements on owners reduces the number of fraudulent claims filed. Owners should be required to report thefts to police and to file the claim in person instead of over the phone. One insurance company requires policyholders to sign an affidavit under oath in the presence of a court reporter when filing theft claims. When this policy was introduced, many owners did not appear and dropped their claims, indicating that the claims may have been fraudulent. Alternatively, companies can work with law enforcement to obtain a signed

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[1] Interviews with Noel Chandonnet and GEICO's SIU supervisor conducted by Abt Associates, August 1981.

[2] Martens, Governor's Task Force on Auto Theft: Compendium of Proceedings, p. 37.

[3] Office of the Lieutenant Governor, Deliberation of the Massachusetts Arson Prevention Task Force, November 1979, p. 61.

Figure 4.1

Sample Special Investigative Unit Reporting Form

Special Investigative Unit
Monthly Report
REGION II

I. Old Pending _____

II. Total Assignments Received by Type

Total Theft _____
Partial Theft _____
Auto Fire _____
Collision _____
P/D _____
Comp (other) _____
TOTAL _____

III. Total Assignments Closed

Referred for Payment _____
Referred for Denial _____
TOTAL _____

IV. New Pending _____

V. Status of Sixty Day Pending

CLAIM NUMBER	STATUS	PROJECTED CLOSURE DATE

VI. Disposition of Denials

CLAIM NUMBER	DISPOSITION	SAVINGS

VII. Savings

Current Month _____
Prior Month _____
YEAR TO DATE _____

VIII. Arrests

Current Month _____
Prior Month _____
YEAR TO DATE _____

IX. Convictions

Current Month _____
Prior Month _____
YEAR TO DATE _____

NY GEICO INSURANCE COMPANY

REPORTS

The seriousness of the auto theft problem deserves our increased attention. To measure the effectiveness of our effort, we have devised a simple format for you to use to record your results.

A sample Auto Theft Log is included at the end of this chapter. Here are brief comments on each of the categories to be completed:

Log Number	When a suspect claim is assigned for investigation, give it a log number starting with No. 1. This facilitates the tracking of the number of assignments at any time.
Insured	Provide this information to help identify a file if it is needed to answer an inquiry.
File Number	Give this information to identify the file for Company purposes. Our systems are keyed to this number.
Potential Value	Show either the amount claimed or the value of the vehicle.
Denied Date	Enter the date when a claim is denied. You'll need this information to compile a monthly report.
Compromised	If a compromise settlement is reached, indicate that by a check-mark. You'll need this information to compile a monthly report.
Amount Paid	Enter the amount paid. You'll need this figure to evaluate savings when submitting a monthly report.
Amount Saved	Enter the difference between the Potential Value and the Amount Paid.

Reporting Instructions
At the end of each month, send to Home Office Personal Insurance Claims:

- A copy of your Auto Theft Log.
- A separate report containing:
  - —the number of Auto Total Theft claims pending
  - —a composite of the month's activity
  - —comments on your experiences or results

Aetna LIFE & CASUALTY — AUTO THEFT LOG

AETNA LIFE AND CASUALTY

statement from the owner verifying the authenticity of the theft. In Massachusetts, for example, owners are required to file a signed police report on stolen vehicles in person at their local precinct. The theft reporting form used in Boston's Police Department is contained in Figure 4.2.

4.1.4 Criminal Penalties for Insurance Fraud

In most states, defrauding an insurance company is a criminal act. For example, in Massachusetts, a person is liable for up to five years' imprisonment for presenting or aiding and abetting the making of a fraudulent insurance claim.[2]

The National Association of Insurance Commissioners' model insurance fraud statute appears in Appendix B. States which have made vehicle theft prevention a priority can modify laws pertaining to insurance fraud to target vehicle theft insurance fraud specifically. The consensus among experts on vehicle theft prevention is that punishment for vehicle theft insurance fraud should be severe. The Massachusetts Governor's Task Force on Auto Theft reported that, while the state's criminal penalties for insurance fraud were adequate, they were not an effective deterrent because certainty of punishment was lacking.[3] Thus, in Massachusetts, the state with the highest incidence of vehicle theft, anyone who is repeatedly convicted of making false reports of automobile theft to an insurance company or to law enforcement is subject to a mandatory one-year sentence.[4]

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[1] In 1981, representatives from the insurance industry formed a Joint Industry Task Force on Auto Theft and Fraud to draft model legislation which would institute new controls on vehicle crime. Members of the task force include American Insurance Association, Alliance of American Insurers, National Association of Independent Insurers, State Farm Insurance Co., and NATB. Six sample bills have been developed which address: false police reporting; insurance fraud; motor vehicle theft and motor vehicle insurance fraud reporting immunity; return of stolen property retained as evidence; certificate of title as evidence; and mandatory restitution to victims of property crimes. [These sample bills are reproduced in Appendix B.]

[2] M.G.L. Ch. 226, §111A.

[3] Governor's Task Force on Auto Theft, Auto Theft in Massachusetts--An Executive Response (Boston: Commonwealth of Massachusetts, Executive Office of Public Safety, 1980), p. 63.

[4] M.G.L. Ch. 266, §111B as amended by Ch. 463, Acts and Resolves of 1980.

Figure 4.2
Sample Theft Form for Owner Reporting

STOLEN VEHICLE VERIFICATION REPORT

(To be filled out within 48 hours by any person reporting the theft of a motor vehicle or motorcycle

TO PERSON FILING THIS REPORT: Please complete all the following questions in Section A as completely and accurately as possible. You are required to produce evidentiary proof of Registration and ownership of vehicle being reported stolen, as well as personal identification. The following items will be accepted as proof of registration and ownership: title, Registration certificate, excise tax, or insurance policy. Your personal identification can best be established by a valid motor vehicle operator's license. If you are not the holder of a valid motor vehicle operator's license, other suitable identification may be accepted. WARNING: If this form is not filled out within the prescribed 48 hours and forwarded to the Auto Theft Unit, the original record of the stolen vehicle will be purged and will not be entered into LEAPS or NCIC Files.

SECTION A (Please Print) Reference CC# _____ (number given when A.T.U. was called)

Vehicle Information:

MAKE _____ MODEL _____ YEAR _____ STYLE _____ COLOR _____

STATE _____ REG.# _____ (EXPIRATION) PLATE YEAR _____ V.I.N. _____

DATE OF THEFT _____ TIME _____ A.M. P.M.

WHERE STOLEN FROM _____

NAME OF PERSON ORIGINALLY REPORTING THEFT _____

ADDRESS _____ TELEPHONE _____

NAME & ADDRESS OF OWNER _____ TELEPHONE _____

NAME & ADDRESS OF PERSON FILING THIS REPORT _____

_____ TELEPHONE _____

REMARKS (INFORMATION RELATIVE TO PERSONAL PROPOERTY LEFT IN VEHICLE WITH DESCRIPTION, VALUE AND LOCATION IN CAR)

_____

_____

_____

SIGNED UNDER THE PAINS AND PENALTY OF PERJURY (G.L. CHAPT. 268 SECT. 1A)

_____

SECTION B: Verification by Police Officer, after verifying answers to questions in Section A, indicate what proof of regisration, ownership, and personal I.D. was offered by the person filing the report, by checking the appropriate boxes

VEHICLE: __ TITLE# ____ __ REGISTRATION CERTIFICATE __ INSURANCE POLICY __ EXCISE TAX

__ OTHER (specify) _____

PERSONAL I.D.: __ OPERATOR'S LICENSE NUMBER OF PERSON FILING REPORT STATE _____ NUMBER _____

__ OTHER (specify) _____

FILL OUT IN TRIPLICATE:
WHITE: AUTO THEFT UNIT COMM. DIV.
SALMON: DIST/UNIT FILES

_____
RANK NAME ID

BPD FORM 17A 4-76 DIST. _____ TIME & DATE REPORT RECEIVED _____

4.1.5 Legal Immunity from Liability for Release of Vehicle Theft Related Information

At the National Workshop on Auto Theft Prevention, insurance industry representatives asserted, "apprehension of criminals involved in [vehicle theft] may well be seriously retarded by the reluctance in many cases of insurance companies to assist law enforcement officials."[1] Their reluctance stems from their concern that consumers may institute civil liability suits against insurers for communicating private information on vehicle theft cases to other insurance agencies, departments of motor vehicles, and law enforcement agencies in particular. While such suits are infrequent, insurance companies feel they must protect themselves from defamation, malicious prosecution, or invasions of privacy suits for release of claim information relating to auto theft or insurance fraud.

Accordingly, several states including California, Florida, Massachusetts and New Jersey, have introduced motor vehicle theft reporting immunity legislation that enables insurers to release theft-related information to authorized agencies without fear of civil or criminal liability. Immunity laws also facilitate vehicle theft investigations by allowing authorized agencies access to information from insurance files without obtaining a subpoena. A model Motor Vehicle Theft and Motor Vehicle Insurance Fraud Reporting Immunity Act is contained in Appendix B.

It is important that immunity legislation provide safeguards to prevent abuses of excessive investigation and undue public dissemination of privileged information. For example, information obtained by an insurance company might be used for purposes not intended by the law, such as making underwriting decisions on the basis of preliminary, unsubstantiated information. Proponents of immunity legislation point out that insurers must provide written explanations for denying coverage, which would allow applicants to refute unproven information. In addition, protections of individual privacy can be written into the immunity legislation itself, including establishing criminal penalties for violation of confidentiality. The law can also specify that requests for release of theft-related information be furnished in writing as evidence of good faith. Special committees or review procedures can be set up to ensure lack of malice and probable cause. Finally, insurance companies should request law enforcement to conduct an independent investigation of suspected fraud cases before filing a criminal complaint.

Each state will need to make its own determination of the importance of immunity reporting laws with regard to vehicle theft information. Reporting

[1]U.S. Department of Justice, National Institute of Justice, Potential Civil Liability of Communications Between Insurance Companies and Law Enforcement Authorities, by Barry Weintraub (Washington, D.C.: Government Printing Office, 1980).

immunity laws have been used successfully in facilitating investigations in other areas, such as arson. Since 1976, all but three states have enacted some form of arson reporting immunity legislation.[1]

4.2 Improving Insurance Practices in Total Loss Settlements

Professional vehicle thieves also take advantage of insurance companies' processing of "total loss vehicles"--vehicles so old or badly damaged that the cost of repair or restoration exceeds their value. Professional thieves want these vehicles for their VIN plates and legitimate ownership documentation, to use in the "salvage switch."

The economics of processing total loss vehicles sets up a circular chain of events which makes fraud easier. Insurers must sell total loss vehicles as soon as possible to get the highest returns, since the vehicles depreciate rapidly. This need for quick disposal discourages companies from conducting thorough investigations and creating a traceable chain of ownership for the vehicle. If insurance companies do not take the time to inform the DMV when they sell total loss vehicles, the original documents can be purchased from recyclers and used in the salvage switch. The papers cannot be traced.

Although salvage title laws can prevent this by removing the original title from circulation, some insurance companies object to the additional administrative detail imposed by such regulation. They know that, at least in some instances, salvage title laws delay and even reduce their percent of recovery[2] on salvage vehicles. Thus, it is crucial that departments of motor vehicles issue salvage titles promptly, so that insurers can afford to comply with the reporting requirements under these laws.

New York state's salvage title law offers an alternative which eliminates the waiting period involved in exchanging original titles for salvage certificates. New York issues insurers their own supplies of blank salvage certificates, with non-negotiable duplicate forms attached. The companies must forward one copy to the Registry, along with the original documentation and two photographs of the vehicle; endorse one copy to the purchaser; and keep

[1]Insurance Committee for Arson Control (ICAC), "Status Report 1 on Arson Reporting-Immunity Legislation" (Chicago, Illinois: ICAC, September 1980).

[2]Hannert, National Workshop on Auto Theft Prevention, p. 68.

one copy for their files. According to the Director of Automobile Claims of one insurance company, this procedure can significantly reduce the expenses of all concerned, including the Registry, and minimize further losses.[1] On the other hand, some experts at the New York State Registry were concerned that (1) issuing blank certificates of salvage to several companies increases the likelihood of document theft unless appropriate security measures are taken, and (2) the duplicate forms may be susceptible to fraud.[2]

In the absence of state salvage title laws, insurers should make it a policy to notify the local department of motor vehicles when they acquire and sell salvage vehicles. Meanwhile, insurance companies in these states should also support salvage title legislation.

> In my opinion, those of us in the industry who are familiar with the salvage problem should start a grass-roots movement within our industry and get at least our key people to take the longer range viewpoint of the problem. We need to support strong salvage titling legislation.[3]

While complying with salvage title laws may entail some administrative costs for insurance companies, these costs should be more than offset by the savings from a reduction in vehicle theft claims.[4]

As a final measure to improve practices in total loss settlements, insurance companies should deal only with reputable salvage buyers who meet appropriate state licensing and reporting requirements (as described in Section 3.3.3 above).

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[1] Brushwood, Governor's Task Force on Automobile Theft: Compendium of Proceedings, p. 263.

[2] Interviews with titling and registration experts and legal advisers from the New York Department of Motor Vehicles, conducted by Abt Associates Inc., August 1981.

[3] Hannert, National Workshop on Auto Theft Proceedings, p. 68.

[4] Ibid.

4.3 Preventing Theft and Fraud Through a Supportive Insurance Market System

Underlying recommendations for prevention of insurance fraud are two assumptions: first, that insurers can and will take action against individuals who file fraudulent claims; and second, that insurers stand to profit from reductions in theft and fraud. However, these assumptions do not hold in states where the automobile insurance market system has certain characteristics.

In order to describe theft-reducing insurance systems, it is important to understand how the automobile insurance market system is structured. Essentially, the auto insurance market system is composed of the following four elements:

- The methods by which insurance companies sell policies;
- The criteria which companies use to make underwriting decisions: whether to accept or reject applicants for coverage, and once coverage has been issued, whether to renew or cancel policies;
- The rates charged to consumers for auto insurance; and
- The provisions made by a state's insurance industry for high-risk applicants who cannot find companies willing to offer coverage, known as the residual market mechanism.

The market system's impact on the profits and losses of insurance companies is both substantial and obvious; its impact on vehicle theft and insurance fraud, while less obvious, is very real. Of the four components described above, three are related to vehicle theft and insurance fraud: underwriting decisions, the rate structure, and residual market mechanisms.

Underwriting Decisions

In most states, insurers can cancel or fail to renew policies under certain circumstances. Repeated claims for damage or theft warrant cancellation of a particular policy can also make it difficult or impossible for the policyholder to obtain coverage elsewhere. This threat may persuade some owners to

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[1] Information for this section was based on Peter Merrill Associates, Final Report: Strategic Study in Support of Competitive Insurance Rating in Massachusetts (Boston: Peter Merrill Associates, January 1980). Their research was conducted for the American Insurance Association and the Alliance of American Insurers.

take extra security precautions, and may deter others from filing fraudulent claims. In some states, however, insurance companies do not have the option of refusing to insure an applicant. A study of the market system in Massachusetts, where state law requires insurance companies to accept all applicants, is instructive:

> Total elimination of underwriting control...removes from the auto insurance market system basic incentives against misuse or abuse of auto insurance by the small percentage of policyholders who take undue advantage of their auto insurance. In Massachusetts, an individual is guaranteed insurance no matter how inflated or false his claims might be...the decision to underwrite by legislative fiat is one that carries with it hidden costs and consequences.[1]

Rate Structures

Underwriting decisions are integrally tied to premium prices. Where a uniform rating system exists, premiums charged for automobile insurance where a uniform rating system exists are essentially the same for all policyholders, regardless of prior theft claim history or previous driving record.[2] Everyone pays the overall higher costs of insuring poor drivers and those who file fraudulent theft claims. There is little reward for good drivers and honest policyholders to take theft prevention measures. Worse still, poor drivers and those who defraud their insurers suffer little consequence for abusing the system. And there is little incentive for insurance companies to investigate claims.

Residual Market Mechanisms

The residual market mechanism is the way each state insures high-risk applicants who are unable to find insurance companies willing to cover them. A system for insuring the residual market which distributes losses among all companies also removes incentives to take preventive measures:

> Since the shared impact on an individual company is small, there is no incentive for companies to spend additional dollars on claims adjustments beyond the impact of the claim...Sharing reduced the incentive for individual companies to design special and innovative approaches to respond to types of losses requiring specialized treatment.

[1] Peter Merrill Associates, Study in Support of Competitive Insurance Rating in Massachusetts, p. 44.

[2] Depending on geographic location--city vs. rural areas--slight variations in premium prices may exist under uniform rating structures.

Auto theft prevention is enhanced when the residual market mechanism does not provide for pooled loss sharing. An example is the joint underwriting association, in which only a limited number of companies--usually the ten largest writers of auto insurance in the state--actually process policies for the residual market. In exchange, they retain a portion of the premiums as a service fee. However, the impact of both the profits and the losses due to theft or insurance fraud is proportionate to these companies' market shares. Thus, the companies may gain significant returns on measures taken to prevent vehicle insurance fraud or theft.

In sum, although the effect of the insurance market system on theft and fraud is indirect, it should not be ignored. Insurance companies understandably tend to focus on the market system's impact on their finances and may not realize that a system which supports theft prevention can enhance profits at the same time. Thus, it is clearly in the insurers' best interests to support such a system. However, the degree to which the insurers can directly influence the market system is legislatively determined and varies from state to state. Where the state insurance regulator (usually known as the Commissioner of Insurance) wields substantial control over the market system, as in Massachusetts, New York, Rhode Island, and Texas, insurers must lobby for desired changes. Elsewhere, insurers can initiate many changes themselves.

4.4 Summary

There are a number of actions that insurance companies can take to tackle the related problems of vehicle theft and insurance fraud. Several are relatively easy and inexpensive to implement, and may yield large benefits from the reduction of losses to fraudulent claims, "paper cars," and the salvage switch.

Preventing Vehicle Theft Insurance Fraud

Insurance companies can take the following actions to combat vehicle theft fraud:

- Conduct physical inspections of selected vehicles to avoid insuring "paper cars";
- Develop fraud profiles and train claims adjusters to recognize indicators of potentially fraudulent claims;
- Establish special investigative units, where interest and resources permit;

- Require owners who file theft claims to report the theft to police and/or sign a statement verifying the authenticity of the theft;

- Support legislation which makes filing a fraudulent vehicle theft claim a criminal offense; and

- Support legislation which grants insurers immunity from civil liability for release of claims information related to auto theft or insurance fraud to facilitate interagency cooperation in vehicle theft prevention, particularly with law enforcement.

Improving Insurance Practices in Total Loss Settlements

To prevent thieves from performing the "salvage switch," insurance companies can help to establish a traceable chain of ownership for salvage vehicles. Steps to improve total loss settlements include:

- Specifying the condition of the total loss vehicles on appropriate records;

- Reporting the acquisition and sale of total loss vehicles to the local department of motor vehicles;

- Supporting salvage title legislation;

- Complying with reporting requirements in states that have salvage title laws; and

- Dealing only with reputable salvage processors.

Other theft- and fraud-prevention measures will require shifts in policy or legislation regulating the insurance market system. Because the relationship between the prevailing market system in a given state and its auto theft rate has been statistically documented, insurers in heavily regulated states should lobby for changes that would provide incentives to adopt other preventive measures.

CONTINUED

1 OF 2

Creating an Auto Insurance Market System Which Supports Vehicle Theft Prevention

In shaping an auto insurance market system which creates economic incentives to encourage responsible policyholder behavior, insurance companies should support legislation which:

- Establishes a voluntary market, permitting companies to deny coverage to applicants considered high risks;
- Establishes a competitive rating system, allowing premium rates to reflect driver risk; and
- Does not distribute residual market losses among all companies, which reduces the impact of claims on each company and makes thorough claims investigations seem unnecessarily costly.

Chapter 5

CRIMINAL JUSTICE SYSTEM RESPONSE

5.0 Introduction

Despite increases in vehicle theft and growing involvement by professional thieves, most local law enforcement and prosecution agencies do not--and perhaps cannot--designate auto theft as a high priority crime. When department budgets are strained, most agencies must make hard choices about their priorities. Many decide that violent or personal crimes demand the larger share of their resources. Another difficulty is that vehicle theft cases demand resources that local agencies may not possess: special expertise in vehicle identification, technical knowledge of requirements for auto theft, access to information from other jurisdictions and states, and laws which support special prevention and enforcement activities.

Although single cases of vehicle theft may be less pressing than other crimes, especially when the victim is compensated by his insurance company, the aggregate cost in terms of direct losses to individuals, increased insurance premiums, and losses to insurance companies, is high. Moreover, with over one million vehicles stolen each year, the cost to law enforcement agencies of even the initial processing of these cases is substantial.[1]

How can criminal justice agencies cope with the problem of auto theft? In part, the answer lies in prevention, through public education activities. Just as important is an emphasis on accurate information: the local agencies who form the "first line of defense" are in the best position to recognize incidents of auto theft and collect accurate information that will be crucial in future investigations. Specialized investigation at the local

[1] In Boston, for example, where 21,000 vehicles were stolen in 1980, four staff members are employed at Police Department headquarters simply to record and process vehicle theft reports, while two more spend 80 percent of their time entering stolen vehicle reports into state and national data systems. Interview with Detective Thomas McCabe, Boston Police Department, by Abt Associates, Inc. July 1981.

and state levels can concentrate resources where they do the most good, by ensuring that serious cases are thoroughly investigated and prosecuted by experts in the issues of auto theft. Finally, law reform can support the efforts of special investigations and prosecutions by eliminating legal barriers, and interjurisdictional cooperation on state, regional, or national levels can ensure that the complex information needed to discover and prosecute auto theft is available.

5.1 Local Law Enforcement

Local law enforcement agencies must shoulder the largest burden in dealing with auto theft. Not only do they receive and process the growing volume of stolen vehicle reports and conduct initial investigations, but they are also responsible for the accuracy of crucial crime reords. In addition, they are in the best position to reduce opportunities for auto theft by alerting citizens and state-level agencies to patterns in auto theft and educating the public on theft prevention techniques. In short, local law enforcement virtually controls the local response to preliminary investigations and recoveries, crime prevention, and coordination.

Most local agencies have neither the expertise nor the manpower to take sole responsibility for auto theft prevention and control. Yet through specific, high impact activities--public education, initial investigation, and reporting--they can help to reduce the local thefts and ensure that specialized state, regional, and national organizations can deal effectively with complex theft cases.

5.1.1 Crime Prevention and Public Education Efforts

Without preventive efforts by the public, law enforcement cannot effectively reduce vehicle theft. Recognizing this, many law enforcement agencies conduct crime prevention campaigns as part of their program to combat vehicle theft. At the National Workshop on Auto Theft Prevention, the Commissioner of California's Highway Patrol stated:

> Before I came to this meeting, I asked my vehicle theft staff what one thing they would ask for if they could have anything they wanted in unlimited quantity, to improve our vehicle theft program in California. As usual, there were actually several answers, but the one thing that stood out was stimulation of greater public interest in reducing vehicle theft, in taking appropriate action against vehicle thieves.[1]

And, because public support is vital for changes in legislation and allocation of resources to combat vehicle theft, efforts to dispel myths about the character and scope of vehicle theft are just as important as instruction in security techniques.

One approach officers use in explaining the vehicle theft problem is to present statistical information on the magnitude of vehicle theft. For example:[2]

- Over one million vehicles are stolen annually, with steady increases in the rate of theft and decreases in the rate of recovery over the last decade.
- Vehicle theft occurs once every 32 seconds.
- The average value of a stolen car in 1980 was $2,879, an increase of 31 percent since 1977, while the value of the vehicle upon recovery has dropped to an all-time low.

Not only is the magnitude of the national vehicle theft problem unknown to most people, but so is the nature of the local problem. The public should be alerted to high theft areas in their community, typical operating patterns, and ongoing efforts to combat the local problem. Law enforcement agencies can generate public support for increased investigative efforts if the public knows the facts about local and state vehicle theft rates, recovery rates, and apprehension and conviction rates. Similarly, citizens must understand the need for specific reforms such as vehicle component identification and state laws concerning salvage titles, secure ownership documents, VIN inspection and replacement programs, and special vehicle theft investigative units.

In conducting crime prevention and public education, local law enforcement officers typically include tips for preventing vehicle theft. Figure 5.1 summarizes vehicle theft prevention measures which all car owners should know. How to avoid buying a stolen vehicle is another important topic. Consumers can take a few simple steps--such as verifying that the VIN plate is

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[1] Glendon B. Craig, Commissioner of California Highway Patrol, Keynote Dinner, National Compendium of Proceedings: Workshop on Auto Theft Prevention (New York: State Senate Committee on Transportation, 1979), p.17.

[2] U.S. Department of Justice, Criminal Division. Relevant National Statistical Data Relating to the Motor Vehicle Theft Problem as Extracted From the Uniform Crime Reports for 1960-1980, October 1981.

Figure 5.1
Vehicle Theft Prevention Tips for Individual Owners

KEYS

- Always lock the car and take the keys.
- Do not leave original manufacturer keys in the car, even at attended parking lots. Original manufacturers keys left in car display identification numbers. Thieves may obtain duplicate keys from dealers by posing as the owner and presenting the key number.
- Keep car keys and house keys separately and do not include any identification tags with the keys.
- When leaving your car in attended lots, leave only the ignition key and do not specify the amount of time you plan to spend away. Attendants may have house keys duplicated and sell them along with the name and address for a profit.

PARKING

- Lock all doors and roll up windows.
- Remove valuables--packages, tape deck, CB--from sight and secure them in the trunk.
- Park them in well-lighted areas with pedestrian traffic.
- Putting the emergency brake on and turning wheels toward curb make it harder for professional thieves to tow your car.

OWNERSHIP DOCUMENTS

- Do not store the registration or license in the car. If stopped, thieves are not likely to be detected if they can produce legitimate documentation. They may also attempt to use these papers to obtain title to the vehicle in order to sell it.
- Record the following information items and store them in a safe place: year, make, model, color, VIN, and plate number.

  The police will need this information in the event that your vehicle is stolen. In addition, if any valuable equipment is kept in the car, serial numbers should be recorded.
- Personal Identifiers. Establishing the identity of recovered vehicles can be difficult. Thieves often remove or deface manufacturers' identification numbers. To facilitate the identification process, individual owners should:
  - -- Note any unique marks on the car such as dents, rust spots, etc. According to the Investigative Services Coordinator of the California Highway Patrol, VIN officers are often able to confirm the identity of vehicles by contacting owners and requesting information on such unique marks.
  - -- Etch the VIN or a secret I.D. number in several locations on the car.
  - -- Hide business cards under floor mats and drop them down the window into the door.
- Security Devices. Several security devices, varying in type and sophistication, are available to owners to protect vehicles. In presenting information on security devices, always note that vehicles so equipped are still susceptible to theft. Security devices do, however, serve as deterrents by increasing the amount of time it takes a thief to break in. Some examples of security devices which are easily installed are: smooth door latches which cannot be unlocked with coat hangers; interior hood release; vehicle alarm systems. Many insurance companies offer reductions in premium rates to owners who install security devices.

is intact, checking it against the VIN on the ownership documents, and inquiring about the vehicle's history--to uncover these indicators of suspicious vehicles. Finally, officers can encourage neighborhood crime prevention groups to extend their activities to support vehicle theft prevention efforts as well. For example, citizen block patrols can look out for abandoned or suspicious vehicles, and neighborhood meetings can be occasions for educating audiences about vehicle theft and theft preventive measures.

In fact, any organization concerned about preventing and controlling a rapidly growing crime can lead a public education campaign. As noted by the Commissioner of the California Highway Patrol:

> [Stimulating greater public interest] is not exclusively a law enforcement issue. Exciting public interest is also the business of insurance companies, vehicle manufacturers, elected officials, government departments, judges and prosecutors.[1]

Even organizations not directly involved in preventing vehicle theft, such as insurance trade associations or training councils, can sponsor public education. (Examples of organizations which have conducted public education activities are listed in Figure 5.2.)

Both public support for anti-theft reforms and programs and individual actions to protect their own vehicles are indispensable to reducing vehicle theft. Without them, the other measures recommended in this document cannot succeed.

5.1.2 Routine Vehicle Reports and Recoveries

Most often, citizens turn to their local police to report an auto theft. After checking to see whether the vehicle has been impounded or repossessed, most departments conduct a preliminary investigation to verify the identity and ownership of the vehicle and the circumstances surrounding the theft.

The information collected by police at these stages of the case can be crucial to investigations at both the state and local level--so crucial, in fact, that some states have enacted legislation to improve the reporting of thefts to police and ensure uniformity in police reports to information

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[1] Glendon B. Craig, Commissioner of California Highway Patrol, Keynote Dinner, National Compendium of Proceedings: Workshop on Auto Theft Prevention (New York: State Senate Committee on Transportation, 1979), p.17.

Figure 5.2

Examples of Agencies Which Have Conducted Public Education Activities in Vehicle Theft Prevention

CRIMINAL JUSTICE AGENCY	Massachusetts Committee on Criminal Justice
	Office of Crime Prevention, Kentucky Department of Justice
	Washington State Office of the Attorney General
INSURANCE	Aetna Life and Casualty
	Commercial Union Assurance Companies
	Kemper Insurance Company
	Massachusetts Automobile Rating Bureau
	National Automobile Theft Bureau
	Reliance Insurance Company
	The Travelers Insurance Companies
LAW ENFORCEMENT	California Highway Patrol, Vehicle Theft Units
	Police Department of New York, Crime Prevention Bureau
	Washington Association of Sheriffs and Police Chiefs
OTHER	The Advertising Council
	WNAC, Television Station in Boston, Massachusetts

[a]This figure is not a comprehensive listing, but merely illustrates the types of agencies involved in public education campaigns.

systems. Such legislatively mandated systems also have the added benefit of discouraging fraud. For example, under a recently enacted Massachusetts law,[1] owners must file a signed written theft report with the police, and insurance companies are prohibited from paying the claim unless this requirement is met. The law also requires that these reports use a standard form prescribed by the Registrar of Motor Vehicles for use by all local departments in the state.[2] (See Figure 5.3.) Filing a false theft report has also been made a criminal offense in Massachusetts,[3] with a second offense carrying a mandatory minimum jail term of one year. Police agencies can also impose their own requirements to ensure the integrity of reports once they are filed. In Boston, for example, police discovered that auto thieves themselves were calling in false cancellations of theft reports. Consequently, the Boston Police Department now requires owners to appear in person to cancel theft reports.[4] (See Figure 4.2, Sample Theft Form for Owner Reporting in the previous chapter.)

National data systems, such as NCIC, also depend on the accuracy of local information, since the department receiving the theft report is responsible for entering information into those systems. A single incorrect digit in the VIN can hinder or even prevent enforcement officers from matching a suspicious or recovered vehicle to the one reported stolen. Some agencies recommend that the VIN be verified by checking at least two documents, such as the registration card, title, or insurance card.[5] Accurate registration numbers are also essential for auto recovery.

5.1.3 Special Investigative Units in Law Enforcement Agencies

The demands of vehicle theft investigations often exceed the resources law enforcement agencies have available, particularly in smaller departments

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[1] M.G.L. Ch.175 Section 1130 as amended by Acts of 1980, Chapter 463, Section 2.

[2] M.G.L. Ch.266 Section 111B.

[3] M.G.L. Ch.268 Section 37.

[4] Interview with Detective Thomas McCabe, Boston Police Department, by Abt Associates Inc., July 1981.

[5] Metropolitan District Commission Investigation Manual excerpted in C.A.R.S. seminar training materials, Massachusetts Criminal Justice Training Council (March 1981). See also, discussion of the Vehicle Identification Number and Analysis System in section 3.4.1, Motor Vehicle Information Systems.

Figure 5.3

Sample Vehicle Theft Reporting Form

MVTR-C175 — 10/80

LEAPS NUMBER _____ _____ **POLICE DEPARTMENT** N.C.I.C. NUMBER _____

Stolen/Recovered Motor Vehicle Report

I hereby report to the above named Police Department that the following described Motor Vehicle was stolen in the City/Town of _____

OWNED BY (Last Name First) — IF FIRM, NAME OF BUSINESS	ADDRESS — STREET	CITY	STATE	PHONE NO.

REPORTED BY (Last Name First)	ADDRESS	CITY	STATE	PHONE NO.

STOLEN FROM	STREET	CITY	STOLEN SOME TIME SINCE DATE Mo. / Day / Yr. TIME Hour / Min. AM ☐ PM ☐

Year of Vehicle	Make of Vehicle	Model	Body Style	COLOR Top / Bottom

Registration Plate Number	State	Vehicle Registered: YES ☐ NO ☐	Vehicle Identification Number

Were Keys in Vehicle? YES ☐ NO ☐	Were Doors Locked? YES ☐ NO ☐	Est. Value of Vehicle $	IF STOLEN PLATE ONLY CHECK BOX ☐	INSURANCE COMPANY

WILL OWNER OR PERSON IN CUSTODY OF VEHICLE BE AVAILABLE FOR COURT? YES ☐ NO ☐

WARNING:
WHOEVER KNOWINGLY MAKES A FALSE WRITTEN STATEMENT ON THIS FORM SHALL BE PUNISHED BY IMPRISONMENT FOR UP TO 2 YEARS OR A FINE OF UP TO $2,500.00 G.L. c. 268, s37. PERSONS CONVICTED MORE THAN ONCE OF KNOWINGLY MAKING FALSE REPORTS SHALL BE PUNISHED BY A MANDATORY MINIMUM ONE YEAR JAIL TERM.

(DO NOT WRITE BELOW THESE LINES)

(To be signed by Owner or Person in custody of vehicle) _____

OFFICER TAKING REPORT	DATE	TIME Hour / Min.	AM ☐ PM ☐

LEAPS ENTERED YES ☐ NO ☐	TIME Hour / Min.	AM ☐ PM ☐	DATE Mo. / Day / Yr.	LEAPS OPERATOR

INFORMATION: ADDITIONAL (SEE REVERSE SIDE)

RECOVERED VEHICLE REPORT (VEHICLE DESCRIPTION ABOVE)

PLACE OF RECOVERY	STREET	DATE Mo. / Day / Yr.	TIME Hour / Min. AM ☐ PM ☐	OFFICER MAKING RECOVERY

VEHICLE TOWED YES ☐ NO ☐	VEHICLE TOWED TO	TOW AUTHORIZED BY

ARREST MADE YES ☐ NO ☐	OWNER NOTIFIED YES ☐ NO ☐	TIME Hour / Min. AM ☐ PM ☐	DATE Mo. / Day / Yr.	NOTIFYING OFFICER

LEAPS CANCELLED YES ☐ NO ☐	DATE Mo. / Day / Yr.	TIME Hour / Min. AM ☐ PM ☐	LEAPS OPERATOR

NAME AND ADDRESS OF PERSON CLAIMING VEHICLE LICENSE NO. SIGNATURE

CONDITION ON RECOVERY

PARTS	MISSING	DAMAGED	SECTIONS	MISSING	DAMAGED	LOCKS	DAMAGED	BURNED	
TIRES	☐	☐	FRONT	☐	☐	IGNITION	☐	MOTOR COMP	☐
ENGINE	☐	☐	R. SIDE	☐	☐	DOOR	☐	PASS COMP	☐
TRANS.	☐	☐	L. SIDE	☐	☐	TRUNK	☐	TRUNK COMP	☐
INS. PANEL	☐	☐	REAR	☐	☐	GAS CAP	☐	TOTAL	☐
SEATS	☐	☐	HOOD	☐	☐		☐	Fire Dept. Response	☐
RADIO	☐	☐		☐	☐		☐		☐
OTHER							DRIVEABLE:	Yes ☐ No ☐	

WHITE — POLICE DEPARTMENT FILE YELLOW — REGISTRY OF MOTOR VEHICLES PINK — OWNER'S COPY

with limited resources. However, in some larger jurisdictions--particularly those where vehicle theft is a crime of major proportions--agencies may have sufficient staff, resources, and the need to establish special investigative units devoted exclusively to vehicle theft. These units conduct in-depth investigations of multijurisdictional or interstate vehicle theft rings, trace the involvement of organized crime in vehicle theft, and inspect salvage yards.

Los Angeles and New York City have established local special investigative units. The eleven-man Burglary Auto Division, Commercial Auto Theft Sections (BAD CATS) of the Los Angeles Police Department investigates only cases involving professional thieves, luxury cars, commercial vehicles, and motorcycles. Routine cases are handled by other detectives in the department. Members of the unit specialize in the various types of vehicles: foreign, domestic, big rigs, motorcycles, and salvage. For example, if investigators suspect a ring of activity involving thefts of Porsches, they might ask officers to refer to the unit all thefts involving Porsches, regardless of whether the preliminary investigation suggested professional involvement. Since thieves often specialize by vehicle type as well, investigators become familiar not only with identifying those vehicles, but also with particular theft patterns.

The 55-man New York City Auto Crime Unit is divided into seven modules, one of which is devoted exclusively to the investigation of vehicle fraud. The other six investigate all other types of vehicle theft cases, but give priority to cases that appear to be organized, professional theft operations. The New York Unit also inspects local salvage yards and conducts an extensive training program for patrol officers.

As with most vehicle theft units, the New York City Unit cannot investigate every case. It depends on other officers in the department to be alert to signs of commercial theft and fraud and refer such cases to them. About one-fourth of the unit's cases come directly from such referrals. Proper training of patrol officers is essential for such a screening and referral system to work. The New York City Unit conducts a four-day training session for approximately 1,000 men annually, including state law enforcement and FBI personnel as well as New York City Police Officers.

5.2 State Law Enforcement

Since vehicle theft operations often transcend jurisdictional boundaries, and since local agencies do not have the legal authority to pursue such cases and often lack the funds and expertise as well, local agencies often turn to state enforcement for assistance. State police commonly investigate cases

stemming directly from stolen vehicle reports, recoveries of vehicles, and undercover operations, whether originating at the state or local level. Like local law enforcement agencies, state agencies may decentralize the investigative function among all officers or investigators; however, in some states, where vehicle theft is a major crime, special investigative units have been established at the state level. Paralleling the local units, these state units also perform specialized preventive functions, such as inspecting salvage yards and replacing VINs. For example, special investigative units have been established at the state level in Massachusetts, Illinois and California. In Massachusetts, a six-man state police unit concentrates on investigating commercial vehicle theft rings. In addition, in each county one state investigator was designated as a liaison officer to facilitate communications between local authorities and the state auto theft unit. The unit also does limited vehicle identification work for local jurisdictions, but encourages them to contact the NATB for assistance in identification.

In Illinois, the state police Vehicle Identification Bureau has a staff of 22 deployed in the state's 19 districts to provide assistance in vehicle identification, check salvage yards and dispose of abandoned vehicles. Most cases investigated by the unit are referred by state troopers after initial investigations of suspicious vehicles, routine highway stops, or recoveries on the road. VIN replacement is one of the major duties of the Illinois Vehicle Identification Bureau because the state police department is the only agency authorized by law to replace the original manufacturer's VIN. Whenever a vehicle with a known identity needs a replacement VIN, the Vehicle Identification Bureau mounts a new VIN plate with the manufacturer's original number and a control number.[1]

In addition to the investigative function, state law enforcement agencies serve a crucial role in coordinating vehicle theft efforts across the state, maintaining special vehicle information systems, and providing training and technical assistance to local agencies. For example, in 1971, the California Highway Patrol was designated as the vehicle theft coordinating agency for the state, and a three-year vehicle theft control program was instituted. Among the main theft control features developed under the program were: provision of investigative assistance to local jurisdictions; training; inspection of salvage dealers, used car dealers, parts dealers and others who may traffic in stolen vehicles or parts; VIN replacement; and the development of a Vehicle Theft Information System. At present, 65 California Highway Patrol personnel, most of whom are undercover investigators, are assigned to vehicle theft around the state.

[1] If a vehicle's identity cannot be established, even after investigation, then a new identifying number must be assigned. In Illinois, that function is the responsibility of the Department of State Police within the Secretary of State's Office (similar to Department of Motor Vehicle or Registry police in some other states).

State law enforcement agencies often provide vehicle theft training through the state police academy and special training programs. Members of state vehicle theft investigative units frequently provide instruction either at state academies or at special classes and seminars around the state. For example, in Illinois, members of the state police Vehicle Identification Bureau teach preliminary and advanced courses in vehicle theft investigation at the state police academy to patrol officers from local departments.[1] On request, Bureau officers also go to local agencies to conduct eight-hour training sessions for patrol officers and investigators.

Finally, state law enforcement agencies often maintain computerized vehicle theft information systems. These systems are linked through the National Law Enforcement Telecommunications Network (NLETS) supported by member agencies in each of the 50 states and federal agencies that participate as associate members. NLETS enables states and individual jurisdictions to exchange information on vehicle registration, driver's licenses, and theft reports.

Some states have also developed special vehicle theft information systems to plan and coordinate vehicle theft efforts. The California Highway Patrol developed such a system as part of its comprehensive vehicle theft control program. In operation since 1975, the Vehicle Theft Information System (VTIS) provides:

- information to aid management planning, control, and allocation of resources;
- information on crime trends and specific operational data to aid investigators; and
- capability for research and evaluation.

The VTIS system contains information on thefts and recoveries of all types of vehicles: automobiles, motorcycles, trucks, recreational vehicles, trailers, and others such as construction and farm equipment. Although it depends for input upon information furnished to the state Stolen Vehicle System by local agencies, VTIS has retrieval and analytical capabilities that the Stolen Vehicle System lacks. VTIS can provide data on theft and recovery trends, movement of vehicles, and condition of recoveries. The system produces reports monthly, quarterly, semiannually, and annually, displaying data for the entire state, for each of the eight CHP divisions, and by county, city, or subjurisdiction. Information is provided to any law enforcement agency in the state upon request. In addition, VTIS can be queried to provide specific information, for example, descriptions of all vehicles of a particular make and model stolen recently and still not recovered. This system permits crime

[1] Jurisdictions not providing their own training programs may send recruits to the state academy for basic training.

analysis for vehicle theft cases aiding investigators in detecting patterns in thefts and recoveries which may provide investigative leads. It can also provide data to help target specific efforts and deploy manpower.

5.3 Prosecution

At present, prosecution of vehicle theft cases appears to have relatively low priority at the local, state, and even federal levels. In large measure, prosecutors face the same dilemma as law enforcement agencies: vehicle theft cases appear--and, in fact, often are--less serious than many other cases competing for the prosecutor's attention. This is compounded by the fact that auto theft prosecutions are often complex and expensive. For example, interjurisdictional vehicle theft cases often require costly efforts to obtain documents from out-of-state registries and to secure cooperation from out-of-town witnesses. The criminal penalties for vehicle theft[1] may seem too lenient to devote the investigative and prosecutorial resources required. Linking the persons associated with recovered vehicles to the original theft is complicated, since eyewitnesses are rare, and the defendant's intent in transporting or receiving the vehicles is often unclear.[2] Thus, in vehicle theft cases prosecutors must devote a great deal of time to obtaining the appropriate paperwork (falsified ownership documents or bills of sale for salvage vehicles), which often amounts to circumstantial evidence at best. Finally, technical aspects of vehicle identification, ownership documentation and theft investigation may be confusing to prosecutors unfamiliar with vehicle theft cases.

Despite these constraints, prosecution of auto theft cases may be one of the most important means of breaking auto theft rings and reducing the incentives for auto theft. The solution to this problem is hardly simple; however, some agencies have made significant strides by recognizing that resources prohibit

[1] States' criminal classifications of vehicle theft as a felony or a misdemeanor and statutory citations are contained in Appendix C.

[2] For example, in cases involving out-of-state stolen vehicles, it is difficult to prove that the defendant transported the vehicle himself or that he arranged to have it transported. In cases involving vehicle theft insurance fraud, prosecutors must show that the person who filed the claim deliberately disposed of the vehicle, intending to injure, defraud, or deceive the insurer. Prosecution of the middlemen who traffic in stolen vehicles and parts is even more complex, since the state must prove that the defendant knew that the vehicles he received were stolen. Finally, if the vehicles are stolen from another state, prosecutors must prove that the middleman gained possession of the vehicle close to the time of the theft, that the vehicle was physically modified, such as having an altered VIN, or that the defendant tried to sell the vehicle.

prosecution of every vehicle theft case, and instead concentrating available resources on well-documented cases of large theft rings. In addition, states' attorney offices can promote staff specialization and simplify complex requirements whenever possible. For example, specialization may help prosecutors to become familiar with vehicle theft issues, thus leading to higher rates of prosecution and conviction. In New York, police investigators seek out individual prosecutors who are interested in vehicle theft, whereas in Los Angeles, certain attorneys are assigned to handle fraud and major crimes which include auto theft cases. Additionally, in multijurisdictional cases, special units in states' attorneys general offices, such as economic crime units, can assist local prosecutors in obtaining out-of-state registry documents or locating and contacting out-of-state witnesses. Finally, passage of appropriate state or local legislation can facilitate the prosecutor's ability to trace vehicles and prove the elements of a vehicle theft case. For example, legislation such as H.R. 4325, the proposed Motor Vehicle Theft Law Enforcement Act requiring that identification numbers be placed on component parts, would be of great benefit to prosecution efforts.

In addition to the difficulties noted above, prosecutors often face problems in securing and maintaining witness cooperation. Currently owners must attend every hearing in order to testify that they own the vehicle in question and did <u>not</u> authorize its use at the time it was stolen. This practice works to thieves' advantage because alleged vehicle theft offenders often request several continuances to frustrate owners into dropping charges, and courts, subsequently, are forced into dismissing cases.

The courts can spare vehicle owners from unnecessary court appearances by recognizing certificates of title as evidence of ownership. This will also result in fewer case dismissals for lack of witness cooperation. Preserving the owner's testimony by taking a written or tape recorded statement eliminates the need for him to appear at every court proceeding. A sample certificate of title as evidence bill is contained in Appendix B.

5.4 Regional and National Coordination

The high mobility of vehicle thieves dictates regional and national coordination of enforcement efforts and legislative initiatives. While such coordination and cooperation often occur on a case-by-case or short-term basis, it is sometimes formalized in agreements, joint investigative teams, or policy-level task forces.

5.4.1 Coordination in Auto Theft Prevention

Nearly all states have participated at some time in the investigation of cases that involve more than one state. It is not unusual for major cases to involve a number of local jurisdictions or state law enforcement agencies, the National Automobile Theft Bureau, and the FBI, Customs, or other federal agencies. Where there is a problem with rings operating interstate (a common situation in metropolitan areas which are near state boundaries), the establishment of a permanent joint investigative effort may be warranted.

Illinois and Indiana have joined forces to pursue organized vehicle theft operations in the northern parts of those two states. The Bi-state Auto Theft Unit (BATU) consists of two investigators from the Illinois State Police Vehicle Identification Bureau, two from the Illinois Secretary of State's police division, two from the Illinois Division of Criminal Investigation, and two from the Indiana State Police. Formed in September 1980, the unit has concentrated on breaking up so-called chop shop operations. By working undercover to make contact with stolen parts dealers, the unit has successfully investigated more than 30 cases, recovered some $800,000 in vehicles and parts, and arrested nearly 50 individuals. Encouraged by the unit's success, Illinois is currently trying to set up a similar operation with the state of Missouri to tackle the vehicle theft problem in the greater St. Louis area.

The Western States Association of Auto Theft Investigators has been active in promoting interaction and cooperation on a regional level. Every other month they host a regional meeting for all auto theft investigators for the purpose of exchanging information on ongoing cases, new M.O.'s, and any new developments in the field. In alternate months, the Los Angeles BAD CATS unit conducts similar meetings at the city level.

The activities of private associations can also foster coordination and cooperation at the national level. Organizations such as the International Association of Auto Theft Investigators and the International Association of Chiefs of Police have sponsored efforts to exchange information on improved investigation techniques and recommendations for legislative change at the state and national levels. Perhaps even more important are the personal contacts made through such organizations, which form an informal yet vital network for the exchange of intelligence on vehicle theft.

Yet another kind of coordination is provided through the National Automobile Theft Bureau's North American Theft Information System (NATIS). NATIS presently contains records of stolen vehicles and salvage vehicles supplied by: 1) member insurance companies across the nation; 2) all insurers licensed to write automobile physical damage insurance in New York; 3) any

corporation, association, partnership, group or individual authorized to write motor vehicle insurance in Massachusetts;[1] and 4) all law enforcement agencies in Connecticut. Law enforcement personnel from anywhere in the country can gain access to NATIS by contacting the nearest operational office via NLETS or by telephone. NATB has divisional offices located in Woodbury, New York and Palos Hills, Illinois. Either one can be contacted 24 hours a day. There are also branch offices in Atlanta, Detroit, Houston and Los Angeles. Other vehicle record types such as impounded vehicles, fire losses, manufacturer assembly shipping records, and records on all inquiries received from law enforcement, greatly enhance the effectiveness of NATB's clearinghouse on vehicle information.

5.4.2 Coordinated Legislative Efforts

Many organized theft efforts take advantage of weaknesses in individual state laws and practices and difficulties of pursuing investigation and prosecution across state and national boundaries. For example, although it is against the law in several states to alter, deface, or remove a manufacturer's serial number, or to possess a vehicle with an altered, defaced, or missing number, only a few states permit enforcement officers automatically to seize vehicles or parts with missing or altered numbers.[2] Such legislation would enable investigators to pursue more complex cases, especially those involving several transactions and more than one state. Thus, individual states must close the gaps in their own provisions and work with other states to develop compatible legislation at the state level, and to lobby for needed federal legislation.

To learn from each other's experience, and to coordinate legislative, administrative, and law enforcement efforts, 13 midwestern states have formed the Midwest Task Force on Auto Theft Prevention. The Task Force began in 1979 after Illinois received inquiries from Indiana and other states about its efforts to strengthen administrative powers to regulate salvage yards and related businesses. Key officials in the six neighboring states were invited to attend a meeting at which Illinois officials described those efforts. There seemed to be a need for continued communication, and so the Task Force was formed. By the second meeting, more states had become involved and concerned parties in the private sector, such as representatives of the insurance industry, were invited to participate. At this meeting the five subcommittees were established. By the third meeting, the Task Force had grown to

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[1] M.G.L. Ch.175, S1130. See also 211 code of Massachusetts Regulation 75.00. (Available from State House Bookstore, State House, Boston, MA. 02133.)

[2] Thirty-two states have legislation pertaining to altering VINs. See Appendix D for individual state legislative citations.

111 members from 13 states. Task force goals are: to improve interstate coordination; to help to ensure the compatibility of legislation, policy and procedures relating to vehicle control in the member states, and to generate public support for vehicle theft prevention and control activities. Subcommittees work to formulate recommendations specific to the areas of intergovernmental cooperation, titling and registration, law enforcement, statistics, and special equipment theft.

The informal discussions of the subcommittees are the backbone of the Task Force's efforts. In these small groups ideas and information are freely exchanged among top-level administrators and department and agency personnel involved in specific day-to-day operations. Many of the Task Force's recommendations have been implemented by legislatures and agencies in the member states. Interstate efforts, such as the Bi-State Auto Theft Unit, have also been direct outgrowths of the Task Force. As the Task Force enters its fourth year, it continues to enjoy the support of the member states as it works to formulate recommendations and foster cooperation.

5.5 Summary

Law enforcement efforts to combat vehicle theft will be most effective when they are carried out as part of a comprehensive attack on the problem. First, and perhaps most important, people must learn to protect their own property. They should also be aware of the scope and complexity of the vehicle theft problem and the actions which can curtail it. Crime prevention and public support are key to any vehicle theft prevention effort.

Identification of vehicles and parts, regulation of the salvage industries, improvements in titling and registration, and improved insurance practices are all necessary to prevent and deter auto theft, and to pursue vehicle thieves effectively. Specific efforts which criminal justice agencies can take include:

- training of local and state patrol officers in initial investigation of theft reports;
- taking steps to ensure full and accurate reporting of thefts and recoveries to local, state, and national data systems;
- familiarizing prosecutors with vehicle theft and specific technical aspects of vehicle cases; and

- fostering cooperation at all levels in the exchange of intelligence, assistance in investigations, design of programs, and support for reforms in laws and regulations.

Interstate and national efforts, involving not only law enforcement but departments of motor vehicles and other public and private organizations as well, are needed to coordinate the development of compatible legislation, regulations, and enforcement efforts.

Appendix A

VESC

VEHICLE EQUIPMENT SAFETY COMMISSION

Regulation VESC-18

STANDARDIZED REPLACEMENT
VEHICLE IDENTIFICATION NUMBER SYSTEM

Approved August 1979

Suite 908
1030 – 15th Street, N.W.
Washington, D.C. 20005

Vehicle Equipment Safety Commission

Regulation VESC-18

**STANDARDIZED REPLACEMENT
VEHICLE IDENTIFICATION NUMBER SYSTEM**

Approved August, 1979

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STANDARDIZED
REPLACEMENT VIN SYSTEM

1. PURPOSE:

1.1 To assure that all vehicles subject to title and/or registration are readily identifiable through the verification of a manufacturer's Vehicle Identification Number (VIN) or state issued replacement or assigned identification number.

2. SCOPE:

2.1 The scope of this regulation is to establish a national uniform Replacement VIN Standard.

3. DEFINITIONS:

3.1 *VIN* – Vehicle Identification Number – The number assigned to a vehicle by the manufacturer. It may consist of numerals, letters, or combinations thereof and is used primarily for registration and identification purposes.

3.2 *Replacement VIN* – The vehicle's original VIN reproduced on a replacement identification number plate and attached to the vehicle.

3.3 *Assigned VIN* – A number pre-assigned, imprinted or embossed; on an assigned identification number VIN plate, then attached to a vehicle that has no identifiable VIN or whose VIN has been destroyed or removed. For purposes of national uniformity, the assigned number shall not exceed sixteen (16) characters in length and shall incorporate the two character alphabetic state code as defined in 3.13 of this regulation. The code shall precede and be an integral part of the assigned number.

3.4 *Public VIN:* A vehicle identification number located in a conspicuous location on a vehicle for easy access to law enforcement personnel and other interested parties.

3.5 *Secondary VIN:* A vehicle identification number, or VIN derivative, stamped in an area, the location of which is kept confidential for law enforcement's use.

3.6 *VIN PLATE:* Throughout this regulation, the term VIN plate means replacement identification number plate or assigned identification number plate unless otherwise stated.

3.7 *SVFS* – Stolen Vehicle File System – A state system used for maintaining records of vehicles reported stolen, and the agency responsible for the theft report.

3.8 *NATB* – National Automobile Theft Bureau – A non-profit, insurance industry supported service organization established for the purpose of assisting law enforcement in all aspects of suppressing vehicle thefts.

3.9 *Pan Number* – A term unique to Volkswagen, pan number is a repeat of the public VIN located on the floor pan under the rear seat of Volkswagen "Beetle" model vehicles.

3.10 *A Pillar (Front Door Pillar Post)* – A post located forward of the front door running between the door and windshield. Replacement and assigned VINs should normally be affixed to the left door pillar post.

3.11 *B Pillar (Front Door Latch Post)* – The post located at the trailing edge of the front door to which the door latches. This is an alternate location for attachment of the VIN plate.

3.12 *State Logo Die Stamp* – A hand-held hardened steel die stamp normally in the shape of the state seal or outline of the state's border.

3.13 *State Code* – The two-character alphabetic code as utilized by the U.S. Post Office for abbreviations of states' names.

3.14 *Component* – A major vehicle component originally stamped by the manufacturer with a unique identifiable number traceable to the vehicle through the vehicle manufacturer.

4. POLICY:

4.1 *A Replacement Vehicle Identification Numbering System* shall be administered by the state agency responsible for titling and registering vehicles, hereafter referred to as the "Registration Agency." The operational functions of the Replacement Vehicle Identification Numbering may be carried out by the Registration Agency and/or a statewide law enforcement agency referred to as "Enforcement Agency."

4.2 *Vehicles to Be Processed* — The Replacement VIN Program shall provide for the inspection of rebuilt salvage and specially constructed vehicles; all vehicles and identifiable components with missing or altered identification numbers; and those vehicles where discrepancies are noted between the VIN recorded on the title or other ownership documents and the public VIN on the vehicle.

4.3 *Interstate Transfers and/or Retitling* — The installation of a VESC replacement or assigned VIN plate on a vehicle by any state in accordance with 4.1 and 4.2 above shall be deemed to be in compliance and no other state shall require the removal or replacement of such plate in interstate transfer or subsequent retitling of said vehicle.

5. PROCEDURE:

5.1 *Application for VIN Assignment* — Persons, other than those primarily doing business as manufacturers of new vehicles, attempting to initiate proceedings for the initial assignment or reassignment of a vehicle identification number shall apply to the Registration Agency for the purpose of completing an application form.

5.2 *Completed VIN Application* — Upon completion of the application form, the Registration Agency shall initiate the registration process and refer the applicant to the appropriate agency for inspection and assignment of a Vehicle Identification Number.

5.3 *Enforcement Contact* — Vehicles coming to the attention of law enforcement agencies which need assignment or reassignment of an identification number shall be referred to the Registration Agency to initiate the assignment process.

6. IDENTIFICATION FUNCTION:

6.1 The official designated to perform VIN inspections shall attempt to identify the vehicle or component. In instances where the original identification number can be established, the inspecting official shall provide and attach a Replacement VIN Identification Number plate repeating the original identification number. Where no original identification number exists or it cannot be determined, an assigned VIN shall be provided on an assigned VIN plate. Every attempt shall be made to identify the vehicle or component by means of the public number. If the public VIN for vehicles cannot be determined, the secondary VIN shall be examined subject to the following conditions:

A. *Secondary VIN Search* — No such search or examination should be conducted in a location which is open to public view or in the presence of unauthorized persons.

B. *Secondary VIN Location* — Secondary VIN locations shall be obtained from the appropriate agency on a need to know basis.

(1) If the secondary vehicle identification number of a vehicle has been located and recorded but does not readily identify the vehicle, the applicant shall be advised further checking will be required and he/she will be contacted later to return with the vehicle to complete the process.

(2) The investigating official shall submit the secondary VIN to the appropriate agency which may cause an inquiry to be prepared and sent to National Automobile Theft Bureau (NATB) for factory information. On receipt of the requested information, the requesting official shall contact the applicant for completion of the identification procedure and VIN assignment.

C. *Security* — Complete security of secondary VIN locations is essential. This information shall not be written and maintained by other than the appropriate agency.

6.2 *Inability to Identify VIN* — If the inspecting official is unable to positively identify a vehicle and has reason to believe that the original identifying number has been intentionally removed or altered, or if the ownership documents submitted are questionable, he/she shall refer the matter to the appropriate Enforcement Agency.

6.3 *Inability to Identify Vehicle* — A vehicle with valid ownership documents but no identification numbers which can be restored shall be provided an assigned VIN.

6.4 *Component Identification* — Identifiable components shall be provided an assigned VIN *only when a manufacturer's number has been previously removed, altered, or defaced, and the request results from a court directive, an enforcement document, or when the component has been impounded by proper authority.*

7. VIN PLATES:

7.1 Upon completion of the inspection process, the investigating official shall provide either a replacement or assigned VIN plate. VIN plates shall meet the following design characteristics:

A. The VIN plate shall be made of anodized aluminum foil. The plates shall have an adhesive backing with tamper proof features (self-destruct capability) and designed to be affixed with two tamper proof rivets with stainless steel pins. (Except rivets shall not be used on motorcycle engine cases and oil filled motorcycle frames.) Each VIN plate shall carry a control number for accountability purposes.

7.2 *Security and Accountability of VIN Plates* — Replacement VIN plates shall be requisitioned from the office of the agency responsible for the operational function of the Replacement VIN Program. Plates shall be stored in a locked container and access restricted to authorized employees.

7.3 *Detached or Mutilated Replacement or Assigned VIN Plates* — When a vehicle has been issued either an assigned or replacement VIN number, a substitute plate bearing the same numbers as previously assigned shall be issued when:

A. The applicant makes available the vehicle upon which the mutilated plate is affixed. In this instance, the replacement plate shall be removed by the inspecting official.

B. If already detached, the plate shall be surrendered to the inspecting official.

C. A Statement of Facts describing the change shall be prepared and forwarded to the appropriate agency. The removed plates shall be forwarded to the appropriate agency for accountability purposes.

(1) Any replacement or assigned VIN plate which is damaged prior to or during the application, or a replacement VIN plate on which a numbering error occurs, shall be forwarded to the appropriate agency maintaining assignment records within one working day following occurrence of the damage or error.

(2) Each replacement or assigned VIN plate being returned shall be rendered unuseable prior to mailing. This is to be accomplished by cutting the plate in half diagonally, but *care must be exercised to prevent cutting through or otherwise destroying the legibility of the control number.*

7.4 *Lost Assigned VIN Plates* — When a vehicle has been issued an assigned VIN plate and the plate is lost, a substitute plate bearing that number *shall not* be issued. It will be necessary to identify the vehicle by issuing a newly assigned VIN number.

A. When a new number is assigned, it will be necessary to treat the transaction as a new application due to the change in identity.

7.5 *Removal of Damaged Manufacturer's VIN Plates* — VIN plates which are damaged or mutilated shall be removed by the owner or his/her designated agent in the presence of the investigating official prior to the affixing of a replacement VIN plate.

8. VIN PLATE ATTACHMENT GUIDELINES:

8.1 Except as otherwise noted, a replacement or assigned VIN plate shall be affixed to the left front door pillar post of the vehicle.

A. *Alternate Attachment Location* — On those vehicles where the left front door pillar post design will not permit attaching of the VIN plate, the plate shall be attached to the left front door latch post.

9. ASSIGNMENT GUIDELINES: EXCEPTIONS

9.1 *PRE-1969 VOLKSWAGENS* — For purposes of these guidelines, the pan number shall be considered the VIN. If a Volkswagen is inspected and has a valid pan number and the number in the forward luggage compartment is missing, mutilated, altered, or does not match the pan number, the pan number will be repeated on a replacement VIN plate and attached next to the original VIN plate location in the forward luggage compartment.

A. If a Volkswagen does not have a satisfactory pan number or the identifying numbers are missing and cannot be identified, the vehicle shall be referred to the appropriate agency for investigation.

9.2 *MOTORCYCLES*

A. In the event an applicant is in possession of a motorcycle from which the engine or frame number has been removed, altered, or destroyed, the inspecting official shall immediately contact the appropriate agency for investigation. Should the official performing the inspection be unable to contact an investigator, with concurrence of a supervisor, the motorcycle may be impounded for further investigation as may be permitted by statute. In this event, the discrepancy shall be resolved to the satisfaction of the appropriate agency before any VIN plate is issued or attached. After the discrepancy has been resolved:

(1) The inspecting official shall affix the plate to the clean surface area on the frame near the headstock (left side is the primary location). If this area is impaired by wiring harnesses or other obstructions, the right side is the alternate location. The plate shall not be applied to the headstock proper; drilling in this location may damage the vehicle's steering system.

(2) The engine number on *all* motorcycles shall be recorded on the application form.

B. When an assembled motorcycle has a legitimate engine number but an unnumbered frame, the inspecting official shall record the valid engine number and attach an assigned VIN to the unnumbered frame.

C. If an assembled motorcycle presented for inspection has a legitimate frame number but an unnumbered engine, the inspecting official shall record the valid frame number and attach an assigned VIN plate to the unnumbered engine.

D. When an assembled motorcycle presented for inspection has neither a frame number nor engine number, the inspecting official shall attach separate assigned VIN numbers to each. Duplicate numbers *shall not* be issued to frame and engine. The inspecting official shall:

(1) Assign a separate assigned VIN plate to either the frame or engine in all cases.

(2) Clean all dirt and grease from a clearly visible area on the engine case, as close as is practicable to where an original engine number would be located:

(a) Affix the assigned VIN to the clear surface area.

(b) Using the State Logo, die stamp an impression of the logo into *both ends* of the assigned VIN plate. The die must be in a position which will permit an overlap from the VIN plate onto the metal surface of the engine case. This does not preclude the inspecting official from utilizing the logo stamp on additional areas of a vehicle for future points of identification if agreeable to the owner.

9.3 *TRAILERS:*

A. Trailers presented for VIN asignment shall have the appropriate VIN plate placed on the left side of the tongue portion of the frame if it is permanently attached to the vehicle. If the tongue is not permanently attached, the VIN plate shall be attached to the left frame rail at the front of the vehicle.

9.4 SPECIALLY CONSTRUCTED VEHICLES:

A. Newly constructed vehicles which are void of any specially assigned or readily identifiable numbers shall be provided an assigned VIN to be used as the public number.

B. Vehicles constructed from readily identifiable, traceable vehicle components shall be designated as specially constructed vehicles, e.g., Honda engine in a Harley Davidson frame. In these circumstances, simple verification of the numbers without any VIN plate attachment will satisfy the identification process required by the Registreation Agency.

C. The inspecting official shall record, on the application, all supplemental identifying numbers found on the vehicles, e.g., transmission number or any numbers on accessory equipment.

D. If assignment of a public VIN is necessary on specially constructed vehicles other than motorcycles and trailers, the inspecting official shall affix the plate to a clean, visible surface on the left front door pillar post. If this is not possible due to construction of the vehicle, alternate visible locations are:

(1) The left front door latch post.

(2) The frame on the left side of the vehicle in the engine compartment area.

(3) On the top of the frame tunnel adjacent to the shifting lever. (This location should be used for specially constructed sand or dune buggies whenever possible.)

(4) Left side of dash or steering column support.

Appendix B

Sample Legislation in Support of Vehicle Theft Prevention

- False Reporting to Police
- Insurance Fraud
- Motor Vehicle Theft and Motor Vehicle Insurance Fraud Reporting Immunity
- Return of Stolen Property Retained as Evidence
- Certificate of Title as Evidence
- Restitution to Victims of Property Crime

Source: Legislation contained in this appendix was drafted by the Joint Insurance Industry Task Force on Auto Theft and Fraud. Drafting notes and commentaries were furnished by the Massachusetts Governor's Legal Office.

Model

False Police Report Act

Section 1. False Theft and Other Reports

(a) It is a violation for a person to knowingly make or knowingly assist, abet, solicit, or conspire with another to make a false reort of a theft, destruction, damage or conversion of any property to a law enforcement agency or the department of motor vehicles.

(b) A person convicted of a violation of this section shall be guilty of a Class ___ misdemeanor. A person convicted of a violation of this Section a second or subsequnet time shall be guilty of a Class ___ felony.

Drafters Note: Section 1 is a revision of the provision found in many state motor vehicle codes and is based upon provisions in the Uniform Vehicle Code (UVC) or the Uniform Motor Vehicle Certificate of Title and Anti-Theft Act (MVAT). The revision consists of using the term "property" instead of "vehicle," using the term "knowingly" instead of "willfully," as found in the MVAT (the UVC uses "knowingly"). In addition, the phrase "law enforcement agency" is added to the language found in the existing versions of both the UVC and the MVAT. This is to provide for the possibility of non-sworn personnel taking the report. Pertinent state statutes should be consulted to determine what other appropriate recipients of such police reports may be.

False Police Reports:

A Commentary

This legislation makes it a misdemeanor on the first and a felony on the second conviction for any person to knowingly make or assist in making a false report of a theft, descruction, damage, or conversion of any property to a law enforcement agency or Department of Motor Vehicles.

BACKGROUND

False police reports are a bottleneck in the law and order process. Law enforcement agencies waste valuable time investigating false claims--time which could otherwise be spent handling legitimate ones. Meanwhile, police investigation time is charged off to the taxpayer.

The insurance industry may also pay a price for false police reports, in the form of lengthy, expensive claims investigations. Even worse, an insurance claim may be unjustly paid, at the expense of the other honest

policyholders. The strong correlation between false police reports and fraudulent insurance claims is widely recognized.

This legislation seeks stiffer penalties for persons who file or aid in filing a false police report. As a deterrent, the repeated offender would be subject to greater penalties than a first-time offender.

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NOTE: If such legislation is enacted, persons filing police reports should be made aware of the consequences of supplying false information. A warning could be printed on the report form and acknowledged by the claimant's signature. The adoption of such practices, however, would be left to local authorities.

Model Insurance Fraud Statute

(1) Any person who, with the intent to injure, defraud, or deceive any insurer:

(a) presents or causes to be presented to any insurer, any written or oral statement including computer-generated documents as part of, or in support of, a claim for payment for other benefit pursuant to an insurance policy, knowing that such statement contains false, incomplete, or misleading information concerning any fact or thing material to such claim; or

(b) assists, abets, solicits, or conspires with another to prepare or make any written or oral statement that is intended to be presented to any insurer in connection with, or in support of, any claim for payment or other benefit pursuant to an insurance policy, knowing that such statement contains any false, incomplete, or misleading information concerning any fact or thing material to such claim; is guilty of a felony and shall be subject to a term of imprisonment not to exceed (five (5)) years, or a fine not to exceed ($5,000), or both, on each count.

(2) All claims forms submitted to the claimant or insured shall contain a statement that clearly states in substance the following: "Any person who knowingly, and with intent to injure, defraud, or deceive any insurer, files a statement of claim containing any false, incomplete, or misleading information is guilty of a felony." The lack of such a statemetn shall not constitute a defense against prosecution under this section.

(3) For the purposes of this section, "statement" includes, but is not limited to, a police report, notice or proof of loss, assignment of title, bill of sale, release of lien, bill of lading, receipt for payment, invoice, account, estimate of property damages, bill for services, diagnosis, prescription, hospital or doctor records, X-rays, test result, or other evidence of loss, injury, expense, condition or other evidence of loss, injury, expense, condition or title.

Drafting Note: Each jurisdiction should review its criminal law and penalties to determine appropriate punishment. However, the offense should be severe and the punishment suggested here exemplifies that.

Model Insurance Fraud Statute:

A Commentary

This legislation defines "insurance fraud," including both oral and written statements, and makes insurance fraud a felony, subject to a term of imprisonment of not more than five years or a fine of $5,000, or both.

This legislation is based on the National Association of Insurance Commissioner's Model Insurance Fraud Act, and has been modified to best address auto theft fraud.

Model

Motor Vehicle Theft and Motor Vehicle Insurance Fraud Reporting-Immunity Act

To enact section _____ of the code, providing for certain authorized governmental agencies to request and receive from insurers information relating to motor vehicle theft or motor vehicle insurance fraud losses; providing for insurers to notify such authorized governmental agencies of motor vehicle thefts and motor vehicle insurance frauds; providing for immunity and providing for confidentiality of information exchanged or released under this Act so as not to jeopardize an investigation of a motor vehicle theft or motor vehicle insurance fraud.

Section 1. Definitions

(a) This Act shall be known as the Motor Vehicle Theft and Motor Vehicle Insurance Fraud Reporting--Immunity Act.

(b) "Authorized Governmental Agency" shall mean:

(1) The (Department of Law Enforcement) (Department of Justice) (State Police) (Highway Patrol) of this State, a police department of a city, village, or town (a county sheriff's department), any duly constituted criminal investigative department or agency of the United States;

(2) The prosecuting attorney of any city, village, town, (district) or county; of the Sate, or of the United States of any district thereof;

(3) The (department of insurance) or the (department of motor vehicles) of this State.

(c) "Relevant" means having a tendency to make the existence of any fact that is of consequence to the investigation or determination of the issue more probably or less probable than it would be without the information.

(d) Information wil be "deemed important" if within the sole discretion of the "authorized governmental agency" such information is requested by that "authorized governmental agency."

(e) As used in this Act, "insurer" shall mean the _____ (automobile residual market) as well as any insurer writing insurance for motor vehicles or otherwise liable for any loss due to motor vehicle theft or motor vehicle insurance fraud.

Section 2. Disclosure of Information

(a) Upon written request to an insurer by an authorized governmental agency, an insurer or agent authorized by an insurer to act on its behalf shall release to the requesting authorized governmental agency any or all relevant information deemed important to the authorized governmental agency which the insured may possess relating to any specific motor vehicle theft or motor vehicle insurance fraud. Relevant information may include, but is not limited to:

(1) Insurance policy information relevant to the motor vehicle theft or motor vehicle insurance fraud under investigation, including any application for such a policy.

(2) Policy premium payment records which are available.

(3) History of previous claims made by the insured.

(4) Information relating to the investigation of the motor vehicle theft or motor vehicle insurance fraud, including statements of any person, proofs of loss and notice of loss.

(b) (1) When an insurer knows or reasonably believes to know the identity of a person whom it has reason to believe committed a criminal or fraudulent act relating to a motor vehicle theft or motor vehicle insurance claim or has knowledge of such a criminal or fraudulent act which is reasonably believed not to have been reported to an authorized governmental agency, then for the purpose of notification and investigation, the insurer or an agent authorized by an insurer to act on its behalf shall notify an authorized governmental agency of such knowledge or reasonable belief and provide any additional information in accordance with Section 2(a).

(2) When an insurer provides any of the authorized governmental agencies with notice pursuant to this Section it shall be deemed sufficient notice to all authorized governmental agencies for the purpose of this Act.

(3) Nothing in Section 2(b) of this Act shall abrogate or impair the rights or powers created under 2(a) of this Act.

(c) The authorized governmental agency provided with information pursuant to Section 2(a) or 2(b) of this Act may release or provide such information to any other authorized governmental agencies.

(d) Any insurer providing information to an authorized governmental agency pursuant to Section 2(a) or 2(b) of this Act shall have the right to request and receive relevant information from such authorized governmental agency, and receive within a reasonable time, not to exceed 30 days, the information requested.

Section 3. Evidence/Confidentiality

(a) Any information furnished pursuant to this Act shall be privileged and not a part of any public record. Except as otherwise provided by law, any authorized governmental agency, insurer, or an agent authorized by an insurer to act on its behalf which receives any information furnished pursuant to this Act, shall not release such information to public inspection. Such evidence or information shall not be subject to subpoena duces tecum in a civil or criminal proceeding unless, after reasonable notice ot any insurer, agent authorized by an insurer to act on its behalf and authorized governmental agency which has in interest in such information and a hearing, the court determines that the public interest and any ongoing investigation by the authorized governmental agency, insurer, or an agent authorized by an insurer to act on its behalf will not be jeopardized by obeyance of such a subpoena or subpoena duces tecum.

Section 4.

No insurer, or agent authorized by an insurer on its behalf, authorized governmental agency or their respective employees shall be subject to any civil or criminal liability in a cause of action of any kind for releasing or receiving any information pursuant to Sections 2 or 3 of this Act. Nothing herein is intended to or does in any way or manner abrogate or lessen the common and statutory law privileges and immunities of an insurer, agent authorized by an insurer to act on its behalf or authorized governmental agency or any of their respective employees.

Motor Vehicle Theft and Motor Vehicle Insurance Fraud Reporting-Immunity Act:

A Commentary

This legislation would mandate that insurers disclose certain information about motor vehicle thefts or frauds to authorized governmental agencies for purposes of investigation. In return, an insurer and any agent authorized by an insurer to act on its behalf would receive immunity from potential suits arising out of the information transfer. The trheat of a civil tort suit for invasion of privacy presents serious obstacles to reducing criminal insurance fraud. Insurance companies, their support organizations, and governmental authorities need to be protected from tort liability when they release or exchange claim information. In addition, information should be classified as "privileged" from pubic disclosure.

This legislation seeks immunity from tort liability for invasion of privacy, libel, or slander for insurers, their agents and government agencies which provide information concerning an auto theft or auto insurance claim fraud. With this legislation, adjusters would have less trepidation in providing

information which could lead to an investigation or trial. While the common law provides some protection in some states against such suits, only a clear, statutory extension of immunity removes all doubt of legal protection and thus removes the chilling effect upon those responsible for assuring auto theft information is used effectively to stop the operation of thieves. Arson immunity legislation enacted in almost every state provides similar reporting safeguards in fire investigation.

Uniform Act for the Return of Stolen Property Retained as Evidence

Section 1.

When property, other than contraband, which is alleged to have been stolen is in the custody of a peace officer, it must be held subject to the order of the court in which the criminal action is pending or, if a request for its release from such custody is made, until the prosecutor has notified the defendant or his attorney of such request and both the prosecution and defense have been afforded a reasonable opportunity for an examination of the property to determine its true value and to produce or reproduce, by photographs or other identifying techniques, legally sufficient evidence for introduction at trial or other criminal proceedings.

Section 2.

Upon expiration of a reasonable time for the completion of the examination which in no event shall exceed thirty days from the date of service upon the defense of the notice of request for return of property as provided in section 1 hereof, the property shall be released to the person making such request after satisfactory proof of such person's entitlement to the possession thereof. Notwithstanding the foregoing, upon application by either party with notice to the other, the court may order retention of the property if it determines that retention is necessary in the furtherance of justice.

Drafter's Note: It is the specific intent of this act to only address the problem of property which is held as evidence in the custody of a law enforcement agency for an extended period of time pending the criminal trial. The act is not intended to address situations where stolen property is recovered by a law enforcement agency where criminal charges are either not initiated or not pending. An example of non-application of the act would be that of stolen property which is abandoned and subsequently recovered by a law enforcement agency. A second example would be where stolen property is recovered from the possession of an apparently innocent person.

It must be noted that the act does not mandate a court order for the release of property in the situation where charges are pending. Finally, the act is not intended to interfere with sound prosecutorial discretion relative to the retention of property for use as evidence at trial.

Model Act:

Certificate of Title as Evidence

Section 1.

In any criminal proceeding in which ownership, possession, or use of a motor vehicle is an issue, a certified copy of the certificate of title on file with the (Department of Motor Vehicles) or with the official custodian of such documents of another state or subdivision thereof shall be admissible as prima facie evidence of ownership of the motor vehicle and that any possession or use of the motor vehicle by a person notnamed in said certificate was without consent or authority of the owner. Upon the introduction of some evidence that the legal owner of a motor vehicle is one not named in the certificate of title or that use or possession was without the consent or authority of the owner, a reasonable continuance shall be granted any party to enable the owner of the vehicle to be brought into court to testify.

Section 2.

A party to a proceeding described in Section 1 hereof may provide notice to the opposing party that a showing of need will be made at the arraignment or at any other pre-trial hearing, and upon the proof of such notice and the showing of need, the court shall take testimony from the owner or person in control of such motor vehicle solely on the issue of ownership and authorized use, and such testimony shall be taken and preserved and shall be admissible at trial.

Section 3.

At any hearing, including but not limited to a scheduled trial date, involving a proceeding described in Section 1 hereof, upon showing of need the court shall order as a condition of granting a continuance that the testimony of a witness then present in court be taken and preserved for subsequent use at trial or any other stage of the proceeding.

Section 4.

Where testimony is taken and preserved for use at trial or other stage of the proceeding pursuant to Sections 2 and 3 hereof, the witness shall be examined in open court by the party on whose behalf he is present, and the adverse party shall have the right of cross-examination. The costs of taking and preserving such testimony shall be allocated as in civil cases, except that any cost allocated to an indigent defendant shall be allocated as other public defense costs.

Section 5.

If any Section, clause, sentence, paragraph or part of this Act is for any reason adjudged by any court of competent jurisdiction to be invalid, such judgment will not affect, impair or invalidate the remainder thereof, but shall be confined in its operation to the Section, clause, sentence, paragraph or part thereof directly involved in the controversy in which such judgment shall have been rendered.

Drafter's Note: The purpose of this act is to prevent the dismissal of cases where an owner or other witness does not appear when necessary (generally after several continuances) in a criminal action involving a motor vehicle. This is accomplished in two ways. Section 1 allows the introduction of a certificate of title as evidence of ownership and unauthorized use or possession. Sections 2 and 3 provide for the preservation of testimony, eliminating the need for the witness to appear at every court proceeding.

Section 2 relates exclusively to the situation where it is impractical to have the owner appear more than once; Section 3 relates to the problem of repeated continuances.

Section 4 provides for the allocation of costs and for cross-examination in order to fulfill hearsay exception requirements as well as to meet due process requirements with regard to indigent defendants.

A severability clause is provided in case of problems arising from due process arguments relating to burden of proof and notice.

Model Statute Providing for Mandatory Restitution to Victims of Property Crimes

Section 1.

A person found guilty of the wrongful taking of property or of defrauding an insurer shall be ordered, except as otherwise provided by this Act, to make monetary restitution for any financial loss sustained to the victim of such crime, the victim's dependents, or an insurer as a result of the commission of the crime. Financial loss shall be interpreted to include, but not be limited to, loss of earnings, out-of-pocket and other expenses, repair and replacement costs, and claim payments. Losses due to pain and suffering are not financial loss.

The court shall determine the extent and method of restitution payments. Restitution shall be imposed in addition to incarceration or fine, but not in lieu thereof. In an extraordinary case, the court may determine that the interests of the victim and justice would not be served by ordering restitution. In such a case, the court shall make and enter specific written findings on the record concerning the extraordinary circumstances presented which militated against the imposition of restitution.

The court shall, after conviction, conduct an evidentiary hearing to ascertain the extent of the damages or financial loss suffered as a result of the defendant's crime. The court may then determine the amount and method of restitution. In so determining, the court shall consider the financial resources of the defendant and the burden restitution will impose on the defendant. The defendant's present and future ability to make such restitution shall be considered.

A defendant ordered to make restitution may petition the court for remission from any payment of restitution or from any unpaid portion thereof. If the court finds that the payment of restitution due will impose an undue financial hardship on the defendant or his family, the court may grant remission from any payment of restitution or modify the time and method of payment.

If a defendant who is required to make restitution defaults in any payment of restitution or installment thereof, the court may hold him in contempt unless said defendant has made a good faith effort to make restitution, the court may, upon motion of the defendant, modify the order requiring restitution by:

(a) providing for additional time to make any payment in restitution;

(b) reducing the amount of any payment of restitution or installment thereof; and

(c) granting a remission from any payment of restitution of part thereof.

Restitution shall not be authorized to a party whom the court determines to be aggrieved, without that party's consent.

Model Statute Providing for Mandatory Restitution to Victims of Property Crimes:

A Commentary

According to this legislation, a person found guilty of a wrongful taking of property or of insurance fraud shall, in all but extraordinary circumstances, upon being found guilty, be ordered to make monetary restitution to any person the court deems appropriate for any financial loss sustained to the victim, dependants or insurer.

BACKGROUND

"The punishment should fit the crime" is the underlying idea of this model statute. If a person has been convicted of a property crime--auto theft, window smashing, burglary, etc.,--that person would be monetarily responsible to the victim for restoring the property. Likewise, an insurer would also be able to recover any claims for the theft awarded to the victim. With restitution to the victim, dependents or insurer, the amount of monetary loss due to auto theft could crop and thus have a favorable impact on insurance rates.

In addition to other penalties for property crimes, the court could require reimbursement for replacement or repair costs of the property, out-of-pocket expenses, and loss of income. Restitution would not cover damages for pain and suffering.

This legislation gives the courts the authority to determine how restitution will be made and the amount of payments. While in the interest of justice a court can refuse to order restitution, the thrust of this legislation establishes that restitution ought to be ordered as a general rule. Periodic payments or postponing of payments would be available for those defendants with meager assets.

Appendix C

State by State Crime Classification of Auto Theft
Listed by State in Order of Auto Theft Rate

RANKING OF AUTO THEFT RATES BY STATES AND THEIR PENALTY STATUS (FELONY/MISDEMEANOR) 1978

RANK	STATE	STATUTE	CRIMINAL PENALTY
1	MASSACHUSETTS	G.L.c 90, §24(2)(a)	Felony or Misdemeanor
2	Rhode Island	R.I. GEN. LAWS ANN 31-9-1	Misdemeanor
3	California	CAL. PENAL CODE, §487	Not Available
4	New York	N.Y. PENAL LAW, Ch. 31.07	Misdemeanor
5	Alaska		Misdemeanor
6	Connecticut	CONN. GEN. STAT., §§53a-119b, 123	Misdemeanor
7	Nevada	NEV. REV. STAT. §205.2715	Misdemeanor
8	Hawaii	HAW. REV. LAWS, §708-836	Felony
9	New Jersey	N.J. STAT. ANN. 2A	Misdemeanor
10	Michigan	MICH. COMP. LAWS. ANN., §750.413,414	Misdemeanor
11	Illinois	ILL. ANN. STAT. Ch.	Misdemeanor
12	Delaware	DEL. CODE ANN. tit. 11 §853	Misdemeanor
13	Colorado	COLO. REV. STAT. ANN. tit. 18-4-409	Misdemeanor
14	Arizona	ARIZ. REV. STAT. ANN. §13-1803	Felony
15	Texas	TEX. STAT. ANN. Ch 12, §31.27	Felony
16	Maryland	MD. ANN. CODE, art. 27, §348	Misdemeanor
17	Indiana	IND. ANN. STAT. §35-17-5-9	Felony or Misdemeanor
18	Ohio	OHIO REV. CODE ANN. §2913.03	Misdemeanor
19	Washington	WASH. REV. CODE ANN. Ch. 9A.56.070	Misdemeanor
20	Oregon	ORE. REV. STAT. §167.135	Felony
21	Florida	FLA. STAT. ANN. §812.014	Misdemeanor
22	Missouri	MO. ANN. STAT. Ch. 560.165, 560.175	Felony
23	Louisiana	LA. STATE. ANN tit. 14, §68	Misdemeanor
24	Georgia	GA. CODE ANN. §26-1812, 1813	Felony or Misdemeanor
25	Oklahoma	OKLA. STAT. ANN. §4-102	Misdemeanor
26	Wyoming	WYO. STAT. ANN. §31-11-102	Felony
27	Pennsylvania	PA. STAT. ANN. tit. 18, §3928	Misdemeanor
28	Utah		Not Available
29	Tennessee	TENN. CODE ANN. §39-4201 et. seq.	Unclear
30	Minnesota	MINN. §§609.55, 609.605(9)	Felony
31	New Mexido	N.M. STAT. ANN. 66-3-504	Felony
32	Montana	MONT. REV. CODES ANN. §45-6-308	Misdemeanor
33	New Hampshire	N.H. REV. STAT. ANN. Ch. 634,3	Misdemeanor
34	Alabama	ALA. STAT. tit 14, §331	Misdemeanor
35	South Carolina	S.C. CODE ANN. §16-21-60	Misdemeanor
36	Maine	ME. REV. STAT. ANN. tit. 17-A, §360	Unclear
37	Kentucky	KY. REV. STAT. ANN. §514-090	Misdemeanor
38	Kansas	KAN. STAT. ANN. §21-3705	Misdemeanor
39	Idaho	IDAHO CODE ANN. §18-4601 et. seq.	Unclear
40	Iowa	IOWA CODE ANN. Ch. 714.7	Misdemeanor
41	Wisconsin		Misdemeanor
42	Virginia	VA. CODE §18.78.2-102	Felony or Misdemeanor
43	Nebraska	NEB. REV. STAT. §28-521	Misdemeanor
44	Vermont	VT. STAT. ANN. Ch.13, §1091	Misdemeanor
45	North Carolina	N.C. GEN. STAT. §14-72.2	Misdemeanor
46	Arkansas	ARK. STAT. ANN. §41-2203	Misdemeanor
47	West Virginia	W. VA. CODE ANN. §17A-8-4	Misdemeanor
48	South Dakota	S.D. COMP. LAWS ANN. §22-30A-12	Misdemeanor
49	Mississippi	MISS. CODE ANN. §97-17-6	Misdemeanor
50	North Dakota	N.D. CENT. CODE §12.1-23-06	Felony or Misdemeanor

SOURCES: Governor's Task Force on Automobile Theft, Auto Theft in Massachusetts--An Executive Response, March 1980; Statutory citations provided by Assistant Counsel, Massachusetts Governor's Legal Office.

F.B.I. - U.C.R.

Appendix D

Listing of State Statutes on Altering Vehicle Identification Numbers

ALTERATION OF VEHICLE IDENTIFYING NUMBER:
A STATE BY STATE ANALYSIS

The following 32 states have passed legislation pertaining to altering VINs. For the constitutionality of the statutes making possession of an automobile with altered identifying nubmers or crime, see 4 A.L.R. 1538 and 42 A.L.R. 1149.

State	Statute
Arkansas	ARK. STAT. §75-174
Colorado	COLO. REV. STAT. §42-5-102
Delaware	DEL. CODE ANN. tit. 21, §6705
Georgia	GA. CODE §68-434(a)
Hawaii	HAW. REV. LAWS, 8, 286-44
Illinois	ILL. ANN. STAT. Ch. 95-1/2, §4-103
Indiana	IND. ANN. STAT. tit. 9-1-3-4
Iowa	IOWA CODE ANN. §321.92
Kansas	KAN. STAT. ANN. §8-113
Kentucky	KY. REV. STAT. ANN. §514.120
Louisiana	LA. REV. STAT. tit. 14, §207
Maine	ME. REV. STAT., Ch. 29, §2442
Michigan	H.B. 5373 (1978)
Mississippi	MISS. §63-17-
Missouri	MO. Ch. 301.400
Montana	MONT. REV. CODES tit. 94-6-311
Nebraska	NEB. §28-529
New Hampshire	N.H. §260-7-a
New Mexico	N.M. STAT. ANN. §66-3-508
North Carolina	N.C. GEN. STAT. §20-109
North Dakota	N.D. §39-05-32
Ohio	OHIO STAT. §4549.07
Oklahoma	OKLA. tit. 47, §4-106
Oregon	ORE. REV. STAT. §481.990
Pennsylvania	PA. STAT. ANN. tit. 75, §7102
Rhode Island	R.I. GEN LAWS. §31-9-6

State	Statute
South Carolina	S.C. §16-21-20
South Dakota	S.D. COMPILED LAWS ANN. §32-4-6
Tennessee	TENN. CODE ANN. §59-512
Texas	TEX. STAT. ANN. Art. 6687-1
West Virginia	W. VA. CODE ANN. §17A-8-8
Wyoming	WYOMING, §31-11-107

SOURCE: Massachusetts Governor's Legal Office, November 1982.

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