MYI Consulting
Information Efficiency Experts

Analysis of Insurer Reports Received Pursuant
to Section 33112 of the
Title 49 of the United States Code

2005 Reporting Period

Annual Report

Prepared for
National Highway Traffic Safety Administration
Washington, D.C. 20590

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Disclaimer

EXECUTIVE SUMMARY

This report was prepared by MYI Consulting, Inc. for the National Highway Traffic Safety Administration under Contract DTNH22-07-R-00060.

Measures to reduce and eliminate the theft of automobiles have been taken since the Dyer Act, enacted in 1919 also called the National Motor Vehicle Theft Act (18 U.S.C.A. § 2311 et seq.), was enacted to impede the interstate trafficking of stolen vehicles. Fifty years after the Dyer Act was implemented, Congress formed the National Highway Traffic Safety Administration (NHTSA) to issue Federal Motor Vehicle Safety Standards (FMVSS) and Regulations. In order to decrease the rate of motor vehicle theft and facilitate the tracing and recovery of stolen motor vehicles and parts, in 1984 Congress enacted the Motor Vehicle Theft Law Enforcement Act (Public Law 98-547). As a result, the Department of Transportation implemented the Federal Motor Vehicle Theft Prevention Standard (FMVTPS), requiring manufacturers of designated high-theft passenger car lines to put a Vehicle Identification Number (VIN) on the engine, the transmission, and 12 other major body parts.

In 2004 NHTSA published a final rule (69 FR 17967) extending the anti theft parts marking requirements, as mandated under the Anti Car Theft Act of 1992 (ACTA) and the subsequent finding by the Attorney General. The amended rule at 69 FR 17967, Apr. 6, 2004 extends the parts marking requirement to all passenger cars, multipurpose passenger vehicles (MPVs) with a GVWR of 2,722 kg (6,000 pounds) or less, and certain LDTs with a GVWR of 2,722 kg (6,000 pounds) or less that were previously not subject to the parts marking requirements NHTSA has and will continue to monitor and analyze current auto theft trends and introduce new and innovative methods to address the problem of lowering vehicle theft as it relates to vehicle safety.

Overview of 2005 Insurer and Leasing Company Submissions under the Theft Act

For the 2005 reporting period, a total of 29 reports were received, 24 from insurance companies and 5 from rental and leasing companies. Vehicle theft and recovery data was also received from the Insurance Services Office for some of the insurers.

The information obtained from the 2005 data show that motor vehicle theft continues to be a major cause of insurer comprehensive losses. Seventy-one point one percent (71.1%) of stolen vehicles were recovered in 2005. This represented a one percent decrease of recoveries compared to that for the 2004 reporting period.

INTRODUCTION

This report was prepared by MYI Consulting, Inc. for the National Highway Traffic Safety Administration (NHTSA) under Contract DTNH22-07-R-00060, for the 2005 insurer reporting period.

This document which focuses on thefts and recoveries of insured motor vehicles and the premiums charged for comprehensive coverage was performed as part of NHTSA's obligation to inform, and to create and maintain awareness in the public, law enforcement agencies, and the United States Congress of issues concerning motor vehicle theft. The purpose of this information is to reduce, and ultimately eliminate, motor vehicle theft and the fiscal impact it has on the United States by evaluating the effectiveness of the theft deterrent provisions of Chapter 331 of Title 49 of the United States Code (USC).

The information contained herein was provided by insurance, rental and leasing companies through annual reports required by Section 33112 of Title 49. The information in this report covers the 2005 insurers' reporting period. This information was analyzed, organized and documented for this report by MYI Consulting, Inc.

1.1 Background

Measures to reduce and eliminate the theft of automobiles have been taken since the Dyer Act in 1919, also called the National Motor Vehicle Theft Act (18 U.S.C.A. § 2311 et seq.), was enacted to impede the interstate trafficking of stolen vehicles. Fifty years after the Dyer Act was implemented Congress established the National Highway Traffic Safety Administration (NHTSA) to issue Federal Motor Vehicle Safety Standards (FMVSS) and other regulations.

The abstract of the House of Representatives Report 98-1087, Part I reported "motor vehicle thefts total over 1 million annually and it has grown to a $5 billion per year national problem with costs borne by all Americans in increased law enforcement costs and higher insurance costs." (1984) In order to decrease the rate of motor vehicle theft and facilitate the tracing and recovery of stolen motor vehicles and parts, in 1984 Congress enacted the Motor Vehicle Theft Law Enforcement Act (Public Law 98-547).

As a result the Department of Transportation implemented the Federal Motor Vehicle Theft Prevention Standard (FMVTPS), requiring manufacturers of designated high-theft passenger car lines to put a Vehicle Identification Number (VIN) on the engine, the transmission, and 12 other major vehicle body parts. The VIN was created in an effort to assist law enforcement efforts to trace and recover stolen vehicles.

Equipped with a validated means to distinguish and identify stolen vehicles and parts, the probability of prosecution of individuals involved in vehicle thefts and/or criminal activity has increased.

1.2 Legislative Requirements Affecting the Insurance Industry

Section 33112 of Title 49 was created to gain an accurate depiction of the impact the NHTSA would have on the prevention or discouraging of the theft of motor vehicles, particularly those stolen for the removal of certain parts; the prevention or discouraging of the sale and distribution in interstate commerce of used parts that are removed from those vehicles; and to help reduce the cost to consumers of comprehensive insurance coverage for motor vehicles.

Section 33112 of Title 49 Part C required the insurance industry to provide information to the Secretary of Transportation on an annual basis describing:

(A) The thefts and recoveries (in any part) of motor vehicles.

(B) The number of vehicles that have been recovered intact, in whole, or in part.

(C) The rating rules and plans, such as loss information and rating characteristics, used by the insurer to establish premiums for comprehensive coverage, including the basis for the premiums, and premium penalties for motor vehicles considered by the insurer as more likely to be stolen.

(D) The actions taken by the insurer to reduce the premiums, including changing rate levels for comprehensive coverage because of a reduction in thefts of motor vehicles.

(E) The actions taken by the insurer to assist in deterring or reducing thefts of motor vehicles.

(F) Other information the Secretary requires to carry out this chapter and to make the report and findings required by this chapter.

1.3 2004 Amendment to Legislative Requirements for the Insurance Industry

In 2004, NHTSA published a final rule (69 FR 17967) extending the anti theft parts marking requirements, as mandated under the Anti Car Theft Act of 1992 (ACTA) and the subsequent finding by the Attorney General. The amended rule at 69 FR 17967, (April 6, 2004) extends the parts marking requirement to all passenger cars, multipurpose passenger vehicles (MPVs) with a GVWR of 2,722 kg (6,000 pounds) or less, and certain light duty trucks (LDTs) with a GVWR of 2,722 kg (6,000 pounds) or less that were previously not subject to the parts marking requirements (49 CFR Ch. V (10–1–08 Edition) APPENDIX A-II TO PART 541).

1.4 Legislative Requirements Affecting the Department of Transportation

Title 49 requires the Department of Transportation to:

- Select the parts which are to be marked with the appropriate identification numbers by agreement between the Secretary of Transportation and the manufacturer.

- Select the high theft lines which are to be covered by the requirement by agreement between the Secretary of Transportation and the manufacturer.

- Establish the performance criteria for inscribing or affixing the appropriate identification numbers.

- Specify the manner and form for compliance certification and who will be authorized to certify compliance.

- Define specific annual insurer reporting requirements under Section 33112.

- Identify insurers and, rental and leasing companies subject to the annual reporting requirements and grant exemptions from these requirements to insurers and small rental and leasing companies which qualify under provisions of Section 33112.

- Grant an exemption from the standard if a line of vehicles is manufactured with an anti theft device which is determined by the department to most likely be as effective as the standard in deterring theft. (Section 33106)

1.5 Insurer Reporting Requirements

In January 1987, the NHTSA published a regulation titled "Insurer Reporting Requirements" (49 CFR Part 544) which defined the specific insurer reporting requirements under the Motor Vehicle Information and Cost Savings Act and identified the insurers and rental and leasing companies subject to these requirements for the first reporting period.

The information submitted by insurers under this rule was intended to aid NHTSA in its responsibility to publish insurance information in a form that would be helpful to the public, the law enforcement community and the Congress. The insurers must comply with the reporting requirements to provide the information necessary to meet the needs of Chapter 331 of Title 49.

The annual insurer reporting requirements specified in the final NHTSA rule are outlined in Table 1.

Table 1. Insurer Reporting Requirements

	Reporting Requirement	Paragraphs in Title 49, U.S. Code Chapter 331	Paragraph in NHTSA Final Rule	Section of Discussion in this Report
1)	Total motor vehicle thefts and recoveries by model year, make, line, model, and state for each motor vehicle type. These recoveries are to be categorized as in-whole, in-part or intact.	Sec. 33112 (c), (A), (B)	(c)(1), (c)(2)	3
2)	Explanation of how theft and recovery data is obtained and steps taken to ensure its accuracy.	Sec. 3112 (c)(2)	(c)(3)	3.4
3)	Explanation of how theft and recovery data is used and reported to other organizations.	Sec. 33112 (c)(2)	(c)(4)	3.7
4)	Explanation of the basis for the insurer's comprehensive insurance premiums and the premium penalties charged for motor vehicles it considers more likely to be stolen.	Sec. 33112 (c)(D)	(d) (4)	4.1
5)	The rating characteristics used by the	Sec. 33112	(d)(1)	4.2

	insurer to establish the premiums it charges for comprehensive insurance coverage for this type of motor vehicle and the premium penalties for vehicles of this type considered by the insurer as more likely to be stolen.	(c)(C)		
6)	) Identity of any other rating rules and plans used to establish comprehensive insurance premiums and premium penalties for motor vehicles it considers more likely to be stolen, and an explanation of how such rating rules and plans are used to establish the premiums and premium penalties.	Sec. 33112 (c)(C)	(d)(3)	4.3
7)	The maximum premium adjustments (as a percentage of the basic comprehensive insurance premium) made for each vehicle risk grouping identified in (12); as a result of the insurer's determination that such vehicles are more likely to be stolen.	Sec. 33112 (c)(C)	(d)(2)(viii)	4.4
8)	Identity of the vehicles for which the insurer charges comprehensive insurance premium penalties, because the insurer considers such vehicles as more likely to be stolen.	Sec. 33112 (c)(C)	(d)(2)(vi)	4.5
9)	The total number of comprehensive claims paid by the insurer for each vehicle risk grouping identified in (12) during the reporting period, and the total amount in dollars paid out by the insurer in response to each of the listed claims totals.	Sec. 33112 (c)(C)	(d)(2)(vii)	4.5
10)	Total number of comprehensive claims paid by the insurer during the reporting period, and the total number that arose from a theft.	Sec. 33112 (c) (F)	(d)(2)(i), (d)(2)(ii)(A)	5.1
11)	The total amount (in dollars) paid out by the insurer as a result of theft, the best estimate of the percentage of the dollar	Sec. 33112 (c)(C)	(d)(2)(iv)(A)(1), (d)(2)(iv)(A)(2)	5.1

	total listed in (7) that arose from vehicle thefts, and an explanation of the basis for the estimate.			
12)	The total amount (in dollars) paid out during the reporting period in response to all comprehensive claims filed by its policyholders.	Sec. 33112 (c)(F)	(d)(2)(iii)	5.3
13)	The best estimate of the percentage of the number from (5) that arose from vehicle thefts, and an explanation of the basis for the estimate.	Sec. 33112 (c)(F)	(d)(2)(ii)(B)	5.5
14)	In the case of other insurers subject to the reporting requirements, the net losses suffered by the insurer (in dollars) as a result of vehicle theft.	Sec. 33112 (c)(C)	(d)(2)(iv)(B)	5.7
15)	The total amount (in dollars) recovered from the sale of recovered vehicles, major parts recovered not attached to the vehicle, or other recovered parts, after the insurer had made a payment.	Sec. 33112 (c)(F)	(d)(2)(v)(A)	5.9
16)	The insurer's best estimate of the percentage of the dollar total listed in (10) that arose from vehicle thefts, and an explanation of the basis for the estimate.	Sec. 33112 (c)(F)	(d)(2)(v)(B)	5.10
17)	Actions taken to reduce comprehensive rates due to a reduction in thefts of this type of motor vehicle.	Sec. 33112 (c)(D)	(e)	6
18)	The conditions to be met to receive a reduction.	Sec. 33112 (c)(D)	(e)(1)	6.1
19)	State the number of vehicles and policyholders that received such reductions.	Sec. 33112 (c)(D)	(e)(2)	6.2
20)	State the difference in average comprehensive premiums for those receiving the reduction vs. those who did not.	Sec. 33112 (c)(F)	(e)(3)	6.3

21)	The specific criteria used by the insurer to determine if a vehicle is eligible for a premium reduction if equipped with anti theft devices.	Sec. 33112 (c)(D)	(f)(1)	6.4
22)	Total number of thefts, by insurance company, of vehicles subject to a premium reduction for an installed anti theft device.	Sec. 33112 (c) (F)	(f)(2)	6.5
23)	Total number of recoveries, by insurance company, of vehicles that received a reduction for an anti-theft device by in-tact, in-whole, or in-part.	Sec. 33112 (c) (F)	(f)(3)	6.5
24)	Each action taken by the insurer to assist in deterring or reducing thefts of motor vehicles. Describe the action and explain why the insurer believed it would be effective in deterring or reducing vehicle theft.	Sec. 33112 (c) (E)	(g)(1)	7.1
25)	The policy regarding use of used parts, and precautions taken to identify origin of used parts.	Sec. 33112 (c) (E)	(g)(2)(i), (g)(2)(ii)	7.2

The first insurer reports were filed with the NHTSA Office of Safety Performance Standards in January 1987. The subject insurers were required to report data beginning with calendar year 1985. Reports have been submitted annually since then, and information contained in the 2005 insurer submissions is included herein.

1.6 Organization of this Report

The information presented in this document is based upon the insurer and rental and the leasing company reports submitted for calendar year 2005.

Section 2 of this report identifies the insurance and rental and leasing companies, which submitted 2005 reports and the extent that required information was supplied.

Responses to each of the specific reporting requirements identified in Table 1 are discussed in Sections 3 through 7 of this report. Table 1 identifies the section of this report devoted to each reporting requirement.

OVERVIEW OF 2005 INSURER REPORTING REQUIREMENTS

This section presents a general overview of the 2005 insurance and leasing company reports submitted under Chapter 331 of Title 49 of the United States Code.

Topics Compiled and Analyzed include:

- Insurance companies filing 2005 reports
- Rental and leasing companies filing 2005 reports
- Insurance Services Office (ISO) filing 2005 reports
- The extent that companies responded to each reporting requirement

2.1 *Insurance Companies Filing 2005 Reports*

As empowered under Chapter 331 of Title 49, the Department of Transportation is charged with determining the insurance companies subject to the annual reporting requirements and with granting exemptions to those insurers qualifying under Section 33112.

An insurer is defined in Section 33112 (f)(A) and (f)(B) as an insurer whose premiums for motor vehicle insurance issued directly or through an affiliate, including a pooling arrangement established under State law or regulation for the issuance of motor vehicle insurance, account for:

(A) Less than one percent of the total premiums for all forms of motor vehicle insurance issued by insurers in the United States.

(B) Less than 10 percent of the total premiums for all forms of motor vehicle insurance issued by insurers in any State.

"Small insurers" are defined as those, which do not meet these criteria. Small insurers may be exempted from the reporting requirements if the agency determines that:

- The cost of preparing and furnishing such reports is excessive in relation to the size of the business of the insurer and

- The insurer's report will not significantly contribute to carrying out the purposes of Chapter 331.

Data compiled by the A.M. Best Company, Inc. is used by the Department of Transportation to determine insurer market share nationally and in each state for the purpose of identifying subject insurers.

Table 2 identifies insurance companies filing reports or insurer’s reports included on the ISO tape for the 2005 reporting period.

Table 2. List of Insurance Companies Filing 2005 Report

List of Insurers
ALFA Insurance Companies
Allstate Insurance Group
American Family Insurance Group
American International
Auto Club Michigan
Auto club Southern California
Auto-Owners Insurance Group
California State Auto Association
Erie Insurance Group
Farmers Insurance Group
GEICO
Hartford Insurance Group
Kentucky Farm Bureau
Mercury General Group
Metropolitan Life Auto and Home Group
New Jersey Manufacturers Group
Progressive Group (Confidential)
Safety Insurance
Southern Farm Bureau (AR)
Southern Farm Bureau (MS)
State Farm
Tennessee Farmers Bureau
Travelers Insurance
USAA Group (Confidential)

2.2 Rental and Leasing Companies Filing 2005 Reports

Section 33112 (b)(1) expands the definition of an insurer to include a person (except a governmental authority) having a fleet of at least 20 motor vehicles that are used primarily for rental or lease and are not covered by a theft insurance policy issued by an insurer of passenger motor vehicles.

The five rental and leasing companies furnishing information for the 2005 reporting period are identified in Table 3.

Table 3. List of Rental and Leasing Companies Filing 2005 Reports

List of Rental and Leasing Companies
Avis-Budget
Dollar Thrifty Automotive Group
The Hertz Corporation
U-Haul
Vanguard

2.3 Insurer Compliance with Reporting Requirements

The level of compliance with the reporting requirements varied both by requirement and by company. Table 4 indicates that half or more of the companies responded slightly more than two-thirds of the requirements.

Table 4. 49 CFR Ch. V (10–1–06 Edition) § 544.5 - § 544.7

Requirement Paragraph	Number Reporting	Data Supplied	Does not apply	Data not available	Paragraph not addressed	Confidential
(c)(1),(c)(2)	29	23	0	1	3	2
(c)(3)	29	18	0	0	9	2
(c)(4)	29	18	0	0	9	2
(d)(1)	29	18	0	1	8	2
(d)(2)(i)	29	19	0	0	8	2
(d)(2)(ii)(a)	29	19	1	0	7	2
(d)(2)(ii)(b)	29	18	1	0	8	2
(d)(2)(iii)	29	20	0	0	7	2
(d)(2)(iv)(A)(1)	29	19	1	0	7	2
(d)(2)(iv)(A)(2)	29	18	2	0	7	2
(d)(2)(iv)(B)	29	15	3	3	6	2
(d)(2)(v)(A)	29	15	0	4	8	2
(d)(2)(v)(B)	29	11	1	3	12	2
(d)(2)(vi)	29	8	10	1	8	2
(d)(2)(vii)	29	7	10	2	8	2
(d)(2)(viii)	29	7	9	2	9	2
(d)(3)	29	5	12	2	8	2
(d)(4)	29	15	3	1	8	2
(e)	29	16	4	0	7	2
(e)(1)	29	15	4	0	8	2
(e)(2)	29	13	4	2	8	2
(e)(3)	29	14	4	1	8	2
(f)(1)	29	15	2	2	8	2
(f)(2)	29	10	2	5	10	2
(f)(3)	29	7	3	6	11	2
(g)(1)	29	17	-	-	10	2
(g)(2)(i)	29	19	-	-	8	2
(g)(2)(ii)	29	19	-	-	8	2
Totals	**812**	**418**	**76**	**36**	**226**	**56**

Responses were supplied in a variety of ways:

- Direct written response from the insurer

- Information supplied on behalf of the insurer through the Insurance Services Office (ISO). The ISO is a licensed advisory insurance rating organization.

Table 4 indicates the number of insurance companies, which provided responses to each of the various reporting requirements. Responses may have taken one of several forms:

- Data was provided by the insurer or ISO.
- The insurer indicated that the reporting requirement was not applicable to the manner in which the company conducts its business or record keeping.

- The insurer indicated that the reporting requirement was applicable but the information requested was not available.

Many of the reporting requirements address premiums and losses for comprehensive insurance policies. These issues are addressed by the reporting insurance companies and are not directly applicable to the leasing and rental companies. Twenty-four insurance companies reported in 2005. This includes some partial responses and claims that data was supplied via ISO.

Of the 24 insurers listed in Table 2 as having reported, (23) hard copy reports were received. Thus, 15 Insurers or (65.2%), responded to paragraphs (c)(1) and (c)(2) via the ISO tape.

Rental and leasing companies primarily provided information on thefts and recoveries of vehicles from their fleets and the dollar losses associated with these thefts.

THEFTS AND RECOVERIES OF MOTOR VEHICLES DURING 2005

The marking of parts is intended to assist law enforcement efforts to trace and recover stolen vehicles and parts as well as to arrest and prosecute the criminals responsible. The increased likelihood of arrest and punishment is also meant to serve as a deterrent to auto thieves. The NHSTA evaluates the effectiveness of theft deterrent systems and compiles a report from data generated from the larger insurance companies and ISO. The information obtained from the 2005 data shows that motor vehicle theft continues to be a major cause of insurer comprehensive losses. The summary of the ISO data for up to four years of age shows that 3.27 percent of stolen vehicles in 2005 were recovered in-tact, 6.84 percent was recovered in-whole and 61.0 percent were recovered in-part.

Table 5 summarizes the theft and recovery information listed in Appendices A-E. During 2005, reporting insurance companies received claims for the theft of 132,197 vehicles produced during model years 2001-2005. A total of 93,975 or 71.1 percent of these stolen vehicles were recovered. The recovery rate for the 1992 reporting period was 51 percent (KLD Associates, Inc, March, 1998), 47 percent for the 1993 reporting period (KLD Associates, Inc, December, 1998), 36 percent for the 1994 reporting period (KLD Associates, Inc, November, 1998), 31 percent for the 1995 reporting period (KLD Associates, Inc, 2000), 19.4 percent for the 1996 reporting period (KLD Associates, Inc, 2001), 21.2 percent for the 1997 reporting period (KLD Associates, Inc, 2002), 15 percent for the 1998 reporting period(KLD Associates, Inc, 2004), 12 percent in 1999 (KLD Associates, Inc, January, 2005), 12 percent in 2000 (KLD Associates, Inc, February, 2005), 11 percent in 2001 (KLD Associates, Inc, 2006), 11 percent in 2002 (KLD

Associates, Inc, 2007), 70 percent in 2003 (MYI Consulting, Inc, 2008), 72.1 percent in 2004 (MYI Consulting, Inc, 2009), and for the 2005 reporting period recovery rates were 71.1 percent. Figure 1 in the next section below gives a visual of the recovery rate per year.

Table 5. Theft and Recoveries Model Year 2002-2005 Vehicles

Vehicle Types	Number of Thefts	Number with ATD	In-Tact	In-Whole	In-Part	Total
Passenger Cars	58,211	1,182	1,878	4,269	38,557	44,704
Light Duty Trucks	25,050	420	828	1,958	15,287	18,073
Heavy Trucks	499	2	13	19	321	353
Multi Purpose	35,201	886	1,405	2,490	21933	25,828
Motorcycles	13,236	19	200	308	4,509	5,017
TOTALS	132,197	2,509	4,324	9,044	80,607	93,975

Table 6 presents the ISO data, which provides yearly summary of the total number of vehicle thefts from 1987 to 2005. The total number vehicles thefts up to 5 years of age were 133,986 in 2004. In 2005, ISO reported 132,197 vehicle thefts; there were 1,789 less vehicles theft reported for vehicles up to four years in age.

Table 6. Number of Reported Vehicle Thefts for Vehicles up to Four Years in Age

Year	Passenger Cars Thefts	Non-Passenger Cars Thefts	Total
1987	87,592	27,066	114,658
1988	38,152	19,564	57,716
1989	96,480	42,331	138,811
1990	75,761	34,524	110,285
1991	74,033	44,129	118,162
1992	60,596	40,298	100,894
1993	55,282	35,778	91,060
1994	52,385	34,063	86,448
1995	52,389	34,604	86,993
1996	63,705	42,156	105,861
1997	79,923	49,992	129,915
1998	55,927	36,516	92,443
1999	46,768	31,069	77,837
2000	47,075	36,984	84,059
2001	49,025	42,691	91,716
2002	43,073	48,469	91,561
2003	23,030	36,417	59,447
2004	62,988	70,998	133,986
2005	58,211	73,986	132,197

3.1 Thefts and Recoveries by Vehicle Type

Paragraph (c)(1) of the Reporting Requirements requires insurers to "list the total number of vehicle thefts for vehicles manufactured in the 1983 or subsequent model years, subdivided into model year, model, make, and line, for this type of motor vehicle." (49 CFR Chapter V, (c)(1).Paragraph (c)(1) of the Reporting Requirements requires that insurers indicate how many recoveries were:

- Recoveries Intact - A vehicle reported as stolen is recovered with no major parts missing at the time of the recovery and with no apparent damage to the vehicle other than damage necessary to enter and operate the vehicle and ordinary wear and tear. (Major parts are those parts subject to the marking requirements of Chapter 331 of Title 49.)

- Recoveries in-whole - A vehicle reported as stolen is recovered with no major parts missing at the time of the recovery but with damage in addition to that sustained during unauthorized entry and operation. This would include vehicles stripped of other parts, wrecked vehicles, burned vehicles (with no major parts missing), etc.

- Recoveries in-part - A vehicle reported as stolen is recovered with one or more major parts missing at the time of recovery. This would include vehicles stripped of other parts, wrecked vehicles, burned vehicles, etc.

Each insurance company's information was detailed by theft and recovery information and is presented by vehicle type in Appendices A-E. These appendices are organized by state for passenger cars, light trucks, heavy trucks, multi-purpose vehicles and motorcycles respectively. Each appendix also presents the total amount of theft and recovery data by state, make, model, and line and model year. This data includes thefts and recoveries of model year 2002-2005 vehicles, which occurred during 2005.

3.2 Thefts and Recoveries Reported by Insurance Companies

The required theft and recovery data was reported directly by the insurance companies or supplied by the ISO on behalf of the reporting companies (See Table 5). Below is Figure 1, which illustrates the recovery rates for insurance companies for the calendar year 2005 reporting period (RP).

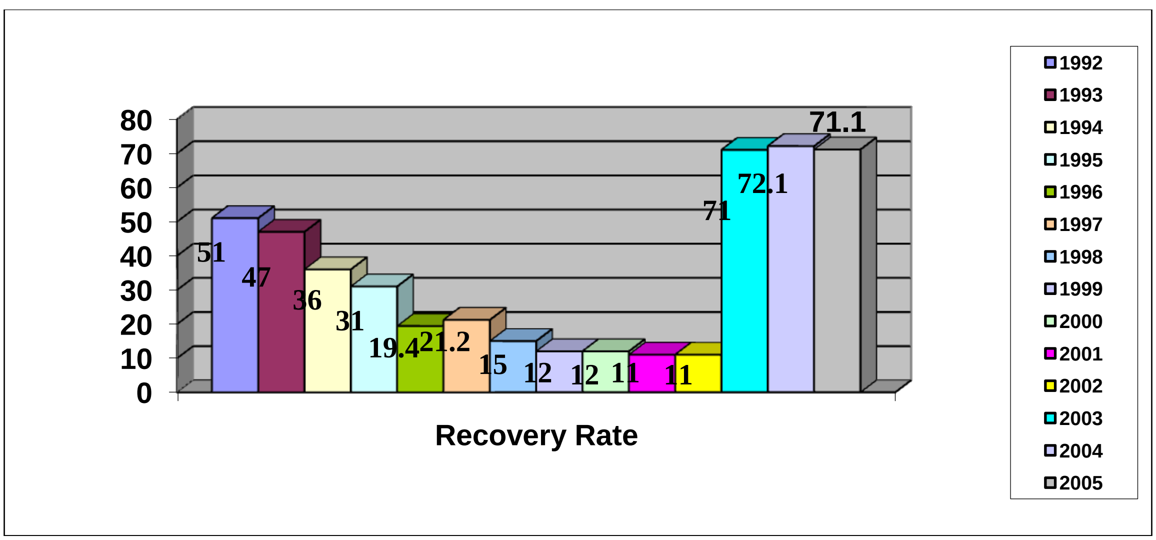

Figure 1. Recovery Rate for Insurer's from 1992-2005

Most insurers have a "wait" clause in them for stolen vehicles. A stolen vehicle must be missing for more than a certain number of days, before an insurer will start the process of settling the claim for an individual's stolen vehicle and out of pocket expenses. The vehicle will then be written off and the title holder will be issued a check for the present day value of the vehicle. If the owner of the vehicle is informed of its recovery afterwards, most people would rather keep the insurance money for the vehicle (even if the vehicle received minor damage for example a cracked windshield) rather than pay for accrued storage fees. Therefore, in some cases the insured does not report the subsequent vehicle recovery to the insurance company.

The report findings indicate a one percent decrease in the 2005 recovery rate for insured motor vehicles as compared to that for the 2004 reporting period (RP). Specifically, the recovery rate for 2005 is 71.1% as compared to the 72.1% recovery rate experienced during 2004. This includes a combined analysis of the data reported from the Insurer's and the data provided by ISO.

The amended rule at 69 FR 17967, April 6, 2004, making it mandatory for parts marking on all passenger cars, and multipurpose passenger vehicles may give reason for the 80,607 recoveries of in-part vehicles in the 2005 data. The ISO data reflected the decrease of 2,089 vehicles recovered in-part for reporting year 2005. Another possibility is that the insurance companies have changed the way these recoveries are reported, or something has changed in the report calculations. It should also be noted that ISO revised its coding method in the 2003 reporting period, contributing to the availability of more recovery information than in previous years.

Additionally, the report indicates that the agency may be receiving more recovery information from the insurers because more incentives are being provided to adjusters for closing out claims more efficiently and the fact that more insurers are performing computer reconciliation programs to maintain data integrity and to avoid reporting incomplete data.

The 2005 report findings show a significance increase in the dollars recovered by insurers through the sale of recovered vehicles and parts (See Table 7). Specifically, the dollars recovered by insurers' through the sale of recovered vehicles and parts was $61,769,201.74 in 2005, a significant increase from the 2004 reporting period which was $27,720,937.08. This resulted in an approximately 123% increase, from the 2003 reporting period (RP). This increase was a result of GEICO, Travelers, California State Auto Association, Mercury, and Auto Club Southern California not reporting dollar amounts for the 2004 reporting period (RP), then and then having providing dollar amounts for the 2005 reporting period (RP).

Table 7. Dollars Recovered by Reporting Co. From Sale of Recovered Vehicles (2005)

Insurer	Amount Recovered	
	All Vehicles	Commercial
ALFA Insurance Company	$426,683.00	Not Reported
Allstate	$230,767.08	Not Reported
American Family Insurance	$12,380,031.09	Not Reported
American International	$1,608,554.00	Not Reported
Auto Club Michigan	Not Reported	Not Reported
Auto Club Southern California	$2,056,271.00	Not Reported
Auto Owners	$1,413,003.76	Not Reported
California State Auto Assoc	$5,016,827.19	Not Reported
Erie Insurance Group	$1,728,496.00	Not Reported
Farmers Insurance Group	Not Reported	Not Reported
GEICO	$15,036,901.00	Not Reported
Hartford Insurance Group	Not Reported	Not Reported
Hertz	$3,925,079.46	Not Reported

Kentucky Farm Bureau	Not Reported	Not Reported
Mercury General Group	$3,686,195.09	Not Reported
Metropolitan Life Auto and Home Group	Not Reported	Not Reported
New Jersey Manufacturing Group	Not Reported	Not Reported
Progressive	Not Reported	Not Reported
Safety Insurance	$574,118.00	Not Reported
Southern Farm Bureau (AR)	$80,436.06	Not Reported
Southern Farm Bureau (MS)	$95,017.26	Not Reported
State Farm	Not Reported	Not Reported
Tennessee Farmers	$305,003.75	Not Reported
Travelers	$2,327,894.00	Not Reported
USAA Group	*	*
Total	**$61,769,201.74**	**$0.00**

*Confidential

3.3 <u>Thefts and Recoveries Reported by Rental and Leasing Companies</u>

Thefts and recoveries were reported by five rental and leasing companies, Avis-Budget, Dollar Thrifty Automotive Group, Hertz Corporation, U-Haul, and Vanguard are incorporated in the aggregate results shown in Table 8. The results are shown in Appendix F. Rental and leasing companies reported their theft and recovery data in a different manner than the insurance companies. Most of the rental and leasing companies used their own unique style of reporting.

In Table 8 five rental and leasing companies identified a total of 8,926 vehicle thefts during 2005. Recovery information was reported by four out of the five leasing companies., U-Haul was the only leasing company that reported in the same manner as the insurance reporting companies for CY2005 with detailed information indicating recoveries intact, in-whole, and in-part.

Table 8. Number of Thefts Reported By Leasing Co. (2005)

Insurer	All Vehicles
Avis-Budget	662
Dollar Thrifty Automotive Group	2,377
The Hertz Corporation	3,384
U-Haul	2,503
Vanguard	Not Reported
Total	8,926

3.4 Procedures to Obtain Theft and Recovery Data

Under paragraph (c)(3) of the NHTSA Reporting Requirements, insurance companies provided an explanation of how theft and recovery data is obtained and the steps taken by the industry to ensure the accuracy of this data.

Theft and recovery information is obtained by insurance companies from their policy holders and agents as reports of claims by phone, letter, facsimile, internet web sites, or in person. Information is submitted to the ISO or National Insurance Crime Bureau (NICB) in the normal course of claim file adjustment (i.e., the information required for completion of its automobile theft reporting forms.) Strict adherence to the form instructions by trained insurance personnel is one approach used to ensure data accuracy. For some companies, an agent or Physical Damage Supervisor is responsible for maintaining a log of each stolen vehicle report.

Insurers check for completeness via individual review of files by claims managers, adjusters or claims handlers. In addition, some insurers perform periodic audits, or use computer reconciliation programs to maintain data integrity and avoid incomplete data. Incomplete reports are returned to the reporting claim office by the Home Office Claim Department for correction. Travelers utilized their Special Investigative Unit in those cases with suspicious circumstances.

Recovery data is also obtained from the National Insurance Crime Bureau, the police or the insured. The license plate and Vehicle Identification Number (VIN) are checked by physical inspection by a claims adjuster, or using VIN check software or requiring witnessed or notarized signatures of the insured and complete descriptions of damage to the vehicle at the time of loss. Repair estimates and recent repair and maintenance billings are obtained when available.

A summary of the insurance company responses to this and subsequent reporting requirements described throughout the remainder of this report may be found in Appendix F (Rental Companies) and Appendix G (Summary of Insurance Responses to NHTSA).

3.5 Notifying Insurance Companies of Motor Vehicle Thefts and Recoveries

Thefts of insured motor vehicles are generally reported by policyholders to their insurance company, agent or claims handler within 24 hours of the theft. This information is reported either by telephone, in writing, facsimile, the insurance company’s internet website or in person.

Insurance companies routinely report thefts and recoveries of motor vehicles to the NICB within 24 to 48 hours after they receive the information. This information is provided to the NICB in a uniform manner for all participating companies. The insurers receive information on recovered stolen vehicles from their policyholders, the NICB and police agencies. The insurers will attempt to inspect the vehicle to verify the VIN and the condition of the vehicle upon recovery. The results of this inspection are forwarded to the NICB.

3.6 *Insurance Industry Procedures to Ensure Accurate Theft and Recovery Data*

To ensure the accuracy and real-time results of theft and recovery data, many insurance companies have developed procedures for their claim processors to thoroughly investigate and document theft losses. They utilize their Special Investigative Unit in those cases with suspicious circumstances where the need for further investigation is warranted. Some companies periodically perform tests and audits of their theft claim files by their branch management, district management, regional management and home office claim review units.

In addition to these internal audits and quality control reviews, the information submitted to the NICB is once again reviewed for accuracy and completeness. The NICB provides the insurers with a list of missing information or claim discrepancies or requests for supplemental information. The insurers must then investigate to resolve the discrepancies, provide missing information and resubmit their reports. The NICB reviews all data discrepancies until they are resolved.

Some insurers also review police reports; physically inspect recovered vehicles to determine the accuracy of the VIN, license number, date of theft, date of recovery and condition of the vehicle upon recovery. Other insurers use VIN check software in conjunction with their estimating systems, licensed by an Automated Data Processing Company and a Certified Collateral Company, to ensure VIN accuracy and detect fraud. Computer reconciliation programs are also used to verify data. In some cases, a copy of the registration and title document are obtained and reviewed to assure accuracy of license number and VIN. This type of information is stored both by the NICB and other law enforcement agencies and is cross-referenced for accuracy.

3.7 *Uses of Theft and Recovery Data*

Under paragraph (c)(4) of the Reporting Requirements, insurance companies provided an explanation of how theft and recovery data is used and reported to other organizations.

This information is used both internally by the insurance companies and externally by other organizations for a variety of purposes including:

1. Reporting data to state and local enforcement agencies at the time of loss.
2. Reporting to state insurance departments, which includes state rate filings.
3. Determining rates for comprehensive coverage by determining patterns of loss experience and exposure.
4. Determining locations with unusual theft risks and developing risk management practices.
5. Controlling claim costs by providing information to the claim staff to assist their investigations and arrive at quicker, more accurate settlements.
6. Identifying and investigating cases of suspected claim misrepresentation or the possibility that the policyholder is involved in a crime.
7. Assist efforts to recover stolen vehicles by prompt and accurate reporting to the local police. An inquiry is made to insure the same vehicle has been recorded with the National Crime Information Center (NCIC).

8. Assist efforts to track theft and comprehensive experience by state and locality by submitting theft reports to the NICB, ISO, local and state authorities and insurance

bureaus. The NICB aggregates data supplied by participating insurers and publishes reports on thefts and recoveries.

SETTING RATES FOR MOTOR VEHICLE COMPREHENSIVE COVERAGE DURING 2005

This section describes the procedures and factors considered by the reporting insurance companies to establish the premiums charged for motor vehicle comprehensive coverage during 2005. Of special interest is the role of vehicle theft in the determination of premiums for comprehensive coverage.

Specific topics considered include:

- The basis for motor vehicle comprehensive premiums and the basis for premium penalties assessed for vehicles with high theft rates.
- The rating characteristics used by insurers to establish comprehensive premiums for motor vehicles.
- Additional rules and plans followed by insurers to establish comprehensive premiums and premium penalties.
- The maximum adjustments to comprehensive premiums for vehicles considered as posing an especially high risk of theft.
- An identification of lines with a high risk of theft.

Each of these topics is considered separately in the sections following. The procedures and rating characteristics used by the insurers to establish comprehensive premiums during 2005 were very similar to those documented by the insurers in previous years.

4.1 Basis for Comprehensive Premiums and Premium Penalties for Vehicles with High Theft Rates

Under paragraph (d)(4) of the NHTSA Insurer Reporting Requirements, insurers are required to provide an explanation of the basis for their comprehensive insurance premiums and premium penalties charged for motor vehicles considered as most likely to be stolen.

Erie, GEICO, and New Jersey Manufacturers Group rely on the aggregate experience of many companies as compiled by the ISO Vehicle Rating Series Program or by the Highway Loss Data Institute (HLDI). The ISO symbol structure, which assigns a numeric symbol to each motor vehicle based on the manufacturers suggested retail price (MSRP) called the Price New Symbol, is used by many insurers. The Price New Symbol may be adjusted either upward or downward to reflect physical damage loss experience, in accordance with the Vehicle Series Rating Program. Cars that are more likely to be stolen will be assigned a higher symbol than they would otherwise receive based on the MSRP, resulting in higher premiums. Therefore, any premium penalties for vehicles more likely to be stolen will be incorporated into the ISO symbol. Other insurers establish comprehensive rates utilizing the total comprehensive loss experience without identifying the theft component of this experience.

As a result, Kentucky Farm Bureau, Southern Farm Bureau, and Tennessee Farmers charge no premium penalties based on increased probability of it being stolen.

American Family Mutual, California State Auto Association, Farmers, Progressive, Southern Farm (AR and MS), Safety Insurance, Tennessee Farmers, and Travelers identify groups of vehicles, to which penalties are attached to the comprehensive premium, which they believe are more likely to be stolen than other vehicles. Company experience compared with the experience of other members of the insurance industry is used to develop adjustments based upon damageability (including cost of repair and susceptibility to theft).

Allstate, Auto Club Michigan, Kentucky, Mercury, and USAA Group are among the list of insurers that did not report requirement (d)(4) for 2005.

4.2 Rating Characteristics Used to Establish Comprehensive Premiums

Under paragraph (d)(1) of the Reporting Requirements, insurers provided the rating characteristics used to establish the premiums charged for comprehensive insurance coverage during 2005 and the premium penalties assessed for vehicles considered more likely to be stolen. Typical driver rating characteristics include:

- Age
- Sex
- Driver Classification
- Driving Record
- Marital Status

Typical vehicle use rating characteristics include:

- Primary use of vehicle (i.e., commuting, business, etc.)
- Annual mileage traveled

Additional rating characteristics include:

- Number of vehicles in the household
- Loss experience
- Territory of operation
- Model year (age) of the vehicle
- Cost new and damageability/reparability of the vehicle
- Policy deductible amount
- Whether vehicle is equipped with an anti theft device
- Garaged location
- Expense of doing business
- Good student/Driver training discount for youthful drivers
- Qualification for multi-vehicle discount
- Symbol
- Points

Most of the companies did not assess any surcharge or premium penalties to insure vehicles which are stolen more frequently than others. ALFA, American International, Auto Club Southern California, Auto-Owners, Erie Insurance Group, GEICO, Hartford, Met Life, New Jersey Manufacturers Group, Tennessee Farmers, and Travelers, use ISO symbols, statewide rating symbols or industry comparisons to establish a base rate. These symbols are then adjusted upward or downward to reflect the combined comprehensive and collision loss experience for individual makes and models.

4.3 Other Rules and Plans to Establish Comprehensive Premiums and Premium Penalties

Under paragraph (d)(3) of the NHTSA Insurer Reporting Requirements, insurers provided additional rules and plans used in 2005 to establish comprehensive premiums and premium penalties for motor vehicles they consider as more likely to be stolen.

As noted in section 4.1 and 4.2, most of the reporting insurance companies did not assess any premium penalty based on theft potential. Companies which did charge premium penalties did on the basis of higher than usual losses, and seldom, if ever, based it solely upon theft loss potential. Surrogate measures for vehicle theft such as total loss experience, repair costs, performance and design characteristics were used rather than actual theft experience itself in determining theft-related premium penalties.

The already mentioned ISO Vehicle Series Rating (VSR) procedure is based upon a number of factors influencing loss potential and in addition to theft. The procedure cannot be used to develop discounts or penalties which specifically recognize a vehicle's theft loss potential.

4.4 Maximum Premium Adjustments for High Risk Vehicle Groupings

Under paragraph (d)(2)(viii) of the NHTSA Reporting Requirements, insurers were asked to indicate the maximum premium adjustments applied during 2005 for each of their designated high theft risk vehicle groupings.

American Family indicated that its maximum premium adjustment due to comprehensive loss experience is 100 percent. This insurer states that comprehensive experience makes up, at most, 50 percent of the experience used in determining the symbol (collision experiences are also involved). The insurer estimates the maximum impact on premiums due to theft experience being 50 percent.

For other insurance companies, the vehicle's likelihood of being stolen is only one component reflected in the modification of a symbol assignment.

4.5 Designated High Risk Lines

Under paragraph (d)(2)(vi) of the Reporting Requirements, insurers were asked to identify vehicles which were assessed premium penalties for comprehensive coverage in 2005 because they were considered more likely to be stolen than other vehicles. Tables 9 and 10 report typical designated "high risk" lines for American Family Insurance Company and the number claims including the cost of these claims, which indicates that there were 347 vehicles claims and that the insurer paid $369,178.78 to these claims in 2005.

Table 11 reports the designated “high risk” lines for California State Auto Association in 2005; this table includes a total of 155 models. Table 12 indicates the “high risk” vehicles recognized by Safety Insurance in the 2005 calendar year; these vehicles totaled at 122 models and were brought forth for 3,789 claims in the 2005 calendar year.

As noted previously, most of the insurers did not charge any premium penalties on the basis of theft potential. The few that did charge premium penalties frequently included other issues in addition to theft potential in their decision to designate vehicles as subject to premium penalties.

Lines more commonly designated by insurers as subject to higher comprehensive premiums due to greater loss risks are indicated in Tables 9 through 12 for the companies reporting.

Table 9. Typical Designated High Risk Lines During 2005: American Family

Total Number and Amount of Claims for Premium Penalty Vehicles (544.6(d)(2)(vii)				
Year	**Make**	**Model**	**Count**	**Amount**
2005	Acura	RST	10	$4,648.61
2005	Acura	RSX	9	$2,544.88
2005	Dodge	NR4	16	$47,708.11
2005	Dodge	QS1	2	$3,330.28
2005	Dodge	Q15	1	$55.00
2005	Dodge	SQ1	202	$212,577.14
2005	Dodge	S1T	14	$7,577..67
2005	Dodge	S15	24	$19,695.96
2005	Honda	CVS	8	$3,421.93
2005	Honda	S20	4	$11,139.41
2005	Mitsubishi	LER	2	$1,394.92
2005	Mitsubishi	LEV	7	$1,794.38
2005	Nissan	3ZC	21	$32,607.51
2005	Nissan	3ZR	11	$7,046.94
2005	Subaru	IWS	16	$13,636.04
Total			**347**	**$369,178.78**

ALFA, Allstate, American International, Auto Club of Michigan, Auto Club Southern California, Auto Owners, Erie, Farmers, GEICO, Hartford, Kentucky, Mercury, Metropolitan Life, NJM, Progressive, Southern Farm Bureau (AR and MS), State Farm, Tennessee Farm Bureau and Travelers and USAA Group do not designate high risk lines.

American Family, California State Auto, and Safety Insurance provided, at a minimum, the Make and Model of the high risk lines of vehicles as seen in Table 9 through Table 12.

Note: Although theft is a major peril covered under comprehensive automobile insurance coverage, it is not the only peril covered, i.e., collision with bird or animal, flood and, windstorm damages are also covered under comprehensive coverage.

Table 10. *Typical Designated High Exposure Lines During 2005*

American Family	
Model Years 2005 Vehicles	
Acura RSX	Dodge Stratus
Chrysler Sebring	Honda S2000
Dodge Intrepid	Mitsubishi Eclipse
Dodge Neon SRT-4	Nissan 350 Z
	Suburu Impreza WRX

Table 11. Typical Designated High Risk Lines During 2005 California State Auto Assoc

High Exposure

Make	Body	Model
ACURA		
RSX	2D Hbk	2.0L 4cyl 4AT 6MT Type S
ASTON MARTIN		

DB9 Vantage	2D Cpe	6.0L V12 450 hp 186 mph RWD
Volante	2D Cpe	6.0L V12 450 hp RWD
V-8 Vantage	2D Cpe	4.3L V8 400hp 175 mph RWD
	2D Cpe	4.3L V8 400hp RWD
V12 Vanquish	2D Cpe	6.0L V12 460 hp RWD
	2D Cpe	6.0L V12 520 hp RWD
AUDI		
S4	2D CON	4.2L V8 Cabriolet Quattro 4WD
S4 Avant Quattro	4D Sed	4.2L V8 Avant 4WD
	4D Wag	4.2L V8 Avant 4WD
TT Coupe	2D Cpe	1.8L 4Cyl Turbo
	2D Cpe	1.8L 4Cyl Turbo
	2D Cpe	3.2L V6
TT Roadster	2D Con	1.8L 4Cyl Turbo
	2D Con	1.8L 4Cyl Turbo
		3.2L V6
BMW		
3-Series	4D Sed	2.5L 6Cyl 325i AWD
	4D Sed	2.5L 6Cyl 325i
	4D Sed	2.5L 6Cyl 325xi
3-Series	4D Sed	3.0L 6Cyl 330i AWD
	4D Sed	3.0L 6Cyl 330xi
3-Series	2D Cpe	2.5L 6Cyl 325Ci
	2D Cpe	2.5L 6Cyl 325Ci SULEV
3-Series	2D Cpe	3.0L 6Cyl 330Ci
	2D Con	3.0L 6Cyl 330Cic
3-Series	2D Con	2.5L 6Cyl 325Cic
3-Seroes	4D Wag	2.5L 6Cyl 325xiT Sports Wag AWD
3-Series	4D Sed	3.0L 6Cyl 530i RWD

5-Series	4D Sed	4.8L (0-60 in 5.5 sec) 550i RWD
5-Series	2D Cpe	4.4L V8 6MT 650Ci 0-60 5.4sec
	2D Con	4.4L V8 6MT 650Ci
7-Series	4D Sed	4.5L V8 750i RWD
	4D Sed	4.5L V8 750Li RWD
7-Series	4D Sed	6.0L V12 760i RWD
	4D Sed	6.0l V12 760Li RWD
M-Series	2D Cpe	3.2L 6Cyl M3
M-Series	2D-Con	3.2L 6Cyl M3Cic
M-Series	4D Sed	5.0L V10 (0-60 in under 5 sec) M5 RWD
M-Series	2D Cpe	5.0L V10 (0-60 in 4.6 sec) M6 RWD
M Roadster	2D Con	3.2L 6 Cyl 6MT M Roadster RWD
M Coupe	2D Cpe	3.2L 6Cyl M Coupe
Z-Series	2D Con	3.0L 6Cyl 6MT Z4 3.0i RWD
		3.0L 6Cyl 6MT Z4 3.0si
	2D Cpe	3.2L 6Cyl Z4 3.0si
CADILLAC		
CTS-V	4D Sed	6.0L V8
STS-V	4D Sed	4.4L V8 Supercharged
XLR	2D Tar	4.6L V8
XLR-V	2D Tar	4.4L V8 Surpercharged
CHEVROLET		
Corvette	2D Con	6.0L V8
Corvette	2D Cpe	6.0L V8 Z06/LS6
		7.0L V8
CHRYSLER		
Crossfire	2D Cpe	3.2L V6
	2D Cpe	3.2L V6 Limted
	2D Cpe	3.2L V6 Supercharged Coupe SRT-6
	2D Con	3.2L V6 Supercharged SRT-6
	2D Con	
	2D Con	Limited 2WD

Chrysler 300	4D Sed	5.7L 8cyl Hemi C Hemi AWD
		5.7L V8 hemi C Hemi 2WD
		5.7L V8 hemi C Hemi 2WD
		6.1L V8 SRT-8 RWD
		6.1L V8 RWD
DODGE		
-	-	-
Charger	4D Sed	5.7L V8 Hemi R/T RWD
		6.1L V8 Hemi SRT-8 RWD
Viper	2D Con	8.3L V10 SRT - 10 2WD
	2D Cpe	8.3L V10 SRT - 10 2WD
DODGE TRUCK/SUV		
Magnum	4D Wag	5.7L V8 Hemi (EZB) R/T RWD
		5.7L V8 Hemi R/T RWD
		6.1L V8 Hemi (ESF) SRT-8 RWD
		6.1L V8 Hemi SRT-8 RWD
Magnum	4D Wag	3.5L V6 (EGG) AWD
		3.5L V6 AWD
		5.7L V8 HEMI (EZB) R/T AWD
		5.7L V8 HEMI AWD
FERRARI		
F430 Spider	2D Con	4.3L V8 490HP
F430 Berlinetta	2D Cpe	4.3L V8 490HP
575M Maranello	2D Cpe	5.7L V12 515HP
612 Scaglietti	2D Cpe	5.8L V12 534HP
FORD		
GT	2D Cpe	5.4L V8 RWD
Mustang	2D Cpe	4.6L 8 CYL T
	2D Con	4.0L V6 base/Delux/Premium
		4.6L 8CYL GT
HONDA		
S2000	2D Con	2.2L 4Cyl

HUMMER		
		-
HI	4D Wag	6.6L V8 Turbodieses Alpha - Open Top 4WD
		6.6L V8 Turbodiesel Alpha 4WD
INFINITI		
G35	2D Cpe	3.5L V6
JAGUAR		
XJR		4.2L V8 Supercharged XJR RWD
Super V8		4.2L V8 Supercharged Super V8 RWD
		4.2L V8 Supercharged Super V8 Portfolio RWD
XKR	2D Cpe	4.2L V8 Supercharged XKR RWD
	2D Cpe	4.2L V8 Supercharged RWD
S-Type	4D Sed	4.2L V8 Supercharged R RWD
LAMBORGHINI		
Murcielago	2D Cpe	6.2L V12 AWD
	2D Cpe	6.2L V12 AWD
	2D Cpe	5.0L V10 AWD
LEXUS		
GS430		4.3L V8 RWD
LS430		4.3L V8 RWD
SC430		4.3L V8 2WD
MAZDA		
RX 8	4D Sed	1.3L Rotary 232 6MT RWD
MERCEDES		
SLR McLaren	2D Cpe	5.4L V8 617hp @6500 rpm Top speed 207.5 mpl
C55 AMG	4D Sed	5.4L V8
CLK500	2D Cpe	5.0L 8Cyl RWD
CLK500 Cabrio	2D Con	5.0L V8 RWD
CLK500 AMG Cabrio	2D Con	5.4L V8 RWD

CLS500	4D Sed	5.0L V8 RWD
CLS500 AMG	4D Sed	5.5L V8 Supercharged RWD
CLS600	2D Cpe	5.5L V12 Twin Turbo RWD
CL65 AMG	2D Cpe	6.0L V12 Twin Turbo RWD
E55 AMG	4D Sed	5.4L 8Cyl RWD
E55 AMG	4D Wag	5.5L V8 Supercharged RWD
S430		4.3L V8 RWD
		4.3L V8 AWD
S500		5.0L V8 RWD
		5.0L V8 AWD
S600		5.5L V12 Twin Turbo RWD
S55 AMG		5.5 V8 Supercharged RWD
S65 AMG		6.0L V12 Twin Turbo RWD
SL500	2D Tar	5.0L V8 RWD
SL600	2D Tar	5.5 V12 Twin Turbo RWD
SL55 AMG	2D Tar	5.5L V8 Supercharged RWD
SL65 AMG	2D Tar	6.0L V12 Twin Turbo RWD
SLK55 AMG	2D Tar	5.4L V8 RWD
SLK 350	2D Tar	3.5L V6 RWD
SLK 280	2D Tar	3.0L V6 RWD
MITSUBISHI		
Eclipse	2D Hbk	3.8L V8 GT FWD
		3.8L V8 SE FWD
Lancer	4D Sed	2.0L 4Cyl Turbo Evolution GSR/MR AWD
		2.0L 4Cyl Turbo Evolution RS AWD
NISSAN		
350Z		Includes Ethusiast, Performance Touring and Track Trim Levels
	2D Hbk	3.5L V6
		3.5L V6
		Includes Ethusiast, Performance Touring and Track Trim Levels
350Z	2D Con	3.5L V6
		3.5L V6
PONTIAC		
GTO	2D Cpe	6.0L V8
Solstice	2D Con	2.4L 4Cyl RWD
PORSCHE		
Boxster	2D Con	2.7L 6Cyl

		3.2L 6Cyl S
Cayman S	2D Cpe	3.4L 6Cyl Flat engine FWD
Carrera GT		
911 Carrera	2D Cpe	3.6L 6Cyl 2WD/4WD
		3.8L 6Cyl 2WD/4WD S
911 Carrera	2D Con	3.6L 6Cyl 2WD/4WD S Cabriolet
911 Carrera		3.8L 6Cyl Flat Eng 2WD/4WD 4/4S
Cayenne	4D Wag	3.2L V6 4WD
		4.5L V8 S4WD
		4.5 V8 Turbocharged Turbo 4WD
SAAB		
9-3-Arc	4D Sed	2.0L 4Cyl Turbo 5MT
		2.0L 4Cyl Turbo 5AT
9-3 Aero	4D Sed	2.8L 6Cyl Turbo 6MT Sport
		2.8L 6Cyl Turbo 6AT
9-3 Arc	2D Con	2.0L 4Cyl Turbo 2.0T
		2.0L 4Cyl Turbo
9-3 Aero	2D Con	2.8L V6 Turbo 5AT
		2.0L 4Cyl Turbo
9-2X	4D Wag	2.5L 4Cyl Turbo Aero AWD

Table 12. Typical Designated High Risk Lines During 2005

<u>Safety Insurance Company</u>

Make	Models	Vehicle Count
Acura	3.2 CL; 3,2 TL; Integra; MDX; RSX	92
Audi	A4 1.8T; A4 2.8; A6 2.7T; A6 2.8; A6 3.0; A6 4.2 Quatro; A8 4.2 Quatro; A8 L Quatro; All Road; S4 Quatro; S8 Quatro; TT Quatro	103
BMW	323 Series; 325 Series; 328 Series; 330 Series; 525 Series; 528 Series; 530 Series; 540 Series; 740 Series; 745 Series; 750 Series; M Roadster; M5 Series; X5 Series; Z3 Series; Z4 Series	194
Buick	Park Avenue; Regal	13
Cadillac	Deville; El Dorado; Seville	80

Chevrolet	Blazer; Camero; Caprice; Corvette; Impala; Monte Carlo; S-10; Trailblazer	282
Chrysler	Sebring	110
Dodge	Stratus	1
Ford	Mustang; Thunderbird	74
GMC	Jimmy; Safari	3
Honda	Accord; Passport; Pilot; Prelude; S2000	196
Infiniti	G35; I30; Q45; QX4	61
Isuzu	Axiom; Rodeo; Trooper	103
Jaguar	Vanden Plas; XJ8; XJR; XK8	8
Jeep	Cherokee; Grand Cherokee; Laredo; Liberty; Wrangler	888
Lexus	ES 300; ES 330; GS 300; GS 400; GS 430; GX 470; IS 300; LS 430; LX 470; RX 300; SC 430	147
Lincoln	Town Car	75
Mazda	6s; Miata; Millenia; MX5 Miata	31
Mercedes Benz	C280; S500; SL500	12
Mercury	Grand	1
Mitsubishi	Diamante; Eclipse; Galant; Montero	144
Nissan	Armada; Maxima; Pathfinder	499
Oldsmobile	Aurora; Bravada; Intrigue	26
Pontiac	Firebird; Grand Prix	6
Porsche	911 Carrera; 911 Turbo; Boxster	8
Saab	9-3 SE	25
Subaru	Baja; Forester; Legacy	66
Toyota	Avalon; 4 Runner; Highlander; MR2; Sienna	500
Volkswagon	Cabriolet; GTI; Jetta; Passat; Wagon	41
Total		3,789

INSURANCE LOSSES FROM MOTOR VEHICLE COMPREHENSIVE POLICIES DURING 2005

This section describes the losses incurred by insurance companies in 2005 from policies providing motor vehicle comprehensive coverage. Also described are insurance, rental and leasing company losses caused by motor vehicle theft.

Specifically, the following topics are examined:

- The number of comprehensive claims paid by insurers during 2005.
- The proportion of comprehensive claims that were caused by motor vehicle theft.
- The dollar losses sustained by reporting insurance companies under comprehensive coverage.
- The total dollar losses under comprehensive policies attributable to theft and the proportion of all comprehensive losses attributable to vehicle theft.
- The net dollar losses due to vehicle theft.
- The amount recovered by insurers through the sale of recovered vehicles and parts.

- The proportion of these dollars recovered which is attributed to thefts of whole motor vehicles.

- The number of comprehensive claims and the amounts paid by insurers for designated high risk vehicles.

Each of these topics is considered in the following sections.

5.1 Comprehensive Claims Paid By Insurers During 2005

Under paragraphs (d)(2)(i) and (d)(2)(ii)(A) of the Reporting Requirements, insurers indicated the total number of comprehensive claims which were paid during 2005 and the number of these claims which resulted from a theft. Table 13 illustrates that the total number of comprehensive claims for the reporting companies during 2005 were 7,635,947 for all vehicles and 112,302 for commercial vehicles. This totaled to 7,748,249 claims.

The commercial vehicle data on Table 13 includes vehicles designated by the insurance companies as either: commercial with no information as to type of vehicle; or vehicles designated as either light or heavy trucks, with no indication that they are commercial vehicles. The assumption was made that light or heavy trucks should be included in the commercial category with the truck notation appended.

Table 13 indicates the number of comprehensive claims paid by each company during 2005. The number of these claims paid by the various companies ranged from 23,933 to 2,542,982 for all vehicles. The commercial vehicle data ranged from 4,957 to 107,345. When combining all vehicle types from both categories the total number of comprehensive claims that was reported and paid for in 2005 were 7,748,249.

A total of 7,748,249 claims of all reported (all vehicles and commercial) comprehensive paid by 20 of the 24 reporting insurance companies were the result of the theft of a motor vehicle or the theft of its contents or components. As indicated in Table 13, the total of all comprehensive claims reported was 7,635,947 and the total commercial claims were 112,302.

Table 13. Number of Comprehensive Claims Paid By Reporting Ins. Co. (2005)

Insurer	All Vehicles	Commercial
ALFA	124,830	Not Reported
Allstate	1,125,785	Not Reported
American Family Insurance Group	318,344	Not Reported
American International	104,034	107,345
Auto Club Michigan	Not Reported	Not Reported
Auto Club Southern California	23,933	Not Reported
Auto-Owners Insurance Group	118,189	Not Reported
California State Auto Association	194,950	Not Reported
Erie Insurance Group	157,390	Not Reported
Farmers Insurance Group	521,518	Not Reported
GEICO	739,770	Not Reported
Hartford Insurance Group	189,706	4,957
Kentucky Farm Bureau	Not Reported	Not Reported
Mercury General Group	53,692	Not Reported
Metropolitan Life Auto & Home Group	Not reported	Not Reported

New Jersey Manufacturers Group	Not Reported	Not Reported
Progressive Group	*	*
Safety Insurance	62,192	Not Reported
Southern Farm Bureau (AR)	30,375	Not Reported
Southern Farm Bureau (MS)	24,908	Not Reported
State Farm	2,542,982	Not Reported
Tennessee Farmers Bureau	31,866	Not Reported
Travelers Insurance	129,519	Not Reported
USAA Group	*	*
Total	**7,635,947**	**112,302**

* Confidential

Table 14 indicates the number of theft claims paid by each company during 2005, which resulted from theft. The number of these claims paid by the various companies ranged from 182 to 138,713 theft claims. Total theft claims paid by reporting insurance companies were 370,625 compared to 2004, which were 286,203.

Table 14. Theft Claims Paid by Reporting Ins. Co. (2005)

Insurer	All Vehicles	Commercial
ALFA	366	Not Reported
Allstate	42,506	Not Reported
American Family Insurance Group	16,162	Not Reported
American International	4,585	652
Auto Club Michigan	Not Reported	Not Reported
Auto Club Southern California	2,543	Not Reported
Auto-Owners Insurance Group	3,602	Not Reported
California State Auto Association	5,606	Not Reported
Erie Insurance Group	2,313	Not Reported
Farmers Insurance Group	18,506	Not Reported
GEICO	56,862	Not Reported
Hartford Insurance Group	5,095	182
Kentucky Farm Bureau	Not Reported	Not Reported

Mercury General Group	8,538	Not Reported
Metropolitan Life Auto and Home Group	Not Reported	Not Reported
New Jersey Manufacturers Group	1,243	Not Reported
Progressive Group	*	*
Safety Insurance	2,101	Not Reported
Southern Farm Bureau (AR)	Not Reported	Not Reported
Southern Farm Bureau (MS)	317	Not Reported
State Farm	138,713	Not Reported
Tennessee Farm Bureau	607	Not Reported
Travelers Insurance	3,858	Not Reported
USAA Group	*	*
Total	**369,791**	**834**

* Confidential

5.2 *Proportion of Theft Claims Due to Vehicle Theft*

Under paragraph (d)(2)(ii)(B) of the NHTSA Reporting Requirements, insurers indicated their estimate of the amount of theft claims paid during 2005, which resulted from the theft of motor vehicles. This classification excluded claims resulting solely from the theft of vehicle contents or components.

These estimates are presented in Table 15 the proportion of theft claims, which resulted from the theft of motor vehicles varied by company and ranged from 1.47% to 16% percent for all vehicles. Commercial theft claims ranged from .61% to 3.67%. The totals do not accurately depict the number of vehicle thefts experienced by insurers subject to the reporting requirements, since all insurers did not provide a percentage breakdown of vehicle thefts for the theft claims they reported.

Table 15. Proportion of Theft Claims Paid Due to Vehicle Theft (2005)

Insurer	All Vehicles	Commercial
ALFA	3%	Not Reported
Allstate	3.78%	Not Reported
American Family Insurance Group	5%	Not Reported
American International	4.41%	.61%
Auto Club Michigan	Not Reported	Not Reported
Auto Club Southern California	1.22%	Not Reported
Auto-Owners Insurance Group	1.82%	Not Reported
California State Automobile Association	3%	Not Reported
Erie Insurance Group	1.47%	Not Reported
Farmers Insurance Group	3.5%	Not Reported
GEICO	4.9%	Not Reported
Hartford Insurance Group	2.68%	3.67%
Kentucky Farm Bureau	Not Reported	Not Reported
Mercury General Group	16%	Not Reported
Metropolitan Life Auto and Home Group	Not Reported	Not Reported
New Jersey Manufacturers Group	Not Reported	Not Reported
Progressive Group	*	*
Safety Insurance	3.38%	Not Reported
Southern Farm Bureau (AR)	Not Reported	Not Reported
Southern Farm Bureau (MS)	1.2%	Not Reported
State Farm	5.45%	Not Reported
Tennessee Farmers Bureau	1.9%	Not Reported
Travelers Insurance	2.98	Not Reported
USAA Group	*	*

*Confidential

5.3 *Insurance Losses Under Comprehensive Coverage During 2005*

Under paragraph (d)(2)(iii) of the NHTSA Reporting Requirements, insurers identified the total payments issued to policyholders during 2005 for claims filed under comprehensive coverage.

The monetary losses under comprehensive coverage are presented by companies in Table 16. These losses varied from over $6,674,105 million to over $3 billion dollars. The combined comprehensive losses for the companies reporting this information totaled over $7.2 billion dollars for all vehicles and over $163 million for commercial vehicles.

Table 16. Losses Under Comprehensive Coverage Paid by Reporting Ins. Co. (2005)

Insurer	All Vehicles	Commercial
ALFA	$58,718,213.00	Not Reported
Allstate	$11,232,628.25	Not Reported
American Family Insurance Group	$219,142,351.41	Not Reported
American International	$141,375,072.00	$156,244,688.78
Auto Club Michigan	Not Reported	Not Reported
Auto Club Southern California	$37,623,162.00	Not Reported
Auto-Owners Insurance Group	$121,478,902.40	Not Reported
California State Automobile Association	$135,914,574.99	Not Reported
Erie Insurance Group	$121,142,387.00	Not Reported
Farmers Insurance Group	$468,928,608.00	Not Reported
GEICO	$667,536,598.00	Not Reported
Hartford Insurance Group	$157,605,920.00	$7,070,608.00
Kentucky Farm Bureau	Not Reported	Not Reported
Mercury General Group	$124,665,623.01	Not Reported
Metropolitan Life Auto and Home Group	Not Reported	Not Reported
New Jersey Manufacturers Group	$6,674,105.00	Not Reported
Safety Insurance	$34,883,998.00	Not Reported
Progressive Group	*	*
Southern Farm Bureau (AR)	$24,892,745.00	Not Reported
Southern Farm Bureau (MS)	$25,788,940.49	Not Reported
State Farm	$3,075,652,343.00	Not Reported
Tennessee Farmers Bureau	$41,511,634.80	Not Reported
Travelers Insurance	$128,785,739.00	Not Reported
USAA Group	*	*
Total	**$7,203,132,157.35**	**$163,315,296.78**

*Confidential

5.4 Losses Due to Theft

Under paragraphs (d)(2)(iv)(A)(1) and (d)(2)(iv)(A)(2) of the NHTSA Reporting Requirements, insurance companies indicated the total payments issued to policyholders during 2005 as a result of theft and the percentage of all theft loss payments due to thefts of motor vehicles.

5.5 Insurer Losses Due to Theft

The eighteen companies that reported were Allstate Insurance Group, American Family Insurance Group, American International, Auto Club Southern California, Auto-Owners Insurance Group, Erie Insurance Group, Farmers Insurance Group, GEICO, Hartford Insurance Group, Mercury General Group, New Jersey Manufacturers Group, Progressive Group, Safety Insurance, Southern Farm Bureau (MS), State Farm, Tennessee Farmers Bureau, Travelers Insurance, and USAA. They reported vehicle theft losses and theft losses as well as comprehensive losses in dollars in 2005. The total losses paid by these companies were $1,364,490,104.59 for vehicle theft and $3,785,236.26 for commercial vehicles. The Insurers reported $1,368,275,340.85 for combined comprehensive losses for all vehicles.

Table 17 illustrates reported theft and vehicle theft losses during 2005 by each insurance company. The theft losses varied from approximately $1,736,159.74 to over 523 Million. In total, these companies reported theft losses of over 1.3 billion during 2005.

Table 17. Theft Losses Paid by Reporting Ins. Co. (2005)

Insurer	All Vehicles	Commercial
ALFA	Not Reported	Not Reported
Allstate	$2,080,873.45	Not Reported
American Family Insurance Group	$33,092,882.17	Not Reported
American International	$23,523,051.85	$2,752,557.26
Auto Club Michigan	Not Reported	Not Reported
Auto Club Southern California	$16,627,968.00	Not Reported
Auto-Owners Insurance Group	$12,198,264.99	Not Reported
California State Auto	Not Reported	Not Reported
Erie Insurance Group	$10,285,794.00	Not Reported
Farmers Insurance Group	$113,136,062.00	Not Reported
GEICO	$161,328,592.00	Not Reported
Hartford Insurance Group	$19,728,244.00	$1,032,679.00
Kentucky Farm Bureau	Not Reported	Not Reported
Mercury General Group	$62,483,822.36	Not Reported
Metropolitan Life Auto & Home Group	Not Reported	Not Reported
New Jersey Manufacturers Group	$6,674,105.00	Not Reported
Progressive Group (confidential)	*	*
Safety Insurance	$5,507,209.00	Not Reported
Southern Farm Bureau (AR)	Not Reported	Not Reported
Southern Farm Bureau (MS)	$1,736,159.74	Not Reported
State Farm	$523,295,441.00	Not Reported
Tennessee Farmers Bureau	$5,564,985.03	Not Reported
Travelers Insurance	$18,586,394.00	Not Reported
USAA (confidential)	*	*
Total	**$1,364,490,104.59**	**$3,785,236.26**

* Confidential

5.6 Vehicle Theft Losses Reported by Rental and Leasing Companies

The losses sustained by rental and leasing companies during 2005, as a result of theft, were reported by-one company, Hertz, as shown in Table 18.

Table 18. Vehicle Theft Losses Paid by Reporting Rental and Leasing Companies (2005)

Insurer	Theft Losses $
Avis-Budget	Not Reported
Dollar Thrifty Automotive Group	Not Reported
Hertz	$10,250,166.67
U-Haul	Not Reported
Vanguard	Not Reported

5.7 Net Losses Due to Vehicle Theft

Under paragraph (d)(2)(iv)(B) of the NHTSA Reporting Requirements, six insurers and three leasing companies specified the net losses sustained during 2005 as a result of vehicle theft. The eleven insurers that reported net losses were ALFA, American Family, American International, Auto Club of Southern California, Auto Owners, California State Automobile Association, Erie, Farmers Insurance Group, Mercury, State Farm, and Tennessee Farmers. Tennessee Farmers reported $0.00 for net theft losses in 2005.

Table 19. Net Losses Due to Vehicle Theft (2005)

Insurer	Net Losses
ALFA	$3,333,466.00
Allstate	Not Reported

American Family Insurance	$16,857,619.49
American International	$26,275,609.26
Auto Club Michigan	Not Reported
Auto Club of Southern California	$14,376,308.00
Auto-Owners	$15,618,108.34
California State Automobile Association	$30,574,916.48
Erie Insurance Group	$10,285,794.00
Farmers Insurance Group	$113,136,062.00
GEICO	$128,775,753.00
Hartford Insurance Group	Not Reported
Kentucky Farm Bureau	Not Reported
Mercury Group	$11,283,511.18
Metropolitan Life Auto and Home Group	Not Reported
New Jersey Manufacturing Group	Not Reported
Progressive	*
Safety Insurance	Not Reported
Southern Farm Bureau (AR)	Not Reported
Southern Farm Bureau (MS)	Not Reported
State Farm	Not Reported
Tennessee Farmers	$0.00
Travelers Insurance	Not Reported
USAA Group	*
Total	$367,183,681.75

*Confidential

5.8 Dollars Recovered by Insurers through the Sale of Recovered Vehicles and Parts

In response to paragraph (d)(2)(v)(A) of the Reporting Requirements, insurers indicated the total dollars recovered through the sale of recovered vehicles, major parts recovered not attached to the vehicle, or other recovered parts, after having already paid their policyholders.

2005 report findings also show a substantial decrease in the dollars recovered by insurers through the sale of recovered vehicles and parts. Specifically, the dollars recovered by insurers' through the sale of recovered vehicles and parts substantially increased to $61,769,201.74 in 2005 as compared to $27,720,937.08 in 2004. This 123% increase was largely due to insurers who had not reported the dollars recovered in 2004 but did provide its 2005 information. There were five insurers that reported for 2005 that did not report its 2004 information. Specifically, those insurers were: Auto Club Southern California, California State Auto Association, GEICO, Mercury General Group, and Travelers.

5.9 Proportion of Money Retrieved Which Resulted from Vehicle Thefts

Responding to paragraph (d)(2)(v)(B) of the NHTSA Reporting Requirements, insurers provided estimates of the percentage of all dollars recovered through the sale of recovered vehicles, components or contents in 2005 (provided under paragraph (d)(2)(v)(A)) which directly attributed to the theft of whole motor vehicles. In addition, the insurers indicated how they arrived at this estimate.

Table 20 presents estimates by insurance companies. The majority of the 24 reporting insurers did not report on the estimates of the proportion of dollars recovered arising from vehicle thefts; however the reported numbers ranged from 5 percent to 100 percent of all dollars recovered through the sale of recovered vehicles, contents or components. Only American International reported commercial numbers for calendar year 2005 and they reported 3.7 percent.

Table 20. Proportion of Dollars Retrieved which Arose from Vehicle Theft (2005)

Insurer	All Vehicles	Commercial
ALFA	5.0%	Not Reported
Allstate	Not Reported	Not Reported
American Family Insurance	Not Reported	Not Reported
American International	6.8%	3.7%
Auto Club Michigan	Not Reported	Not Reported
Auto Club Southern California	13.1%	Not Reported
Auto Owners	96.3%	Not Reported
California State Auto Association	76%	Not Reported
Erie Insurance Group	100%	Not Reported
Farmers Insurance Group	Not Reported	Not Reported
GEICO	98.7%	Not Reported
Hartford Insurance Group	Not Reported	Not Reported
Kentucky Farm Bureau	Not Reported	Not Reported
Mercury General Group	84%	Not Reported
Metropolitan Life Auto and Home Group	Not Reported	Not Reported
New Jersey Manufacturing Group	100%	Not Reported
Progressive	*	*
Safety Insurance	Not Reported	Not Reported
Southern Farm Bureau (AR)	Not Reported	Not Reported
Southern Farm Bureau (MS)	Not Reported	Not Reported
State Farm	Not Reported	Not Reported
Tennessee Farmers	100%	Not Reported
Travelers	100%	Not Reported
USAA Group	*	*

*Confidential

5.10 *Proportion of Theft Losses Due to Vehicle Theft & Loss Relative to Comprehensive Claims*

Table 21 presents the proportion of theft losses that attributed to vehicle theft as estimated by each insurance company. These estimates differed between companies with total vehicle theft losses. In 2005 report findings fifteen insurers reported comprehensive claims relative to theft losses and relative to comprehensive claims. There were only two companies that reported to only the percentage of total theft losses or the percentage of comprehensive claims. These companies were New Jersey Manufacturer's Group and State Farm.

Table 21. Percentage of Comprehensive and Theft Losses Due to Vehicle Theft (2005)

Insurer	Relative To Total Theft Losses	Relative To Total Comprehensive Claims
ALFA	99%	6.4%
Allstate	Not Reported	Not Reported
American Family Insurance Group	88.4%	13.34%
American International	71.2%	12.9%
Auto Club Michigan	Not Reported	Not Reported
Auto Club Southern California	98.8%	43.68%
Auto-Owners Insurance Group	87.7%	12.34%
California State Auto Association	25.9%	6.6%
Erie Insurance Group	17.3%	1.47%
Farmers Insurance Group	100%	24.1%
GEICO	89.1%	21.54%
Hartford Insurance Group	99.9%	12.51%
Kentucky Farm Bureau	Not Reported	Not Reported
Mercury General Group	51.25%	25.61%
Metropolitan Life Auto Home Group	Not Reported	Not Reported
New Jersey Manufacturers Group	97.8%	Not Reported
Progressive Group	*	*
Safety Insurance	Not Reported	Not Reported
Southern Farm Bureau (AR)	Not Reported	Not Reported
Southern Farm Bureau (MS)	Not Reported	Not Reported
State Farm	Not Reported	17%

Tennessee Farmers Bureau	100%	13.41%
Travelers Insurance	Not Reported	Not Reported
USAA Group	*	*

*Confidential

5.11 Comprehensive Claims for High Risk Vehicles

Under paragraph (d)(2)(vii) of the NHTSA Reporting Requirements, insurers were requested to identify the number of comprehensive claims and the amounts paid for vehicles designated as posing a high risk of theft.

As noted in Section 4 in Tables 9, 10, 11, and 12 almost all of the reporting insurers indicated that they did not specifically designate lines for premium penalties on the basis of theft potential. American Family Mutual identified high risk vehicles, of the 347 claims reported the insurer paid $369,178.78 during 2005. Safety reported only the number of vehicle thefts which was 3,789. California State Auto did not report the total number of claims for high risk vehicles nor the dollars in 2005.

PROGRAMS TO REDUCE COMPREHENSIVE PREMIUMS DURING 2005

This section describes programs undertaken by insurers to reduce comprehensive rates due to a reduction in vehicle thefts. This information was supplied under paragraphs (e) and (f) of the NHTSA Reporting Requirements, and includes:

- Actions taken to reduce rates due to a reduction in motor vehicle thefts (paragraph (e), Section 33112 (c) (D) of Chapter 331).

- The conditions to be met to receive such a rate reduction (paragraph (e)(1), Section 33112 (c) (D) of Chapter 331).

- The number of vehicles and policyholders receiving these rate reductions (paragraph (e)(2), Section 33112 (c) (D) of Chapter 331).

- The difference in average comprehensive premiums between those receiving reductions and those who did not (paragraph (e)(3), Section 33112 (c) (F) of Chapter 331).

- The specific criteria used by the insurer to determine if a vehicle is eligible for a premium reduction if equipped with one or more anti theft devices (paragraph (f)(1), Section 33112 (c) (F) of Chapter 331).

- The total number of thefts in 2005 of vehicles which received a premium reduction since they were equipped with a qualifying anti theft device (paragraph (f)(2), Section 33112 (c) (F) of Chapter 331).

- The total number of recovered vehicles which received a premium reduction for an anti theft device (paragraph (f)(3), Section 33112 (c) (F) of Chapter 331).

These topics are discussed in the sections which follow.

6.1 Insurer Actions To Reduce Comprehensive Rates And The Conditions To Qualify For Rate Reductions

The majority of the insurers indicated that they do not employ rating procedures specifically aimed at reducing comprehensive rates for a given motor vehicle line based on a determination that the theft rate for the line has been reduced.

Existing rating procedures generate lower rates for all passenger cars in a rating territory when comprehensive losses or combined comprehensive and collision losses for the territory are reduced. Rates are most often lowered when a reduction in losses exists, without the cause of the loss being specifically considered.

It was indicated that while the theft portion of the comprehensive premium is based upon the actual experience of each make and model, it is possible that the theft rate may decrease while the overall comprehensive rate increases due to other losses and changes in the relative value of the vehicle. The relative loss experience, or relative value assigned by the industry, must be such that a reduction in combined comprehensive and collision insurance premium is actuarially justified. Some insurers indicated, that the conditions to be met to receive such a reduction were “ISO supplied”, or based on the Vehicle Series Rating Program.

Kentucky Farm Bureau responded that if an improved experience develops within a rating territory, all vehicles insured within the territory would receive an equivalent rate change.

Several of the insurers indicated that they employed credits, comprehensive premium discounts, or waiver of the comprehensive deductible for passenger cars equipped with some form of theft deterrent (anti theft) device or marked parts. These devices or markings include:

- A device which will disable the vehicle by making the fuel, ignition or starting system inoperative. Active disabling devices require a separate manual step to engage the device; whereas, passive disabling devices do not require a separate manual step to be engaged.

- Hood locks which can be released only from inside the vehicle.

- Window Glass Etching.

- Alarms.

- Original equipment anti theft devices or marked parts.

To receive a discount on comprehensive coverage premium, the insured must file an application for discount identifying the type of anti theft device.

6.2 Number of Rate Reductions Issued in 2005

Table 22 identifies the number of vehicles and policyholders, which received premium reductions during 2005. Information was supplied by 9 of the twenty four insurance companies. ALFA, Allstate, American Family Insurance, Farmers, Hartford, Mercury, Progressive, and Safety provided both number of vehicles and number of policyholders who received a premium rate reduction. Auto Club of Southern California was the only insurer who reported the number of vehicles receiving premium reductions. One company, American International Insurance reported premium reductions to the Insurance Services Office.

The information available indicates that 23,892,041 vehicles and 12,897,956 policyholders insured by reporting companies received premium reductions during 2005.

Table 22. Vehicle and Policyholders Receiving Premium Reductions (2005)

Insurer	No of Vehicles	No of Policyholders
ALFA Insurance Companies	237,622	237,622
Allstate	10,929,041	3,213,179
American Family Insurance	292,72557,343	292,725
American International	ISO	ISO
Auto Club Michigan	Not Reported	Not Reported
Auto Club of Southern California	1,287,142	Not Reported
Auto Owners	Not Reported	Not Reported
California State Automobile Association	Not Reported	Not Reported

Erie Insurance Group	Not Reported	Not Reported
Farmers Insurance Group	1,711,722	1,518,497
GEICO	Not Reported	Not Reported
Hartford Insurance Group	1,462,317	1,127,422
Kentucky Farm Bureau	Not Reported	Not Reported
Mercury Group	5,928,724	5,253,279
Metropolitan Life Auto & Home Group	Not Reported	Not Reported
New Jersey Manufacturing Group	Not Reported	Not Reported
Progressive	*	*
Safety Insurance	213,683	155,454
Southern Farm Bureau (AR)	Not Reported	Not Reported
Southern Farm Bureau (MS)	Not Reported	Not Reported
State Farm	Not Reported	Not Reported
Tennessee Farmers	Not Reported	Not Reported
Travelers Insurance	Not Reported	Not Reported
USAA Group	Not reported	Not Reported
Total	23,892,041	12,897,956

* Confidential

6.3 Size of Discounts Offered by Insurers

Eleven insurance companies provided information on discounts for vehicles equipped with an anti theft device. Table 23 presents the percent discounts which ranged from 4% to 35%. Three of the reporting companies provided monetary amounts for Table 21; Farmers Insurance Group ($160.00) premium difference, Mercury General Group ($9.18) premium difference and Safety Insurance ranged from $9.18 to $63.53.

- 5 percent discounts for non-passive devices
- 10 percent discounts for vehicles equipped with an alarm or active disabling devices
- 5 percent discounts for passive disabling devices
- 10 percent discount for window identification system
- 15 percent discount with vehicle recovery system
- N/A percent discount for the Combat Auto Theft (CAT) Program*

- N/A percent discount for military installation garaging

Table 23. Difference in Comprehensive Premiums Between Policyholders With and Without Rate Reduction (2005)

Insurers	Premium Difference in Dollars	Premium Difference in Percent
ALFA Insurance Companies	Not Reported	10.0%
Allstate Insurance Group	State Variation	State Variation
American Family Insurance	Not Reported	5% - 20% IL 5% MN
American International	Not Reported	5% - 20%
Auto Club Michigan	Not Reported	Not Reported
Auto Club Southern California	Not Reported	34.4%
Auto-Owners Insurance Group	Not Reported	Not Reported
California State Automobile Association	Not Reported	Not Reported
Erie Insurance Group	Not Reported	Not Reported
Farmers Insurance Group	$160.00	Not Reported
GEICO	ISO	ISO
Hartford Insurance Group	ISO	ISO
Kentucky Farm Bureau	Not Reported	Not Reported
Mercury General Group	$9.18	Not Reported
Metropolitan Life Auto & Home Group	Not Reported	4%
New Jersey Manufacturers Group	Not Reported	14.05%
Progressive Group	Not Reported	*5-25%
Safety Insurance		
Category: Base	$0	0.00%
I	$9.08	5%
II	$27.23	15%
III	$36.30	20%
IV	$36.30	20%
V	$45.38	25%
VI	$54.46	30%
VII	$63.53	35%
Southern Farm Bureau (AR)	Not Reported	Not Reported
Southern Farm Bureau (MS)	Not Reported	Not Reported
State Farm	Not Reported	Not Reported
Tennessee Farmers	Not Reported	Not Reported
Travelers Insurance	Not Reported	Not Reported
USAA Group	Not Reported	Not Reported

* Confidential

As noted in Table 23 the two insurers, GEICO and Hartford Insurance reported their findings to ISO. Allstate Insurance offered premium reduction policies which vary by states.

The remaining 11 companies did not provide information on discounts. These companies are: Auto Club of Michigan, Auto Owners, California State Automobile Association, Erie Insurance Group, Kentucky, Southern Farm Bureau (AR and MS), State Farm, Tennessee Farmers, Travelers, and USAA Group.

6.4 Eligibility Criteria for Anti theft Rate Reductions

The following seventeen companies; ALFA, Allstate, American International, American Family, Auto Club of Southern California, Auto Owners, Farmers, GEICO, Hartford, Mercury General Group, Metropolitan Life, New Jersey Manufacturing, Progressive, Safety Insurance, State Farm, Travelers Insurance and USAA Group offered a reduction in rates for automobile comprehensive coverage to policyholders for vehicles equipped with certain theft deterrent devices and specified acceptable devices. Auto Owners offered anti theft discounts to residents of the states of CA, TX, VT, NH, NM, and ME.

Some insurers indicated that these reductions were not voluntary and were offered only in states which they were required by law such as Michigan. GEICO discounts in 45 states, plus the District of Columbia. A variety of hood and ignition locks, alarms, passive or active disabling devices, and fuel or ignition cut-off systems were cited by the insurers as qualifying for the discount. Typical devices cited by the insurers for this purpose are identified in Table 24.

Table 24. Typical Devices Qualifying for Anti Theft Credits

Ignition or starter cut-off switch
Passive ignition cut-off switch
Non-passive or passive operated alarm
Passive collar or shield for steering column
Alarm activated by door, hood or trunk sensor or the former plus a hood restraint and backup battery.
Armored cable or electrical operated hood lock and ignition cut-off switch
Non-passive or passive disabling device
Passive alarm system which includes a motion detection device
Non-passive externally or internally operated alarm
High security ignition replacement lock
Passive or non-passive fuel cut-off system
Passive ignition cut-off system or a passive ignition lock protective system
Window identification system
Non-passive steering wheel lock or steering wheel removal lock
Vehicle recovery system device
Steering column armored collar
Passive time delay ignition system
Combat Auto Theft (CAT) program
Microchip key
Emergency handbrake lock
Hydraulic brake lock device
Car transmission lock
Alarm only device
Passive multi-component cut-off switch
Passive computer based system that disables the starting, ignition and fuel circuits when tampering of the steering column is detected
Armored ignition cut-off switch
Both a hood lock and alarm only devices, or active disabling devices, or passive disabling devices.
Passive alarm that sounds an alarm, causes the vehicle horn to sound, lights to flash, and/or causes the vehicle to be rendered inoperable.
Non-passive internally operated alarm also equipped with a forced action prompter
Anti-hot-wiring circuit
Glass sensor, vibration sensor, motion sensor, or ultrasonic sensor
Participation in an Anti Theft Program
Military installation garaging
Hood Restraint
Passive alarm with a hood lock or equipped with a redundant starting means

Note: Not all devices are recognized by all companies which offer anti-theft device credits.

6.5 Thefts and Recoveries of Vehicles with Anti Theft Devices

Nine of the insurers identified the number of claims filed during 2005 for stolen vehicles subject to a premium reduction for an installed anti theft device. Recovery information for these vehicles was provided by 6 of the insurers. American Family Insurance, Auto Owners, GEICO, Mercury General Group, Safety Insurance, and USAA Group were the six insurers who provided information. A total of 28,711 thefts of vehicles with anti theft devices were reported for the reporting period 2005 (RP). The total amount of vehicles recovered with anti theft devices was 8,415 that received anti theft discounts.

The required theft and recovery data was reported directly by the insurance companies or supplied by the ISO or NATB on behalf of the reporting companies. This information included the number of stolen vehicles, which were equipped with anti theft devices (ATD).

Table 115. Theft and Recovery of vehicles receiving Anti theft Discounts (2005)

Insurer	Number Stolen	Number Recovered	Percent Recovered
ALFA Insurance Companies	Not	Not Reported	Not Reported
Allstate Insurance Group	Not	Not Reported	Not Reported
American Family Insurance	363	236	65.0%
American International	NATB	NATB	NATB
Auto Club Michigan	Not	Not Reported	Not Reported
Auto Club Southern California	1,983	Not Reported	Not Reported
Auto-Owners Insurance Group	970	122	12.57%
California State Automobile	Not	Not Reported	Not Reported
Erie Insurance Group	ISO	ISO	ISO
Farmers Insurance Group	3,398	Not Reported	Not Reported
GEICO	5,864	5,864	100.00%

Hartford Insurance Group	Not	Not Reported	Not Reported
Kentucky Farm Bureau	Not	Not Reported	Not Reported
Mercury General Group	8,653	643	7.40%
Metropolitan Life Auto & Home	Not	Not Reported	Not Reported
New Jersey Manufacturers Group	Not	Not Reported	Not Reported
Progressive Group	Not	Not Reported	Not Reported
Safety Insurance	324	191	58.90%
Southern Farm Bureau (AR)	Not	Not Reported	Not Reported
Southern Farm Bureau (MS)	Not	Not Reported	Not Reported
State Farm	Not	Not Reported	Not Reported
Tennessee Farmers	Not	Not Reported	Not Reported
Travelers Insurance	674	Not Reported	Not Reported
USAA Group	*	*	*
Total	28,711	8,415	29.31%

*confidential

INSURER ACTIONS TO ENCOURAGE REDUCTIONS IN VEHICLE THEFTS DURING 2005

The Insurer Actions to Encourage Reductions in Vehicle Thefts during 2005 section captures actions taken by insurance, rental and leasing companies to promote the reduction of motor vehicle theft. It also entails company policies regarding the use of used parts and precautions taken to identify the origin of used parts.

7.1 Actions to Assist Reduction in Vehicle Thefts

In paragraph (g)(1) of the Reporting Requirements, insurers were required to identify a variety of actions taken to assist in deterring or reducing thefts of motor vehicles. Insurers also identified why they believed these actions would be effective.

Actions cited by insurance companies to deter or reduce thefts include:

1) The National Insurance Crime Bureau (NICB), a membership in organization, includes financial support in the exchange of information regarding stolen vehicles. Insurers typically contact the NICB with 24 to 48 hours of being notified of a vehicle theft to help identify fraudulent claims and track the Vehicle identification Number (VIN) of stolen vehicles. This information is used to hinder efforts of the unlawful reselling, re-titling and reinsuring of stolen vehicles.

2) There are several incentives to policyholders to promote use of theft deterring techniques to reduce vehicle theft. These incentives include rate reductions for vehicles equipped with anti theft devices (ATD) and programs providing free VIN etching on glass and other parts. VIN Part etching is supposed to reduce the ability of a stolen vehicle or its parts to be sold. Several companies specifically mentioned VIN etching.

3) Cash reward programs are advertised for information which leads to the arrest and conviction of motor vehicle criminals. A policy such as this is seen as effective, particularly in rural areas. Insurers also present awards to individuals who excel in efforts to deter thefts and enhance recoveries.

4) State Farm believes that the retirement of titles would diminish the potential for VIN switches and resale of stolen motor vehicles. The insurer has supported legislation that permits the retirement or cancellation of motor vehicle titles with disposal of salvage by bill of sale, in cases in which the salvage cannot or should not be rebuilt. Title retirement/cancellation is allowed in about one third of the states.

State Farm participates in several organizations, which are dedicated to reducing motor vehicle theft. Participants exchange ideas and information, develop policies and procedures which aim to prevent the trafficking in stolen parts, and the education of their investigators as to theft investigation techniques.

These organizations include the Midwest Task Force, (concerned with title laws), the International Association of Automobile Theft Investigators; The Western States Association of Theft Investigators and the NICB. On a limited basis, the insurer has provided vehicles to law enforcement and investigative bodies for use in undercover theft investigation. They believe such action is needed in order to support the efforts of law enforcement agents whose purpose is to stop theft rings and fencing operations which deal in stolen vehicle parts.

5) American Family encourages employee participation in different industry organizations dedicated to combating vehicle theft and other forms of insurance fraud (i.e. the Vehicle Theft Task Force and the Wisconsin Interstate Fraud Network). American Family promotes and encourages maintaining dialogue with other members of the insurance industry dedicated to eliminating such fraudulent practices.

6) Farmers Insurance Group participates in anti theft activities such as the HEAT (Help Eliminate Auto Theft) program. A 24 hour hotline is provided where individuals can report the theft of motor vehicles; there is also the potential to receive a reward. Farmers Insurance Group also lends assistance to local law enforcement agencies concerning the prosecution of fraud cases to reduce automobile theft problems. Farmers Insurance Group is an active member of the NICB. They have supplied salvage vehicles for undercover operations which have resulted in criminal arrests.

Farmers Group, Inc. also utilizes two VIN Marking programs in all states except Illinois, Texas and Michigan.

In these programs the comprehensive deductible (up to $250) will be waived in the event of a total loss due to the theft of the vehicle if the vehicle has the VIN etched on all windows and glass or affixed directly to the vehicle's key metal components.

7) Travelers Insurance Agency is involved in a number of areas, which is believed to assist in the reduction or deterrence of motor vehicle thefts:

Travelers report all theft and recovery information to the NICB where a database of all prior and current theft, recovery and total loss data is maintained. This database allows insurers and law enforcement agencies to share data and foil attempts by individuals to report the same vehicle as stolen more than once. It also hinders attempts by car theft rings to sell stolen parts which are VIN stamped for use on other vehicles or to purchase previously totaled vehicles in attempts to insure them and report fraudulent theft claims.

Travelers Insurance Agency is working closely with the Insurance Fraud Bureau (IFB) and local, state and national law enforcement agencies to report and prosecute fraud in auto theft.

Travelers established a Special Investigative Unit (SIU) in the mid 1980's to respond to the growing trend in insurance fraud. The SIU currently has approximately 200 investigators to investigate fraud. SIU partners with each local field office to uncover fraud. Historically, the SIU has been staffed mostly by former law enforcement personnel who possess extensive investigative skills prior to their employment with Travelers.

Travelers claim and underwriting personnel are encouraged to participate in seminars sponsored by local law enforcement agencies. Seminars allow Travelers employees to obtain information and ideas to pass along to their policyholders to help them prevent the theft of their vehicles. The free exchange of ideas and experiences between insurance personnel and law enforcement officers creates an awareness to pass on to policyholders in preventing or reducing theft claims.

8) Southern Farm Bureau requires all theft losses are to be reported to the local law enforcement. They conduct a comprehensive investigation of each loss as well as follow up with the local law enforcement for progress reports.

9) California State Automobile Association Articles are published concerning auto theft prevention in the California state Automobile Association magazine VIA. We believe that public awareness is the most effective means of prevention. A VIN etching program is being offered to members. Members in the San Francisco Bay Area who own select automobiles will be able to have the vehicles VIN number etched on all windows as a deterrent to theft. CSAA has implemented the necessary software needed to participate in the NICB VIN assist program. This program checks the VIN number to determine if the recovered vehicle is the one described by that VIN number. CSAA exchange information with and assist law enforcement agencies at every opportunity; presenting awards to those officers who excel in their efforts to deter thefts and enhance recovery. Through September 2008 eight presentations have been made to law enforcement agencies honoring 298 officers. Factsheets for preventing car thefts and for preventing carjacking were produced and made available for media publication.

CSSA supports a cooperative effort between the insurance industry and law enforcement as a key factor in prevention and recovery. California State Automobile Association is members of the National Insurance Crime Bureau. NICB is highly effective in their efforts to prevent thefts and affect recovery.

10) Erie Insurance regularly provides substantive information to its policyholders, agents, and employees concerning auto theft awareness and prevention through numerous publications and websites disseminated throughout the year. In addition a number of Erie insurance employees participate in anti-theft programs in locations we service. These include VIN etching, clinics and auto theft programs. In legislative areas, Erie continues to work aggressively with state programs such as the Auto Theft Prevention Authority in Pennsylvania. Lastly, Erie is a member of the NICB. The NICB is active in combating vehicle theft through their field agents who assist in the identification and recovery of vehicles. NICB also heavily promotes public awareness of the problems associated with vehicle theft.

11) Farmers Insurance Group HEAT program 24 hour hotline to report auto theft. This program assists local law enforcement in insurance fraud prosecution. Farmers also has two VIN marking programs in all states expect Texas and Michigan. Supervisors instruct company car drivers to always lock their cars. Drivers are instructed to garage the vehicle at night. The Insurer also provides bait cars to law enforcement in high theft areas.

12) GIECO is a member of and contributes to the central database of NICB. This database helps detect and deter theft rings. SIU are assigned suspicious total theft claims for investigation. The insurer also supports various anti-car theft groups. GEICO has contributed finically and with technical advice to various police jurisdictions for theft awareness programs.

13) Mercury provides bait cars to local law enforcement. Mercury supports NICB with audio and video recording equipment in cars. Mercury also uses mobile license plate readers (LPR's). These takes photo of license plates and screens it against the crime data system for thefts. This helps determine where a stolen vehicle maybe located.

14) The following actions are taken by the New Jersey Manufacturers Group:

NJMG provides education to all claims personnel to inform them of potential fraud indicators and red flags. The New Jersey Manufacturers Group refers claims to the Special Investigations Unit for investigation which leads to reporting questionable claims to state authorities and possibly the non-payment of fraudulent claims.

Notices to insured that their cooperation is necessary to have a claim paid. If misrepresentation is made by the insured, the claim is denied.

Notices are sent to the insured regarding the company's anti-fraud position, and how NJM Group will report all cases of suspected fraud to the proper state authorities. Notices are also sent to insured and employees on procedures to follow to prevent car theft.

The company's special investigation unit is active in working with anti-auto theft authorities including: NICB, NJ County Prosecutors, the NJ County Anti-Auto Theft and Arson Task Forces, the Office of the Insurance Fraud Prosecutor, local and state police. They also work with authorities in other states including the Pennsylvania Office of the Attorney General, and the New York District Attorney's Office of the Bronx.

Ongoing Education of Special Investigation Unit Investigators in auto theft investigation and in vehicle arson.

15) Metropolitan offers discounts for anti theft devices and for involvement in local Combat Auto Theft Programs.

16) Mercury General Group offers mobile license plate readers. Provides bait cars to local law enforcement agencies. These vehicles are equipped with video and verbal recording devices.

17) Auto Club of Southern California a premium discount is given for a vehicle that garaged as it makes the vehicle less accessible for theft.
Through brochure and various publications we make our members/ insured aware of theft statistics and ways to prevent theft as the more aware, the more proper preventative measures are taken to help prevent theft.

18) Progressive has a SIU with a staff of 170 people. With field agents in all fifty states and routinely attend meetings. Progressive works closely with local law enforcement and supplies them with bait car that are used in undercover operations. The insurer is also a member of the NICB.

19) Southern Farm Arkansas provides a cash rewards program and is a member of the NICB.

20) Southern Farm Mississippi provides a cash rewards program and is a NICB member. Rewards are posted on flyers for information leading to solving the theft.

21) Safety Insurance reports all claims to the NICB. The insurer also works closely with insurance fraud bureau of Massachusetts and the community insurance fraud bureau.

7.2 Policy Regarding Used Parts

Under paragraphs (g)(2)(i) and (g)(2)(ii) of the NHTSA Reporting Requirements, insurance companies identified their policies in regard to the use of used parts and the precautions taken to identify the origin of used parts. 19 insurance companies specified their policies towards the use of used and after market parts to repair damaged vehicles during 2004. Most of these companies indicated that they allow and promote the use of like, kind and quality (LKQ) used parts when feasible to reduce repair costs and/or expedite completion of the repairs while assuring the insured's satisfaction. Most of the responding insurers indicated that they dealt only with reputable repair agencies, used part dealers, licensed salvage dealers, body shops and parts suppliers that they trust through past experience.

For some companies, used parts are used if they are fully documented in accordance with state law or through their own adjusting company or established independent adjusting companies, or if the repair agencies can determine the origin of these parts

The Hartford Company has no formal policy regarding the use of used parts. They encourage the use of quality parts regardless of brand name, and there is no preventative measure taken to identify the origin of used parts.

Farmers' insurance group's effective policy states that repairs are to use parts of like kind and quality.

State Farm encourages the use of salvage parts in the repair of motor vehicles and believes that by soliciting used parts from known sources, the opportunities to traffic in illegitimate, stolen parts will be diminished. It is the policy of State Farm to include in their repair estimates used parts prices quoted by a recycler who is known to maintain an inventory of parts obtained from legitimate sources. In most instances, the appraiser obtains a "part stock number" along with the price quote. State Farm personnel monitors pool sales and auctions to determine which buyers actively bid for salvage which will be dismantled for parts. Appraisers are furnished lists of recyclers who should have an adequate supply of legitimate used parts available. Appraisers contact these recyclers when searching for used parts.

The indiscriminate placement of orders for used parts through networks may encourage vehicle thefts to fill requests for those used parts. Some suppliers who respond to these orders maintain almost no inventory and carry on their business by brokering orders to other yards as well as to unknown sources. State Farm believes that "chop shop" operators will be among these unknown sources. Therefore, while brokering may be perfectly legitimate in many cases, it may also provide an outlet for stolen parts. By dealing with sources that maintain a substantial parts inventory, State Farm expects to discourage brokering and to close off the outlet for stolen parts. Where regulations require, it is the policy of State Farm to limit disposal of salvage by sale to licensed recyclers or re-builders. State Farm believes that the sale of salvage to authorized buyers maintains legitimacy in the process of buying and selling used automotive parts. In most cases, regulated salvage buyers are required to maintain records as to their source of acquisition. Violators are subject to fines and suspension of license.

Travelers promotes and allows the use of used and reconditioned original equipment manufacturer (OEM) parts, which are not safety related to affect the repairs on older vehicles. Typically, they do not consider used and reconditioned OEM parts unless the vehicle is more than 1 model year old and has more than 15,000 miles. When a repairable vehicle meets their criteria for used OEM parts consideration, Travelers appraisers typically look for reconditioned OEM parts and include them on the estimate for repairs if the parts are available. The appraiser also lists the source of the reconditioned part on the estimate to aid the policy holder or the repairer in obtaining the part. Travelers informs their policyholders that their vehicle may be repaired with OEM used and reconditioned parts in all cases where these parts are written for the repair of their vehicles.

Travelers Insurance makes every effort to locate used parts through reputable salvage parts dealers and body shops. Travelers evaluate their services and re-inspect the repairer's work on a number of repaired vehicles on a random basis. Travelers Insurance performs frequent evaluations of their operations using their appraisal staff to ensure their integrity. They have 4 Regional Physical Damage Managers and 20 re-inspectors located strategically throughout the country who perform due diligence reviews of salvage yard and body shop operations. They also perform re-inspections of appraisals, completed by direct repair shops, independent and staff appraisers that perform work on their policyholder's vehicles, to ensure the appropriate application of their appraisal standards which include the use of used and reconditioned OEM parts.

American Family Mutual believes the use of used parts in vehicle repair is an acceptable means of repair cost containment under appropriate circumstances. The use of such used parts is therefore promoted and allowed. American Family Mutual maintains a relationship with only professional, reputable parts suppliers when purchasing used parts for vehicle repair. From past business dealings with those suppliers, American Family has found that their business practices and reputation are above reproach.

Erie Insurance material damage appraisers are instructed to locate used parts for any vehicle over one year old or which has in excess of 15,000 miles. If used parts are available, the appraiser will identify the recycler from whom the parts can be obtained on the estimate of record.

This estimate becomes a part of Erie's claim file, and a copy is given to the vehicle owner. In addition, whenever an appraiser has reason to question the origin of any part used to repair a vehicle, he or she is encouraged to refer the matter to their Investigative Services Section for a full and complete investigation.

New Jersey Manufacturer's Group policies regarding the use of used parts are:

After Market Part Usage - Current model year and five years prior are excluded from using after market parts. After market parts should be used on any vehicle in excess of 100,000 miles, regardless of model year. When available, after market parts should be used on the following: engines/transmissions, mechanical parts, electrical parts, a/c condenser, tail lamps, side marker, interior trim, steering & suspension parts, rack & pinions, exhaust systems, a/c compressors, radiators, bumper reinforcements, bumper covers/fascias, vinyl/convertible tops, and header panels/grills. Re-manufactured wheels should not be used on any vehicle. After market sheet metal should not be used. If after market sheet metal is used on a vehicle, consent from the insured should be noted in the remarks section. No after market parts should be used on leased vehicles.

LKQ Parts - Every attempt is made to obtain a LKQ part on all vehicles excluding the following: current model year and 2 years prior, all safety items, i.e. steering, suspension parts, air bags, wheels, rack & pinion, hood latches, etc. If a LKQ part is used, the owner is notified, and it is noted on the estimate.

If LKQ parts are not used, a comment in the remarks section is included with the salvage yards (minimum 2-3) that were contacted including a telephone number and contact person. LKQ replacement parts should not be utilized on welded parts.

OEM Parts - When after market and LKQ parts are not available or applicable, OEM parts should be used. OEM parts must be used on all leased vehicles.

While NJM Group expects their repair faculties to only obtain used parts from proper vendors, they do not routinely and independently verify the source of supports.

Kentucky Farm Bureau states that they do not actively promote the use of used parts. They do allow the use of used parts when quality used parts are readily available and the repairman, insured and adjuster all agree that quality repairs can be make. Note that they do not advocate the use of used parts in their manual. Used parts are normally obtained by the repairman, and the Kentucky Farm Bureau takes no part in identifying the origin of the parts.

ALFA Insurance Companies use of used parts in the repair of damaged vehicles is both promoted and allowed. No specific actions are taken in order to identify the origin of the used parts other than attempting to deal with reputable repair agencies and used parts dealers.

American International Group states that the member companies allow the use of used parts in repairs to the extent that new parts are unavailable due to the vintage make and model year of the vehicle to be reported.

AIG utilizes its own member adjusting company or established independent adjusting companies who are familiar with the reputable body and/or repair shops in the state where the loss occurred.

Auto Club Southern California policy allows the use of LKQ parts to be used for repair as the use of quality parts which will not compromise the quality of repair. The insurer considers the safety aspect of the repair as well as the cost versus new parts.

When using used parts the used part should be the same year or newer then the existing part. The file is to be documented as to the efforts in obtaining used parts and the estimate must indicate it is a used part and where it was obtained. AIG also follows the manufactures I-Car or TECH-COR recommendations in conjunction with our guidelines when utilizing used parts.

GEICO Insurance Company encourages use of LKQ parts whenever possible. Using only reputable salvage licensed vendors. The insurer does not identify origins of used parts.

Mercury General Group, in appropriate cases, allows for use of used original equipment manufacturing parts. As Mercury Insurance is not the repairer of the vehicle only, the repair facility has the obligation and duty to ensure that the parts they utilize are of the same like kind and quality as the pre-loss part. Mercury conducts a final inspection from a sampling of vehicles repaired by the repair facility.

Metropolitan Life Auto and Home Group does not specify any regulations excluding where or when (LKQ) used parts are used. MetLife Auto and Home prepares auto physical damage estimates that utilize used (recycled) parts when economically feasible. Safety-related items are excluded from this policy. The company relies on the integrity of the seller and collision repair facility, to validate the parts where purchased within legal and commercially acceptable supply channels.

Progressive Insurance has the following policy.

The amount Progressive pays for a particular part claim is based on the damage repair estimate it writes. The estimate may be based on the cost of used parts if the used parts will repair the vehicle to its pre-loss condition, provided the vehicle is over one model year old or has over 12,000 miles. Most used parts meeting those criteria are permitted; however, Progressive places prohibitions on the following used parts:

- Rack and pinion (reconditioned/recore acceptable).
- Steering linkage and any part associated with four-wheel steering (reconditioned/recore acceptable).
- Individual suspension parts with the exception of leaf springs, rear coil springs, and sways bars.

- Suspension assemblies-front or rear (reconditioned /recore acceptable).

- Air bag modules or system SRS components:

    - Steering columns, dashboards and instrument panel assemblies, seats and any other parts containing SRS components unless all SRS parts and components are transferred from original, or if damaged, replaced with new OEM (or non-OEM if available/OEM approved)

- All brake parts and assemblies (including ABS components) with the exception of the ABS computer.

- Accessory drive belts and components.

- Any lines or hoses.

- Seat belts and components.

- Propane tanks and regulators (certified reconditioned tanks are acceptable).

- Tires.

The estimate contains the name of the used part supplier who provided the price quotation though there is no obligation for a repair shop to use the particular supplier.

For that reason Progressive does not identify the origin of the used parts (such as the original VIN) on the repair estimate.

Southern Farm Bureau Arkansas actively promotes the use of used parts for repairs when possible. The adjuster calls the salvage yard he feels has a good reputation in the community and will only receive the parts from legitimate legal sources. The adjusters are required to give body shops or repair agencies the name of where they locate these parts on their estimates.

Southern Farm Bureau Mississippi encourages use of aftermarket and LKQ parts when feasible. The claim representative is responsible for locating these parts and determining if proper repairs can be made when these parts are utilized. The claims representative is encouraged to make an effort to identify the person (s) from which these parts are acquired and to work closely with the repair agencies in determine the origin of those parts.

Safety Insurance Company requires the use of used parts for repairs when possible. The appraiser contacts only approved participating suppliers of useable parts. The appraiser documents the name of the supplier to the repair facility on appraisal.

Safety Insurance Company audits appraisals written to ensure proper use of used parts and the supplying providers.

Tennessee Farmers policy states that if good parts can be located then these parts can be used on certain vehicles. Used parts can be located through salvage dealers or auto parts dealers.

The state of Massachusetts also requires that any part sold to a repair shop must have a VIN number listed on the invoice. The registry of motor vehicles also periodically checks all salvage yards looking for stolen vehicles.

7.3 Conclusions

Motor vehicle theft has continued to be a major cause of insurer comprehensive losses during 2005. Twenty of the country's largest insurers received 370,625 claims for the theft of a vehicle or its contents during 2005 (Table 14); this is a 29.5% increase from the 2004 statistics. The twenty insurers are: **ALFA**, **Allstate**, **American Family**, **American International, Auto Club Southern California, Auto-Owners**, **California State Auto Association, Erie Insurance**, **Farmers Insurance**, **Geico, Hartford Insurance**, **Mercury General**, **New Jersey**, **Progressive, Safety Insurance, Southern Farm Bureau (MS), State Farm**, **Tennessee Farmers**, **Travelers**. Payments for these claims totaled $1,368,275,340.85 (Table 17); this is a 33.6% increase from the 2004 statistics.

A total of 132,197 of both passenger and non-passenger vehicles produced during model years 2002-2006 were reported as stolen during 2005 (Table 5); this was a 1.3% decrease for a similar 4 year model period from the 2004 statistics. The 2005 insurer reports indicate that twenty companies issued over $1.3 billion in claim payments for the theft of a motor vehicle or its contents (Table 17).

Most of the insurers that reported do not assess any surcharge or premium penalty to insure vehicles with high theft rates. In most cases, insurance companies do not employ rating procedures specifically aimed at changing comprehensive rates for a given motor vehicle line based on a determination that the theft rate for the line has changed. Many of the companies indicated that their existing rating procedures would generate lower rates for all passenger cars in a rating territory when total comprehensive losses or combined comprehensive and collision losses for the territory are reduced. In many instances, the potential benefits of parts marking in reducing insurer theft losses for affected lines will be dispersed to provide lower insurance premiums for other lines as well.

These reductions in premiums could only be expected to occur to the extent that reductions in theft losses are not offset by changes in other losses insured under comprehensive coverage.

Table 26 lists a trend analysis of historical by model year that range from years1987 to 2005. Theft claims and losses for all vehicles regardless of age were reported from a low of 108,940 (2002) to a high of 647,060 (1988). The total theft losses ranged from $308,525,112.00 (2002) to $1,427,636,912.00 (1996).

For the reporting year 2005, insurers reported an increase of 84,422 theft claims than those reported in the previous reporting year. Consequently, the increase of claims resulted in an increase of $344,129,558.12 dollars paid to insurers for theft losses in 2005.

Table 26. Theft Claims (including Contents) and Losses for all vehicles regardless of age

Year	Number of Theft Claims	Total Theft Losses
1987	641,202	$1,198,765,423.00
1988	647,060	$1,381,440,443.00
1989	617,818	$1,313,950,161.00
1990	615,438	$1,347,438,803.00
1991	549,437	$1,331,424,241.00
1992	505,008	$1,239,233,989.00
1993	494,300	$1,341,437,721.00
1994	459,351	$1,321,521,578.00
1995	424,227	$1,286,777,947.00
1996	435,244	$1,427,636,912.00
1997	344,627	$1,059,966,402.00
1998	363,929	$1,206,713,765.00
1999	359,627	$1,238,423,685.00
2000	336,754	$1,198,901,629.00
2001	408,306	$1,163,448,867.00
2002	108,940	$308,525,112.00
2003	329,082	$1,203,873,060.98
2004	286,203	$1,024,145,782.73
2005	370,625	$1,368,275,340.85

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3. Small Insurers, Section 33112(f) of General Exemptions of Chapter 331 of Title 49

4. Chapter 331 of Title 49, Section 33112 (b)(1)

5. Chapter 331 of Title 49, Section 33112 (f)(A) and (f)(B)

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APPENDICES

The appendices are listed on the attached document.