**THE IMPACT OF AUTOMOBILE THEFT TRENDS ON AUTO INSURANCE RATES**

**Report to:**

**Michigan State Senate**

**House Standing Committees on Insurance Issues**

**State Insurance Commissioner**

**Prepared by:**

**Michigan's Automobile Theft Prevention Authority**

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**July 2017**

**2017 Board of Directors and Staff**

**Automobile Theft Prevention Authority (ATPA)**

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

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# PURPOSE AND SCOPE OF THE REPORT

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

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

This report addresses the period of 2013 to 2015, comparing automobile theft crime trends both nationally and in Michigan. ATPA-specific data will highlight the time frame through 2015; data pulled from outside sources may reference alternate dates to provide a broader perspective. The report also includes a brief summary of the major components of Michigan's comprehensive and cooperative effort against automobile theft.

Data was obtained from the Michigan State Police (MSP), Michigan Department of Insurance and Financial Services, and the Michigan Department of State (which administers the titling of vehicles). National and other state automobile theft data were obtained from Federal Bureau of Investigation (FBI) publications.

# INTRODUCTION AND BACKGROUND

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

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

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

# MICHIGAN’S MOTOR VEHICLE THEFT EXPERIENCE

## NUMBER OF THEFTS

From 1986 to 2015, automobile theft incidents in Michigan decreased 70.6 percent. The FBI's Uniform Crime Report (UCR) for 2015 indicates that nationwide auto thefts have decreased 44.2 percent since 1986, as shown below in Table 1.

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| **TABLE 1****VEHICLE THEFT INCIDENTS NATIONALLY AND IN MICHIGAN 1986-2015** |
|  | **NATIONWIDE** | **MICHIGAN** |
| **Year** | **Number of Thefts** | **% Change** | **Number of Thefts** | **% Change** |
| 1986 | 1,224,137 | N/A | 72,021 | N/A |
| 1987 | 1,288,674 | 5.3 | 68,415 | - 5.0 |
| 1989 | 1,564,800 | 21.4 | 65,297 | - 4.6 |
| 1991 | 1,661,738 | 6.2 | 62,636 | - 4.1 |
| 1993 | 1,561,047 | - 6.1 | 56,670 | - 9.5 |
| 1995 | 1,472,732 | - 5.7 | 57,895 |  2.2 |
| 1997 | 1,353,707 | - 8.1 | 59,826 |  3.3 |
| 1999 | 1,147,305 | -15.2 | 54,018 | - 9.7 |
| 2001 | 1,226,457 | 6.9 | 52,310 | - 3.2 |
| 2003 | 1,260,471 | 2.8 | 53,307 |  1.9 |
| 2005 | 1,235,226 | - 2.0 | 48,064 | - 9.8 |
| 2007 | 1,095,769 | - 8.1 | 41,510 |  - 16.5 |
| 2009 | 794,616 | - 27.5 | 29,647 | - 28.6 |
| 2011 | 715,373 | -10.0 | 25,048 | - 15.5 |
| 2012 | 721,053 | 0.8 | 24,973 |  -0.3 |
| 2013 | 699,594 | -3.0 | 24,369 |  -2.4 |
| 2014 | 689,527 | -1.4 | 21,557 | -11.5 |
| 2015 | 707,758 | 2.6 | 21,157 |  -1.9 |
| **1986-2015 Change** | **-44.2** |  | **-70.6** |

Source: FBI and Michigan UCR 1986-2015

**VEHICLES FREQUENTLY STOLEN BY MAKE AND MODEL**

The National Insurance Crime Bureau (NICB) captured all the vehicles reported stolen in Michigan during 2015 and compiled a list of the most frequently stolen automobiles by make and model:

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| **MICHIGAN TOP TEN****MOST STOLEN CARS - 2015** |
| 1. | 2008 Chevrolet Impala |
| 2. | 1999 Chevrolet Pickup |
| 3. | 2006 Ford Pickup |
| 4. | 2003 Dodge Caravan |
| 5. | 2015 Dodge Charger |
| 6. | 2007 Chevrolet Trailblazer |
| 7. | 2013 Chevrolet Malibu |
| 8. | 2004 Pontiac Grand Prix |
| 9. | 2000 Jeep Cherokee/Grand Cherokee |
| 10. | 2014 Ford Fusion |

 Source: NICB

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

The NICB theorizes:

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

## VEHICLE THEFT ARRESTS

The number of subjects arrested for motor vehicle theft-related crimes in 2015 was down 25 percent from 2013, as shown in Table 2. Other trends from 2013-2015 include:

1. Adult arrests represent 84.3 percent of the total arrests.
2. Juvenile arrests represent 15.7 percent of the total arrests.
3. Adult male arrests represent 70.2 percent of the total arrests.
4. Juvenile male arrests represent 12.1 percent of the total arrests.

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| **TABLE 2****VEHICLE THEFT ARRESTS 2011-2015** |
|  | **2011** | **2013** | **Change 2011-2013** | **2015** | **Change 2013-2015** |
| **Total Arrests** | **1,944** | **1,626** | **-16.4%** | **1,219** | **-25.0%** |
| Male | 1,677 | 1,402 | -16.4% | 1,003 | -28.5% |
| **% Total** | **86.3** | **86.2** | **-.1%** | **82.3** | **-4.5%** |
| Female | 267 | 224 | -16.1% | 216 | -3.6% |
| **% Total** | **13.7** | **13.8** | **.1%** | **17.7** | **28.3%** |
| Adult | 1,669 | 1,381 | -17.3% | 1,028 | -25.6% |
| **% Total** | **85.9** | **85.0** | **-.9%** | **84.3** | **-.8** |
| Juvenile (under 17) | 275 | 245 | -11.0% | 191 | -22.0% |
| **% Total** | **14.1** | **15.1** | **1.0%** | **15.7** | **4.0%** |
| Male Adult | 1,442 | 1,193 | -17.3% | 856 | -28.2% |
| **% Total** | **74.1** | **73.3** | **-.8%** | **70.2** | **-4.2%** |
| Female Adult | 227 | 188 | -17.2% | 172 | -8.5% |
| **% Total** | **11.7** | **11.6** | **-.1%** | **14.1** | **21.6%** |
| Male Juvenile | 235 | 209 | -11.1% | 147 | -29.7% |
| **% Total** | **12.1** | **12.9** | **.8%** | **12.1** | **-6.2%** |
| Female Juvenile | 40 | 36 | -10.0% | 44 | 22.2% |
| **% Total** | **2.1** | **2.2** | **.1%** | **3.6** | **64%** |

 Source: Michigan UCR 2011-2015

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# AUTOMOBILE THEFT PREVENTION AUTHORITY

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

## LAW ENFORCEMENT

The ATPA has historically committed over 80 percent of its funds to supporting law enforcement consortiums in high-theft areas and this remains consistent through 2015. As shown in Table 3, these specially trained automobile theft teams have been very productive. The numbers show that placing specially-trained officers in the field to focus on automobile theft is the most efficient method of reducing auto-related crimes.

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| **TABLE 3****LAW ENFORCEMENT ACTIVITY** |
| **Year** | **Arrests** | **Recovery** **Incidents** | **$ Value** **Recovered** |
| 1989-2004 | 39,561 | 46,309 | $408,765,810 |
| 2005 | 2,757 | 3,750 | 37,420,835 |
| 2006 | 2,957 | 5,060 | 49,220,230 |
| 2007 | 3,073 | 5,123 | 50,391,570 |
| 2008 | 2,256 | 4,689 | 39,541,465 |
| 2009 | 2,583 | 5,091 | 39,316,557 |
| 2010 | 2,311 | 4,133 | 28,370,280 |
| 2011 | 2,281 | 4,628 | 27,508,471 |
| 2012 | 2,701 | 4,196 | 34,246,620 |
| 2013 | 1,996 | 4,527 | 33,278,814 |
| 2014 | 1,976 | 4,178 | 36,444,712 |
| 2015 | 2,012 | 5,350 | 41,299,501 |
| **Totals** | **66,464** | **97,034** | **$825,804,865** |

Source: ATPA Reports 1989-2015

## PROSECUTION

To provide maximum attention to automobile thieves, the ATPA funds assistant prosecutors in four counties with serious automobile theft problems. These specially trained assistant prosecutors vertically handle cases through both district and circuit court systems, prosecute thieves, and seek the maximum sentence length on all convictions. As shown in Table 4, from 1992 to 2015, these prosecutors achieved a conviction rate of 83 percent for all auto-theft related cases that went to trial, and 47 percent of subjects sentenced are incarcerated. Those who avoided jail time were placed on probation, fined, or are required to make restitution to the rightful owner.

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| **TABLE 4****PROSECUTION ACTIVITY** |
| **Year** | **Warrants Issued** | **Guilty Pleas** | **Trials** | **Trial Convictions** | **Jail Sentence** | **Probation Sentence** |
| 1992-2004 | 29,518 | 20,167 | 1,270 | 1,092 | 9,967 | 10,143 |
| 2005 | 2,711 | 1,882 | 23 | 20 | 867 | 979 |
| 2006 | 3,094 | 2,221 | 29 | 27 | 957 | 1,254 |
| 2007 | 3,238 | 2,207 | 40 | 31 | 1,007 | 1,182 |
| 2008 | 2,419 | 2,025 | 17 | 15 | 911 | 1,519 |
| 2009 | 2,650 | 2,189 | 8 | 7 | 624 | 1,031 |
| 2010 | 2,737 | 2,279 | 13 | 9 | 861 | 1,140 |
| 2011 | 2,521 | 1,656 | 27 | 21 | 1,279 | 735 |
| 2012 | 2,421 | 2,050 | 66 | 47 | 914 | 863 |
| 2013 | 2,327 | 1,372 | 62 | 36 | 815 | 921 |
| 2014 | 2,185 | 1,173 | 61 | 45 | 602 | 836 |
| 2015 | 2,001 | 1,122 | 39 | 21 | 498 | 824 |
| **Totals** | **57,822** | **40,343** | **1,655** | **1,371** | **19,302** | **21,427** |

Source: ATPA Reports 1989-2015

## PREVENTION

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

Also, these organizations distribute flyers and newsletters regarding automobile theft prevention, organize neighborhood watch or citizens band radio patrol programs, and hold community meetings to teach residents how to prevent automobile theft. They also etch vehicle identification numbers (VIN) onto the glass of residents’ vehicles. As of September 2015, there were over 48,700 vehicles etched in this program. The activities listed above increase neighborhood awareness of automobile theft and advertise automobile theft tip hotlines, which provide a pipeline of valuable information to law enforcement teams.

**INSURANCE FRAUD**

Insurance fraud includes:

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

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

## ANTI-THEFT DEVICES

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

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

Table 5 indicates the discounts on comprehensive insurance premiums offered by major insurers.

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| **TABLE 5****ANTI-THEFT DEVICE DISCOUNTS OFFERED BY SIX MAJOR MICHIGAN INSURERS** |
| **Company** | **Device** | **Discount** |
| Allstate Insurance Group | - All devices | Up to 5% |
| Auto Club Group | -Encoded or passkey device-Passive or passkey-Active device or VIN etching | 15% to 17%5% to 10%3% to 10% |
| Auto-Owners | -Passive device-Active device and VIN etching-Active device/VIN etching/alarm | 10%10%5% |
| Citizens | -Tele-Trac device-Lo-Jack retrieve and Lo-Jack prevent-Passive device-Active device and VIN etching-Active device/VIN etching/alarm | 1% to 25%1% to 20%5%10%5% |
| Farmers Group | -All devices | 0% |
| State Farm Mutual | -Passive device-Active device and VIN etching-Active device/VIN etching/alarm | 10%10%5% |

Source: Department of Insurance and Financial Services



# MICHIGAN DEPARTMENT OF STATE (MDOS)

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

**Office of Investigative Services**

Effective April 2015, the Michigan Department of State (MDOS) established the Office of Investigative Services (OIS) to improve efficiencies in the areas of internal/external fraud reduction, regulatory compliance regarding businesses licensed and regulated by MDOS, and consumer protection.

OIS consists of three divisions aligned under the OIS Director that work collaboratively to improve the overall efficiency and effectiveness of each area. The three divisions within OIS include the Business Compliance and Regulation Division, Enforcement Division, and the Regulatory Monitoring Division.

**Administrative Oversight**

The Business Compliance and Regulation Division (BCRD) is responsible for regulatory oversight of vehicle dealers, repair facilities, mechanics, and salvage vehicle inspectors with the objective being licensee compliance with the Michigan Vehicle Code (MVC) and the Motor Vehicle Service and Repair Act (MVSRA). This function is accomplished through dealer and repair facility compliance training classes offered to licensee personnel, administrative reviews, and issuance of formal administrative actions against licensees in violation of the MVC or MVSRA.

The Regulatory Monitoring Division (RMD) is responsible for records and inventory inspections and consumer complaint investigations involving dealers, repair facilities, and mechanics. As part of the inspection responsibility, division investigative staff frequently assists law enforcement agencies with inspections of licensee locations suspected of possessing stolen vehicles or stolen parts.

RMD is currently participating in a joint venture with the ATPA and has posted a Regulation Agent with the South East Auto Theft Team (SEATT). The position is 50% funded by the ATPA and 50% by the State of Michigan. The partnership began in March 2016 and is a two-year venture, renewable by the grant. This allows an opportunity for additional training for Regulation Agents and allows SEATT a chance to learn how MDOS Regulation Agents operate in the field when conducting inspections and investigations of unlicensed and licensed repair facilities, mechanics, and vehicle dealerships. Since beginning the partnership, the venture has led to multiple criminal investigations.

The Enforcement Division (ED) consists of the Fraud Investigations Section (FIS), Branch Review & Special Programs Section (BRSPS) and the Investigative Analytics Section (IAS).

The primary role of the FIS is to investigate fraud within MDOS program areas. The FIS receives complaints from a variety of sources including the general public through the fraud tip line and E-mail complaints, other areas of the MDOS, other State, Federal and local agencies, and law enforcement agencies. Each complaint is investigated to make a determination of fraud or wrongdoing. After conducting an investigation, FIS turns the complaints that contain potential criminal allegations over to a law enforcement agency who in turn seeks a warrant on behalf of the FIS through a local or state prosecutor’s office. Also, the FIS is committed to ensuring the integrity of Department records. All investigations include record updates when necessary.

The Business Licensing Section within the Bureau of Driver and Vehicle Programs manages all licensing functions outlined in the Michigan Vehicle Code (MVC), the Motor Vehicle Service and Repair Act (MVSRA), and the Driver Education Provider and Instructor Act (DEPIA). The Business Licensing Section handles all licensing functions for vehicle dealer licenses, repair facility registrations, mechanic certificates, driver education provider licenses, and driver education instructor licenses.

**Customer Services Administration**

The Michigan Department of State continues to exercise a multitude of initiatives designed to minimize and combat vehicle title fraud and vehicle registration insurance fraud:

**1. Vehicle Insurance Verification:**

 Changes were implemented as a result of the growing problem with uninsured vehicles registered in Michigan and the use of counterfeit insurance certificates to obtain vehicle registrations. In 2013, the Secretary of State launched the Fight Auto Insurance Rip-Offs, (FAIR) initiative to combat insurance fraud in cooperation with law enforcement agencies, the insurance industry, prosecutors, and the Michigan Department of Insurance and Financial Services. As part of this campaign, Secretary of State branch office staff began verifying the validity of insurance certificates presented at the office counter when the insurance company had not electronically reported the vehicle’s insurance to the Secretary of State. If an insurance certificate could not be verified at the time of the customer visit, the insurance company was contacted after the license plate was issued or renewed. If it was found the certificate was not valid, the vehicle’s owner’s license plate was canceled.

 Individuals and rings were caught selling fake insurance certificates to vehicle owners, sometimes with a phone number to a fake “help desk” or insurance agency. The Secretary of State refers these scams to law enforcement agencies for investigation, resulting in arrests and prosecution.

 The verification process was a time-consuming and laborious process, especially with branch offices in urban areas where the number of fraudulent insurance certificates is higher. The numbers were sometimes too much for branch staff to verify all of them, limiting the process of spot checks.

**2. Combatting Title Fraud Using NMVTIS:**

In 2014 Michigan completed programming necessary to become a participating state in the National Motor Vehicle Title Information System (NMVTIS). Michigan’s 13,000,000 vehicle title records were electronically submitted to NMVTIS and added to the NMVTIS national database. Daily title activity updates are also sent to NMVTIS. Participation in NMVTIS has significantly reduced the incidence of title fraud associated with out-of-state titles submitted to Michigan.

**3. Out-of-State Vehicles Without a Title**

 The MDOS tightened up procedures with applicants attempting to title vehicles brought into Michigan with no title. Some of these were found to be no more than a vehicle frame, while others were found to be titled in another state with a salvage or scrap title. Under the tightened procedures, these applicants must provide a vehicle inspection form completed by a Michigan law enforcement agency to prove the vehicle has been brought into this state and is not a vehicle frame. The VIN is also checked in NMVTIS. If the vehicle is found to be titled as salvage, rebuilt, or scrap in another state, the new Michigan title will be issued to reflect that status.

**4. Capture of Applicant ID with Title Applications Automated:**

 To help with investigating vehicle title transactions by applicants who may have perpetrated fraud or criminal activity, the Secretary of State automated the process of capturing the name and identification of the person who prepared the application at the Secretary of State branch office. The automated process captures whether the owner or an agent of the owner appeared at the office, and also captures the identification of the applicant (most often their driver license number).

**5. Fraudulent Lien Terminations:**

 In response to increasing numbers of fraudulent lien termination statements presented with a duplicate title or transfer title applications for newer vehicles, Secretary of State branch office staff contacts the lienholder to verify the validity of a lien that was discharged on the face of a title or through the use of a separate termination statement.

**6. Owner Must Appear For Instant Title Service:**

 Due to increased fraud with instant title transactions using appointment of agent forms, individual owners are no longer allowed to appoint an agent for an immediate title transaction. The owner must appear in person.

**7. Office of Investigative Services**

 In April 2015, the Secretary of State Ruth Johnson created the Office of Investigative Services (OIS) to coordinate all investigative initiatives within the Department. The OIS works with law enforcement agencies, auto-theft teams, and other regulatory agencies. This coordinated effort has ramped up investigations of dealer fraud, title fraud, insurance fraud, ID fraud, and employee fraud. Questionable transactions reported by Secretary of State branch office staff are referred to OIS.



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# MICHIGAN DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES (DIFS)

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

Table 6 utilizes the most current data based on written premiums reported by insurance companies. The data reflects a likely premium paid by a Michigan policyholder. The premium includes both the average comprehensive premium and the combined average premium. (Note: This premium data is based strictly on the total reported premium and is not based on any particular location, vehicle, or driver characteristics.)

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| **TABLE 6****COMPREHENSIVE PREMIUM AS PERCENT OF COMBINED AVERAGE PREMIUM** |
|  | **Combined****Average****Premium** | **Average****Comprehensive****Premium** | **Average Comprehensive****Premium of Combined Average****Premium** |
|  | **2012** | **2013** | **2012** | **2013** | **2012** | **2013** |
| **Michigan** | $1,171.94 | $1,264.21 | $142.50 | $144.45 | 12.2% | 11.4% |
| **National** | $927.51 | $954.30 | $134.19 | $138.82 | 14.5% | 14.5% |

Source: National Association of Insurance Commissioners, 2012-2013

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

Table 7 presents ratios of the top six insurance companies in Michigan.

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| **TABLE 7****COMPANY RATIOS OF AUTO THEFT CLAIMS IN MICHIGAN TO TOTAL COMPREHENSIVE CLAIMS** |
| **Year** | **Auto Theft Claims** | **Comprehensive****Claims** | **Year** | **Auto Theft Claims** | **Comprehensive****Claims** |
| **Allstate** | **Citizens** |
| 2005 | 3.8% | 29.0% | 2005 | 1.2% | 14.9% |
| 2007 | 2.9% | 23.6% | 2007 | 1.4% | 11.0% |
| 2009 | 6.7% | 25.2% | 2009 | 4.4% | 15.8% |
| 2011 | 4.5% | 21.6% | 2011 | 3.0% | 8.1% |
| 2013 | 3.9% | 24.8% | 2013 | 3.2% | 9.6% |
| 2015 | 1.5% | 18.5% | 2015 | 2.5% | 7.4% |
| **Auto Club** | **Farmers Insurance** |
| 2005 | 5.1% | 37.0% | 2005 | 3.0% | 17.1% |
| 2007 | 3.8% | 29.1% | 2007 | 2.0% | 11.7% |
| 2009 | 3.0% | 23.6% | 2009 | 1.7% | 10.8% |
| 2011 | 2.3% | 18.7% | 2011 | 2.4% | 17.6% |
| 2013 | 1.9% | 19.1% | 2013 | 3.0% | 21.4% |
| 2015 | 1.4% | 13.9% | 2015 | 1.3% | 8.3% |
| **Auto-Owners** | **State Farm** |
| 2005 | 2.5% | 14.1% | 2005 | 2.2% | 19.4% |
| 2007 | 1.6% | 11.3% | 2007 | 2.7% | 18.9% |
| 2009 | 1.2% | 9.1% | 2009 | 2.4% | 14.5% |
| 2011 | 2.7% | 10.1% | 2011 | 1.8% | 12.9% |
| 2013 | 3.7% | 10.8% | 2013 | 2.0% | 14.1% |
| 2015 | 0.7% | 5.1% | 2015 | 1.2% | 9.3% |

 Source: Company Data, 2005-2015

Table 8 ranks the states with the highest average cost of comprehensive premiums. The average comprehensive premium amount is calculated by dividing the total amount of comprehensive premiums written by the total number of vehicles that were insured in the state. Based on the most recent calculation, Michigan had dropped from fifth place in 1987 to 25 place in 2013.

The average comprehensive premium Michigan motorists paid has increased from $143.36 in 2011 to $144.45 in 2013, an increase of .40 percent.

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| **TABLE 8****STATES WITH THE HIGHEST AVERAGE COMPREHENSIVE PREMIUMS 2011-2013** |
| **State** | **Average Comprehensive Premium** | **% Change** |
|  | **2011** | **2013** | **2011-2013** |
| District of ColumbiaNorth DakotaKansasLouisianaSouth DakotaWyomingMontanaArizonaWest VirginiaTexasMississippiNebraskaOklahomaArkansasNew MexicoMinnesotaIowaMissouriGeorgiaSouth CarolinaAlabamaNew YorkMichiganColoradoMaryland | $226.22$219.63$208.56$207.68$201.21$198.01$187.65$187.38$186.32$185.61$184.79$181.00$179.63$169.06$168.75$162.06$159.67$155.14$153.03$149.16$144.11$143.88$143.36$142.95$140.88 | $230.19$226.05$238.75$203.52$227.50$220.96$198.81$180.88$195.28$198.56$190.98$205.38$197.45$185.45$162.39$171.80$171.71$163.62$150.65$165.41$136.19$155.65$144.45$158.40$147.29 | 1.752.9214.48-2.0013.0711.595.95-3.474.816.983.3513.479.929.69-3.776.017.545.47-1.5610.89-7.308.010.4010.814.55 |
| **National Average50 States** |  **$132.80** | **$138.82** |  **4.53** |

Source: National Association of Insurance Commissioners

# PRIVATE SECTOR TECHNOLOGY

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

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

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

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

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

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# FACTORS THAT AFFECT STATE AVERAGE EXPENDITURES AND AVERAGE PREMIUMS

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

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

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

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

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

Source: National Association of Insurance Commissioners

# APPENDICES

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| APPENDIX I**TOTAL COMPREHENSIVE (COMP.) FOR SIX MAJOR COMPANIES 2005-2015** |
| **Year** | **Comp. Claims** | **Theft****Claims** | **Ratio** | **Total Comp. Claims Paid****$1,000** | **Total Theft Claims Paid****$1,000** | **Ratio** | **Average Theft Claim****$ Paid** |
| **Allstate Insurance Group** |
| 2005 | 29,799 | 1,132 | 3.8% | 24,360 | 7,062 | 29.0% | 6,239 |
| 2007 | 26,651 | 773 | 2.9% | 22,853 | 5,403 | 23.6% | 6,989 |
| 2009 | 12,886 | 865 | 6.7% | 20,144 | 5,081 | 25.2% | 5,874 |
| 2011 | 31,485 | 1,428 | 4.5% | 23,890 | 5,157 | 21.6% | 3,612 |
| 2013 | 34,649 | 1,341 | 3.9% | 26,011 | 6,458 | 24.8% | 4,816 |
| 2015 | 31,196 | 470 | 1.5% | 25,517 | 4,725 | 18.5% | 10,053 |
| **Auto Club Group** |
| 2005 | 81,052 | 4,113 | 5.1% | 86,017 | 31,866 | 37.0% | 7,748 |
| 2007 | 68,475 | 2,630 | 3.8% | 71,287 | 20,772 | 29.1% | 7,898 |
| 2009 | 65,638 | 1,965 | 3.0% | 65,650 | 15,508 | 23.6% | 7,892 |
| 2011 | 62,804 | 1,446 | 2.3% | 62,972 | 11,795 | 18.7% | 8,157 |
| 2013 | 54,618 | 1,059 | 1.9% | 52,676 | 10,053 | 19.1% | 9,494 |
| 2015 | 45,742 | 617 | 1.4% | 46,688 | 6,485 | 13.9% | 10,511 |
| **Auto-Owners Insurance Group** |
| 2005 | 124,328 | 3,089 | 2.5% | 141,252 | 19,918 | 14.1% | 6,448 |
| 2007 | 52,383 | 823 | 1.6% | 55,673 | 6,290 | 11.3% | 7,643 |
| 2009 | 55,593 | 666 | 1.2% | 49,107 | 4,457 | 9.1% | 6,692 |
| 2011 | 18,306 | 495 | 2.7% | 37,655 | 3,801 | 10.1% | 7,680 |
| 2013 | 12,143 | 446 | 3.7% | 35,057 | 3,785 | 10.8% | 8,489 |
| 2015 | 46,776 | 337 | 0.7% | 51,402 | 2,640 | 5.1% | 7,833 |
| **Citizens Insurance Company** |
| 2005 | 52,774 | 634 | 1.2% | 28,735 | 4,281 | 14.9% | 6,752 |
| 2007 | 64,154 | 901 | 1.4% | 37,501 | 4,135 | 11.0% | 4,590 |
| 2009 | 19,433 | 847 | 4.4% | 29,681 | 4,694 | 15.8% | 5,541 |
| 2011 | 10,792 | 328 | 3.0% | 28,357 | 2,297 | 8.1% | 7,006 |
| 2013 | 8,675 | 273 | 3.2% | 23,413 | 2,236 | 9.6% | 8,193 |
| 2015 | 6,427 | 158 | 2.5% | 19,015 | 1,399 | 7.4% | 8,854 |
| **Farmers Insurance Group** |
| 2005 | 9,101 | 272 | 3.0% | 6,853 | 1,173 | 17.1% | 4,314 |
| 2007 | 12,065 | 243 | 2.0% | 9,972 | 1,169 | 11.7% | 4,809 |
| 2009 | 8,899 | 149 | 1.7% | 8,052 | 866 | 10.8% | 5,810 |
| 2011 | 7,636 | 180 | 2.4% | 8,305 | 1,458 | 17.6% | 8,102 |
| 2013 | 7715 | 229 | 3.0% | 8,607 | 1,844 | 21.4% | 8,052 |
| 2015 | 6,261 | 83 | 1.3% | 6,405 | 532 | 8.3% | 6,407 |
| **State Farm Mutual Insurance Company** |
| 2005 | 105,032 | 2,321 | 2.2% | 111,665 | 21,628 | 19.4% | 9,318 |
| 2007 | 80,333 | 2,135 | 2.7% | 104,859 | 19,839 | 18.9% | 9,292 |
| 2009 | 76,258 | 1,858 | 2.4% | 99,193 | 14,425 | 14.5% | 7,764 |
| 2011 | 66,024 | 1,216 | 1.8% | 88,402 | 11,391 | 12.9% | 9,368 |
| 2013 | 62,400 | 1,252 | 2.0% | 92,772 | 13,081 | 14.1% | 10,449 |
| 2015 | 59,509 | 726 | 1.2% | 91,599 | 8,508 | 9.3% | 11,719 |

Source: Department of Insurance and Financial Services, Company Data

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| APPENDIX II**STANDARDS FOR AUTOMOBILE THEFT PREVENTION AND RECOVERY DEVICES****Approved By The Michigan Automobile Theft Prevention Authority, June 22, 1994****Effective January 1, 1995** |
| The following automobile theft prevention and recovery devices have been approved bythe Automobile Theft Prevention Authority (ATPA), in accordance with Act143 P.A. of 1993. Any vehicles which are equipped with or contain these devices will qualify for areduction in the automobile's comprehensive insurance premium. The amount of the specific reduction for each category will be determined by each insurance company, and insurers may choose to provide a greater discount on vehicles which have devices from two or more categories.Two categories of effectiveness in preventing vehicle theft have beenidentified, as well as one category for systems which assist in the recovery of the vehicle if it is stolen. Proper use of the systems described in categories one and two will respectively provide an optimum level and a minimum level of theft deterrence. A vehicle properly equipped with a recovery device will enhance efforts to recover the vehicle.**CATEGORY ONE** **-** **PASSIVE SYSTEMS PROVIDING OPTIMUM LEVEL OF SECURITY**The systems in this category will provide the optimum level of deterrence. To qualify for a discount, the vehicle must be equipped with at least one passive device (e.g., the device is activated automatically when the vehicle's ignition key is removed).Apassive alarm system which has a backup battery and meets or exceeds criteria established in Category Two.Passive disabling devices which prevent the vehicle's steering, fuel, transmission/transaxle, ignition or starting systems from operating, and devices which prevent the vehicle's braking system from releasing. A passive time delay ignition system which allows the vehicle to be started only after a preset delay or delayed ignition cut-off system which disables the vehicle at a preset engine speed.A passive vehicle entry/ignition key system.**CATEGORY TWO** **-** **ACTIVE** **SYSTEMS PROVIDING A MINIMUM LEVEL** **OF SECURITY**Any of the systems in this category will provide at least a minimum level of deterrence. To qualify for a discount, the vehicle must be equipped with at least one of these listed devices (which must be manually activated by the vehicle owner prior to leaving the vehicle). An insurer may choose to offer an increased discount if the vehicle has two or more of these devices.Alarm only devices--activated by a door, hood, or trunk being opened or by motion inside the vehicle--which sound an audible alarm that can be heard at a distance of at least 300 feet for a minimum of three minutes.Manually activated disabling devices which prevent the vehicle's steering, fuel, transmission/transaxle, ignition or starting systems from operating, and devices which prevent the vehicle's braking system from releasing.Etching of 17-digit VIN on the windshield, rear window glass, and both front door windows.**CATEGORY THREE** **-** **SYSTEMS WHICH ASSIST IN VEHICLE RECOVERY**The systems in this category enhance the effort to recover the vehicle after it is stolen. A device which, when activated, emits an electronic signal that can be tracked by either a law enforcement agency or by a private monitoring station, which relays the information on the vehicle's location to law enforcement officers.Source: ATPA |

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**For additional information, please contact:**

Michigan Automobile Theft Prevention Authority

Michigan State Police

7150 Harris Drive

Dimondale, Michigan 48821

Phone: 517-284-3207

[www.michigan.gov/atpa](http://www.michigan.gov/atpa)