Memorandum

U.S. Department
of Transportation

**National Highway
Traffic Safety
Administration**

Subject: **ACTION**: Submittal to the Docket No.: NHTSA-2006-24175; CY 2003 Annual Insurer Report and Information under 49 U.S.C., Section 33112(c)

Date: JUL 28 2009

From: Stephen R. Kratzke
Associate Administrator for
Rulemaking

Reply to
Attn of: NVS-130

To: U.S. Department of Transportation Dockets

Thru: O. Kevin Vincent
Chief Counsel

Please put the attached calendar year (CY) 2003 insurer report in Docket No. 2006-24175.

Attachment

MYI Consulting
Information Efficiency Experts

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

2003 Reporting Period

Annual Report

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

Under Contract DTNH22-07-C-00060

*Prepared by
MYI Consulting, Inc.
36 East Fifth Street, Suite #101
Chester, PA 19013*

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EXECUTIVE SUMMARY

1 Introduction

Measures to reduce and eliminate the theft of automobiles have been taken since the Dyer Act, 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. The 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.

2 Overview of 2003 Insurer and Leasing Company Submissions under the Theft Act

For the total of 22 reporting firms, 17 were insurance companies and 5 rental and leasing companies were submitted for the 2003 reporting period. Vehicle theft and recovery data was also received from the Insurance Services Office (ISO) for some of the insurers. In order to generate an accurate and real time understanding of how the measures taken to reduce auto theft impacts motorist, a mandatory technology-based reporting system for the larger insurers to utilize should be considered. Such a system will maintain data accuracy and data integrity so that appropriate auto theft deterrent measures can be initiated based on a well-informed decision.

3 Thefts and Recoveries of Motor Vehicles During 2003

The marking of parts is intended to assist law enforcement efforts to trace and recover stolen vehicles and parts as well as 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 NHTSA 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 2003 data shows that motor vehicle theft continues to be a major cause of insurer comprehensive losses. Approximately seventy-one percent of stolen vehicles were either not recovered in 2003 or were recovered with major vehicle components missing. See Table 5.

The report findings indicate a substantial increase in the 2003 recovery rate for insured motor vehicles as compared to that for the 2002 reporting period (RP). Specifically, the recovery rate for 2003 is 70% as compared to the 14% recovery rate experienced during 2002. The data show that substantially more vehicles were recovered in-part during 2003 than in 2002. Specifically, there were a total of 83,673 insured motor vehicles stolen during the 2003 reporting period and 91,569 thefts reported during the 2002 reporting period. Of the 83,673 insured vehicles stolen in RP 2003, there were 59,447 recovered of which 50,453 were recovered in-part. Comparatively, of the 91,569 thefts reported during RP 2002, there were 12,592 vehicles recovered, of which 1,773 were recovered in-part. In both reporting periods, the recovery rate for complete vehicles is almost identical – slightly under 12% in 2002 and slightly under 11% in 2003. Therefore, the rise in recovery rate appears to be almost wholly explained by the reported recoveries of in-part vehicles.

No new reason or preventive measure has been identified that would justify such a substantial increase in actual recoveries of in-part vehicles. Therefore, NHTSA suspects that either the insurance companies have changed the way these recoveries are reported, or something has changed in the report calculations. It should be noted that ISO revised its coding method for the 2003 reporting period, which may have contributed to the availability of more recovery information than had been provided 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 2003 report findings also show a substantial increase 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 $134,414.654.56 for the 2003 reporting period as compared to $43,063.87 for 2002. It is believed that this increase was primarily the result of new financial information provided by the State Farm Insurance Group for this reporting period that was not provided for the 2002 reporting period.

4 Setting Rates for Motor Vehicle Comprehensive Coverage During 2003

The majority of the insurers reported that they did not assess any surcharge or premium penalty to insure vehicles with high theft rates. Some 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 are reduced for the territory. Thus, while parts marking offers the potential to reduce insurer theft losses, resulting rate reductions would not often be targeted solely to the lines responsible. Thus, benefits of the parts marking program can be expected to be dispersed to provide lower insurance premiums for lines both with and without marked parts.

5 Insurance Losses from Motor Vehicle Comprehensive Policies During 2003

22 Insurance Companies reported:

1 Over 5.4 Million Claims which include 328,665 vehicle theft claims were filed during 2003 as a result of the vehicle theft of a motor vehicle, its contents or components.
2 These claims resulted in insurer payments to policyholders exceeding $5 Billion dollars.
3 The ISO reported that approximately 83,673 vehicles with model years through 2000-2004 insured by these companies were stolen during 2003. This total number includes 12 vehicles that were unclassified for the total number of thefts. 59,450 vehicles or 70 percent of these stolen vehicles were recovered during 2003. The recovered number includes three vehicles that were recovered that were unclassified.

6 Programs to Reduce Comprehensive Premiums During 2003

Due to the reduction of vehicle theft, programs in the form of comprehension premium reduction were developed to reward individuals. Our information reflects that 3,959,090 policyholders received premium reductions in 2003.

7 Insurer Actions to Encourage Reductions in Vehicle Thefts During 2003

Insurance and rental and leasing companies have taken measures to reduce motor vehicle theft; some actions include joining organizations such as the National Insurance Crime Bureau, providing rewards for leads in the arrest and conviction of motor vehicle thieves, and publishing articles in national vehicle related publications.

1 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 2003 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 charge to inform and create and maintain awareness to the public, law enforcement agencies, and the United States Congress of all things concerning motor vehicle theft. This information is for the purpose of and in an effort 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 2003 insurer 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, 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.

The abstract of the House of Representatives Report 98-1087, Part I stated "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 has increased the probability of prosecution of individuals involved in vehicle thefts and/or criminal activity.

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 overage 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;

(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; and

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

1.3 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)

1.4 Insurer Reporting Requirements

In January, 1987, the NHTSA declared rule 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. (1987) The reporting insures must continue to 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.

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. Information contained in the 2003 annual insurer submissions is included herein.

1.5 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 2003.

Section 2 of this report identifies the insurance and rental and leasing companies, which submitted 2003 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.

1.5.1 Table 1: Organization of this Report

	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)	3.6
3)	Explanation of how theft and recovery data is used and reported to other organizations.	Sec. 33112 (c)(2)	(c)(4)	3.7
4)	The rating characteristics used by the 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.	Sec. 33112 (c)(C)	(d)(1)	4.2
5)	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)	5.1.1
6)	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)	5.1.2
7)	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)	5.1.5

	Reporting Requirement	Paragraphs in Title 49, U.S. Code Chapter 331	Paragraph in NHTSA Final Rule	Section of Discussion in this Report
8)	The total amount (in dollars) paid out by the insurer as a result of theft, the best estimate of the percentage of the dollar total listed in (7) that arose from vehicle thefts, and an explanation of the basis for the estimate.	Sec. 33112 (c)(C)	(d)(2)(iv)(A)(1), (d)(2)(iv)(A)(2)	5.1.4
9)	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)	5.5.1
10)	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)	5.8.1
11)	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)	5.9.1
12)	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
13)	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)	5.1

	Reporting Requirement	Paragraphs in Title 49, U.S. Code Chapter 331	Paragraph in NHTSA Final Rule	Section of Discussion in this Report
14)	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
15)	) 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
16)	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
17)	Actions taken to reduce comprehensive rates due to a reduction in thefts of this type of motor vehicle.	Sec. 33112 (c)(D)	(e)	4.4
18)	State the conditions to be met to receive such 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)	6.2.1
20)	State the difference in average comprehensive premiums for those receiving the reduction vs. those who did not.	Sec. 33112 (c) (F)	(e)(3)	6.2.2

	Reporting Requirement	Paragraphs in Title 49, U.S. Code Chapter 331	Paragraph in NHTSA Final Rule	Section of Discussion in this Report
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 thefts, by insurance company, of vehicles subject to a premium reduction for an installed anti theft device.	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

2 OVERVIEW OF 2003 INSURER AND LEASING COMPANY SUBMISSIONS UNDER THE THEFT ACT

This is for the purpose of presenting a general overview of the 2003 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 2003 reports
- Rental and leasing companies filing 2003 reports
- Insurance Services Office (ISO) filing 2003 reports
- The extent that companies responded to each reporting requirement

2.1 Insurance Companies Filing 2003 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.

Section 33112 (b)(1) defines an insurer as 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.

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; and

(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 the criteria and may be exempted from the reporting requirements.

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

Insurance companies filing reports or included on the ISO tape for the 2003 reporting period are identified in Table 2.

2.1.1 Table 2. List of Insurance Companies Filing 2003 Report

List of Insurers
ALFA Insurance Companies
Allstate Insurance Group
American Family Insurance Group
Auto-Owners Insurance Group
California State Auto Association
CNA Insurance Group
Erie Insurance Group
Farmers Insurance Group
Hartford Insurance Group
Kentucky Farm Bureau
Metropolitan Life Auto and Home Group
New Jersey Manufacturers Group
Progressive Group
Southern Farm Bureau
State Farm
Tennessee Farm Bureau
Travelers Insurance

2.2 Rental and Leasing Companies Filing 2003 Reports

Chapter 331 of Title 49 considers the term "insurer" to include any person other than a governmental entity who has a fleet of 20 or more motor vehicles, which are used primarily for rental or lease and are not covered by theft insurance policies issued by companies insuring passenger motor vehicles.

By definition rental and leasing companies may also be subject to the annual insurer reporting requirements. "Small insurers" "means 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; and **(B)** less than 10 percent of the total premiums for all forms of motor vehicle insurance issued by insurers in any State." (Chapter 331 of Title 49)

The exemptions pertaining to Small Insurers may be granted by NHTSA 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.

The five rental and leasing companies furnishing information for the 2003 reporting period are identified in Table 3.

2.3 Insurer Compliance with Reporting Requirements

The level of compliance with the reporting requirements varied both by requirement and by company. Slightly more than one-third of the requirements were responded to by half or more of the companies. (Table 4)

The Department of Transportation is working closely with the insurers to obtain complete responses to all requirements in future annual submissions.

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.

2.3.1 Table 3: List of Rental and Leasing Companies Filing 2003 Reports

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

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 are to 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-two insurance companies reported in 2003. This includes some partial responses and claims that data was supplied via ISO. Of the 17 listed in Table 2 as having reported, 17 hard copy reports were received. Thus, 6 out of the 22, or 26%, responded only 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.

2.3.2 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
(c)(1),(c)(2)	22	3		12	7
(c)(3)	22	8		7	7
(c)(4)	22	7		6	9
(d)(1)	22	12		5	5
(d)(2)(i)	22	16		3	3
(d)(2)(ii)(a)	22	17		2	3
(d)(2)(ii)(b)	22	8		3	11
(d)(2)(iii)	22	16		3	3
(d)(2)(iv)(A)(1)	22	15		4	3
(d)(2)(iv)(A)(2)	22	12		4	8
(d)(2)(iv)(B)	22	4		2	16
(d)(2)(v)(A)	22	10		3	9
(d)(2)(v)(B)	22	3		3	16
(d)(2)(vi)	22	4		3	15
(d)(2)(vii)\	22	2	3	3	14
(d)(2)(viii)	22	2	3	3	14
(d)(3)	22	5		3	14
(d)(4)	22	9		4	9
(e)	22	3		3	16
(e)(1)	22	2		3	17
(e)(2)	22	5		3	14
(e)(3)	22	6		3	13
(f)(1)	22	9		3	10
(f)(2)	22	8		3	11
(f)(3)	22	3		3	16
(g)(1)	22	11		3	8
(g)(2)(i)	22	13		3	6
(g)(2)(ii)	22	13		3	6
Totals:	616	226	6	103	283

3 THEFTS AND RECOVERIES OF MOTOR VEHICLES DURING 2003

The marking of parts is intended to assist law enforcement efforts to trace and recover stolen vehicles and parts as well as 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 2003 data shows that motor vehicle theft continues to be a major cause of insurer comprehensive losses 29.95 percent of stolen vehicles were either not recovered in 2003 or were recovered with major vehicle components missing.

3.1 Thefts and Recoveries by Vehicle Type

Paragraph (c)(1) of the Reporting Requirements states that insurers are 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.

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. This information included the number of stolen vehicles, which were equipped with anti theft devices (ATD).

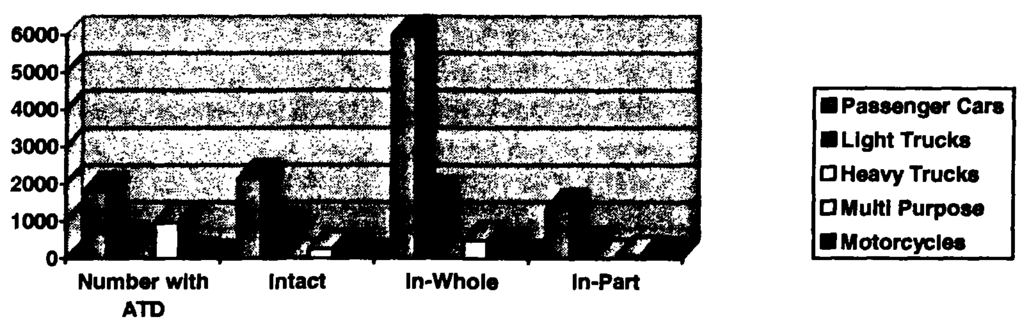
Each insurance company's information was detailed by theft and recovery information and is presented by vehicle type in Appendices A-E. These appendices are organized by state for passenger cars, light trucks, heavy trucks, multi-purpose vehicles and motorcycles respectively. Each appendix also presents 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 2000-2004 vehicles, which occurred during 2003.

Table 5 summarizes the theft and recovery information listed in Appendices A-E. During 2003, reporting insurance companies received claims for the theft of 83,673 vehicles produced during model years 2000-2004. A total of 59,447 or 71 percent of these stolen vehicles were recovered. The recovery rates were 51 percent for the 1992 reporting period (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), and for the 2003 reporting period recovery rates were 71 percent. The graph below gives a visual of the recovery rate per year.

3.2.1 Table 5: 2003 Thefts & Recoveries of Insured Model Year 2000 - 2004 Vehicles

2000 to 2004

Vehicle Types	Number of Thefts	Number with ATD	Intact	In-Whole	In-Part	Total	Percentage
Passenger Cars	28154	1339	816	2642	19572	23030	81.80%
Light Duty Trucks	17446	405	645	1343	10235	12223	70.06%
Heavy Trucks	352	0	7	16	210	233	66.13%
Multi Purpose	26221	779	1029	2092	16622	19743	66.19%
Motorcycles	11500	23	148	256	3814	4218	36.68%
TOTALS	**83673**	**2546**	**2645**	**6349**	**50453**	**59447**	**71.05%**



Most insurers have a "wait" clause in them for stolen vehicles. A stolen vehicle must be missing for more than a certain amount 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 receive 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 vehicle recovery to the insurance company.

The report findings indicate a substantial increase in the 2003 recovery rate for insured motor vehicles as compared to that for the 2002 reporting period (RP). Specifically, the recovery rate for 2003 is 71% as compared to the 11% recovery rate experienced during 2002. The data show that substantially more vehicles were recovered in-part during 2003 than in 2002. Specifically, there were a total of 83,673 insured motor vehicles stolen during the 2003 reporting period and 91,569 thefts reported during the 2002 reporting period. Of the 83,673 insured vehicles stolen in RP 2003, there were 59,447 recovered of which 50,453 were recovered in-part. Comparatively, of the 91,569 thefts reported during RP 2002, there were 12,592 vehicles recovered, of which 1,773 were recovered in-part. In both reporting periods, the recovery rate for complete vehicles is almost identical – slightly under 12% in 2002 and slightly under 11% in 2003. Therefore, the rise in recovery rate appears to be almost wholly explained by the reported recoveries of in-part vehicles.

No new reason or preventive measure has been identified that would justify such a substantial increase in actual recoveries of in-part vehicles. Therefore, NHTSA suspects that either the insurance companies have changed the way these recoveries are reported, or something has changed in the report calculations. It should be noted that ISO revised its coding method for the 2003 reporting period, which may have contributed to the availability of more recovery information than had been provided 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.

Only 4.4 percent of the stolen vehicles were equipped with an anti theft device. 2.1 percent of the vehicles with anti theft devices were passenger cars. The growing use of having anti theft devices on vehicles is increasing the recovery rate of stolen vehicles.

Passenger cars accounted for 33.6 percent of the stolen vehicles. This percentage has relatively remained the same over the past several years. It was 56.0 percent in 2000. The next largest category was multi-purpose vehicles (MPVs) which represented 31 percent of the thefts. Light trucks accounted for 20.8 percent of the thefts while heavy trucks and motorcycles together accounted for only 14 percent of the thefts.

As noted above for 2003, recovery rates aggregated over all vehicle types has increased. In 2003, recovery rates for all vehicle types, other than motorcycles, ranged from 36 percent to 81.8 percent. Relative to the previous years, passenger car, MPV, heavy truck, light truck and motorcycle recovery rates have each increased significantly. Motorcycles continue to have the lowest recovery rate (36.68 percent). There were 4.4 percent of all recovered vehicles were found to be intact. Vehicles recovered in-whole accounted for 10.7 percent of all vehicle recoveries while vehicles recovered in-part represented 91.6 percent of all recoveries.

3.3 Thefts and Recoveries Reported by Rental and Leasing Companies

Thefts and recoveries were reported by five rental and leasing companies, Avis, Budget, Dollar Thrifty Automotive Group, The Hertz Corporation, and Uhaul are incorporated in the aggregate results shown in Table 5. 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. Hertz marked their insurer report responses to (c)(1) and (c)(2) as "Confidential".

As shown in Appendix F, five rental and leasing companies identified a total of 9,859 vehicle thefts during 2003. A total of 5,166 vehicles were recovered which is 82.9 percent of the stolen vehicles. At present there is only speculation available as to how many vehicles are recovered and not reported and would require more definitive data from the insurance companies to verify.

Other reasons for the difference in recovery rates between insurance companies and rental companies could be due to differences in reporting procedures. For rental companies, vehicles not returned by their due date are categorized "overdue". If a vehicle is returned after the expiration of the "overdue" period some rental companies may include these vehicles as "recovered". As a preventative measure, more rental companies have been installing ONSTAR type systems, especially in the more expensive vehicles, to aide in recovery. ONSTAR permits tracking the location of a vehicle remotely. ONSTAR uses Global Positioning System (GPS) satellite and cellular technology to link the vehicle to the ONSTAR Center. They also have better and more current identification documentation for their vehicles than insurance companies would have. As soon as a rented vehicle is "overdue", the rental agency begins the process of tracking the location of the vehicle by contacting the renter and initiating resolution of the rental agreement. If necessary, the rental agency contacts companies that they use to repossess and pick up the overdue vehicle.

These reasons could all contribute to the explanation of the observed difference in recovery rates between insurance companies and rental/leasing companies, however, the likely reason are differences in record-keeping procedures and definition of status of the vehicle.

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. At California State Automotive Association, copies of the registration, title document and law enforcement agency reports are obtained and reviewed. 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 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. On notice of recovery, GEICO acts to take possession of the vehicle.

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).

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 include state rate filings.
3. Determining rates for comprehensive coverage by determining patterns of loss experience and exposure, determining locations with unusual theft risks and developing risk management practices.
4. Controlling claim costs by providing information to the claim staff to assist their investigations and arrive at quicker, more accurate settlements.
5. Identifying and investigating cases of suspected claim misrepresentation or the possibility that the policyholder is involved in a crime.
6. Assist efforts to recover stolen vehicles by prompt 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).
7. 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.

4 Setting Rates For Motor Vehicle Comprehensive Coverage During 2003

This section describes the procedures and factors considered by the reporting insurance companies to establish the premiums charged for motor vehicle comprehensive coverage during 2003. 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 2003 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.

CNA, Erie, GEICO, New Jersey Manufacturers Group, The Hartford and Travelers 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 and Farmers Insurance Group 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).

The California State Automobile Association bases comprehensive premiums on an needed premium revenue using prior years experience compared with actual earned premiums brought up to the present rate level. Both losses and expenses which make up the needed premium revenue are adjusted to reflect the cost level projected to be in effect when the new rates are in force. Premium penalties are attached to High Exposure vehicles (vehicles with exceptionally quick acceleration and/or excessive comprehensive and collision losses) and Limited Production vehicles (manufactured in very limited quantities) which exhibit a high occurrence of theft.

Allstate's rates are established for individual makes and models on the basis of their Price Group symbol. A Price Group symbol primarily reflects the price of the vehicle when it is new. The Price Group symbol (PGS) assigned to individual makes and models may be adjusted up or down most often based on its combined collision and comprehensive experience. The vehicle's PGS may be adjusted under the Make/Model Experience Rating Program which is based on collision plus comprehensive experience of the latest two model years. The calculated loss ratio is then expressed relative to the average loss ratio for all models.

These rates may be adjusted by territory of operation, vehicle age, driver and vehicle use characteristics. Other elements upon which premiums and premium penalties are based include cost and frequency trends and competitive position.

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 2003 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. California State Automobile Association did charge such penalties and employed a variety of rating characteristics to select vehicles for these penalties. American Family Mutual, CNA Insurance Companies, Erie Insurance Group, Farmers Insurance Group, New Jersey Manufacturers Group, Southern Farm Bureau, Tennessee Farmers Insurance Companies, and The Hartford 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. Auto Club of Michigan bases their loss experience on combining the company's own data with that of the Highway Loss Data Institute (HLDI).

CSAA uses premium revenue, based on prior year's experience, compared with actual earned premiums brought up to the present rate level. Both losses and expenses which make up the needed premium revenue are adjusted to reflect the cost level projected to be in effect when the new rates are in force. State Farm uses Insurance Ratings Groups (IRG) which reflects their latest review of loss experience for each model.

The rating characteristics used include:

- The potential for higher than usual losses of all kinds under comprehensive coverage (e.g., the ability of the vehicle to withstand damage)
- High incidence of theft
- Performance characteristics of the vehicle such as acceleration capabilities
- Design characteristics such as luxury and sportiness
- Level of automotive production, availability of replacement parts and associated repair costs

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 2003 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 seldom if ever based 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 2003 for each of their designated high theft risk vehicle groupings.

One of the insurers 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.

One of the insurers employed a specific classification scheme to assess premium penalties in which vehicles were classified as either High Exposure, or Limited Production Vehicles. The premium penalties for each of these classifications were as follows:

- High Exposure Vehicles - 50 percent surcharge to the basic premium
- Limited Production Vehicles - 20 percent surcharge to the basic premium

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 2003 because they were considered more likely to be stolen than other vehicles.

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 Table 6 for the companies reporting.

Alfa, Allstate, Auto Club of Michigan, Auto Owners, CNA, Erie, Farmers, Hartford, ISO, Kentucky, Met Life, NJM, Progressive, Southern Farm Bureau (AR and MS), State Farm, Tennessee Farm Bureau and Travelers do not designate high risk lines.

Allstate Insurance Company and American Family Mutual provided at a minimum the Make and Model year of the high risk lines of vehicles.

Allstate Insurance Company

Model Years 2000-2004 Vehicles

Acura Integra
Audi A6
BMW 528 Series
Chevrolet Corvette
Ford Escort ZX2
GMC Sonoma 2WD PU, Yukon Excl. XL
Honda Prelude
Isuzu Amigo
Kia Sephia
Mazda Protégé
Mercury Mountaineer, Sable
Mitsubishi Galant
Pontiac Firebird
Volkswagen Cabrio
Volvo S70/V70

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 damage are also covered under comprehensive

American Family Mutual

Acura Integra
BMW M3
Chevrolet Corvette
(including convertible)
Dodge Viper
Honda Prelude
Honda S2000
Lexus IS300

4.5.1 Table 6: Typical Designated High Risk Lines During 2003
American Family

Total Number and Amount of Claims for Premium Penalty Vehicles (544.6(d)(2)(vii))				
Year	**Make**	**Model**	**Count**	**Amount**
2003	Acura	RST	15	$37,003.19
2003	Acura	RSX	12	$2,690.78
2003	BMW	M3S	12	$3,952.50
2003	Dodge	SRS	14	$7,599.83
2003	Dodge	SSE	39	$23,581.14
2003	Dodge	STS	1	$121.19
2003	Dodge	STX	19	$32,964.00
2003	Honda	S2000	7	$3,699.32
2003	Honda	UAX	122	$80,764.95
2003	Honda	UCD	7	$6,935.03
2003	Honda	UCL	143	$77,915.80
2003	Lexus	IS3	7	$2,383.99
2003	Mitsubishi	ECG	20	$38,464.56
2003	Mitsubishi	EGS	42	$56,966.03
2003	Mitsubishi	ERS	10	$5,972.15
2003	Mitsubishi	GTS	30	$13,776.69
2003	Mitsubishi	SGS	11	$5,690.23
2003	Mitsubishi	STS	17	$10,340.66
2003	Nissan	MGL	49	$59,972.84
2003	Nissan	MGS	22	$6,828.26
2003	Nissan	3ZC	49	$37,132.78
2003	Subaru	IWX	38	$64,725.83
Total:				**$579,481.75**

4.5.2 Table 6: Typical Designated High Risk Lines During 2003
California State Automobile Association

High Exposure

Make	Body	Model
	ACURA	
NSX-T	2D Targa Top	3.2 Liter Double Overhead Camshaft 24 valve V6 6 speed
		3.2 Liter Double Overhead Camshaft 24 valve V6 4 automatic
	Aston Martin	
DB7 Vantage	2D Coupe	5.9 Liter Double Overhead Camshaft 48 valve V12
	2D Convertible	Volante 5.9 Liter Double Overhead Camshaft 48 valve V12
	AUDI	
S4	4D Sedan	4.2 Liter 40 valve V8
		4.2 Liter 40 valve V8 Quattro Avant
		4.2 Liter 40 valve V8 Quattro Cabriolet
TT Coupe	2D Coupe	1.8 Liter 4 Cycle Turbo
		1.8 Liter 4 Cycle Turbo Quattro (225 Horse Power)
		3.2 Liter V6 Quattro Direkt Schalt Getriebe gearbox
	2D Convertible	1.8 Liter 4 Cycle Turbo Roadster
		1.8 Liter 4 Cycle Turbo Roadster Quattro (225 HP)
	2D Coupe	3.2 Liter V6 Quattro Direkt Schalt Getriebe gearbox
	BMW	
325i	4D Sedan	2.5 Liter Double Overhead Camshaft 24 valve L6
		2.5 Liter Double Overhead Camshaft 24 valve L6 Super Ultra Low Emission Vehicle
325i SA		2.5 Liter Double Overhead Camshaft 24 valve L6
M3	2D Coupe	3.2 Liter Double Overhead Camshaft 24valve L6
	Chevrolet	
Corvette	2D Targa Top	5.7 Liter V8 LSI
	2D Convertible	5.7 Liter V8 LSI
	2D Coupe	5.7 Liter V8 (405 Horse Power) ZO6/LS6
	Dodge	
Viper	2D Convertible	8.3 Liter V10 Street and Racing Technology -10 Roadster
	FERRARI	
F360 Modena	2D Coupe	3.6 Liter Double Overhead Camshaft Turbo Sports Edition
	2D Convertible	3.6 Liter Double Overhead Camshaft Turbo Sports Edition
456 GTA	2D Coupe	5.5 Liter Double Overhead Camshaft V12
	Ford	
Mustang	2D Coupe	GT 4.6 Liter Single Overhead Camshaft V8
		Mach 1 GT 4.6 Liter Single Overhead Camshaft V8
	2D Convertible	GT 4.6 Liter Single Overhead Camshaft V8
	2D Coupe	Cobra 4.6 Liter V8 DOHC 32v
	2D Convertible	Cobra 4.6 Liter V8 Double Overhead Camshaft 32 valve

4.5.3 Table 6: Typical Designated High Risk Lines During 2003 California State Automobile Association

Make	Body	Model
	Honda	
Civic	2D Hatchback	Si 1.7 Liter 4 Cycle 16 valve
	Jaguar	
XJR	4D Sedan	4.0 Liter Supercharged V8
	Lexus	
GS430	4D Sedan	4.3 Liter V8 32 valve
SC430	2D Targa Top	4.3 Liter V8 32 valve
	MERCEDES	
CLK55 AMG	2D Coupe	5.4 Liter V8.
E55 AMG	4D Sedan	5.5 Liter V8
S430	4D Sedan	4.3 Liter V8 275 HP
		4.3 Liter V8 275 HP 4MATIC
S500	4D Sedan	5.0 Liter V8 302HP
		5.0 Liter V8 302HP 4MATIC
S600	4D Sedan	5.5 Liter V12 493HP
CL500	2D Coupe	5.0 Liter V8 302HP
CL600	2D Coupe	6.0 Liter V12 bi-turbo 493HP
CL55 AMG	2D Coupe	5.4 Liter V8 Compressor 493HP
SL 500	2D Targa Top	5.0L V8
SL 600	2D Targa Top	6.0 Liter V12 bi-turbo 493HP
SLK 230	2D Targa Top	5.5 Liter 4 Cycle Compressor 192HP
SLK 32AMG	2D Targa Top	3.2 Liter V6 Compressor 349 HP
	Mitsubishi	
Eclipse	2D Hatchback	GT 3.0 Liter Single over Head Camshaft 24-v FWD
	2D Hatchback	GT Premium 3.0 Liter Single over Head Camshaft 24-v FWD
	2D Convertible	Spyder GT 3.0L Single over Head Camshaft 24v FWD
	2D Convertible	Spyder GT Premium 3.0 Liter Single over Head Camshaft 24v Forward Wheel Drive
	2D Convertible	Spyder GT Premium 3.0 Liter Single over Head Camshaft 24v Forward Wheel Drive
	PORSCHE	
Boxter	2D Convertible	2.7 Liter 6 cycle
	2D Convertible	S 3.2 Liter 6 cycle
911 Carrera	2D Coupe	3.6 Liter 6 Cycle
	2D Convertible	4/4s 3.6 Liter 6 Cycle
	2D Convertible	4/4s 3.6 Liter 6 Cycle
	2D Targa Top	3.6 Liter 6 Cycle
911 Turbo	2D Coupe	3.6 Liter Twin Turbo F6

4.5.4 Table 6: Typical Designated High Risk Lines During 2003
California State Automobile Association

Make	Body	Model
	SABB	
9-3	4D Sedan	Linear 2.0 Liter 4 Cycle Turbo 5-speed Manual
		2.0 Liter 4 Cycle Turbo 5-Speed Automatic
		Arc 2.0 Liter 4 Cycle High-Output Turbo 5-Speed Manual
		2.0 Liter 4 Cycle High-Output Turbo 5-Speed Automatic
		Aero 2.0 Liter 4 Cycle High-Output Turbo 6-speed Manual
		2.0 4 Cycle High-Output Turbo 5-Speed Automatic
	2D Convertible	Arc 2.0 Liter 4 Cycle High-Output Turbo 5-Speed Manual
		2.0 Liter 4 Cycle High-Output Turbo 5-Speed Automatic
		Aero 2.0 Liter 4 Cycle High-Output Turbo 6-speed Manual
		2.0 Liter 4 Cycle High-Output Turbo 5-Speed Automatic
	SUBARU	
Impreza AWD	4D Sedan	World Rally Cross 2.0 Liter F4 Cycle Turbo MT5
		World Rally Cross 2.0 Liter F4 Cycle Turbo Four-Speed Electronic Automatic Transmission
		World Rally Cross 2.0 Liter F4 Cycle Turbo MT6
	4D Wagon	World Rally Cross 2.0 Liter F4 Cycle Turbo MT5
		World Rally Cross 2.0 Liter F4 Cycle Turbo Four-Speed Electronic Automatic Transmission
	Toyota	
MR2	2D Convertible	1.8 Liter Double Overhead Camshaft 4Cyclr 138 Horse Power
	Volkswagen	
GTI	2D Hatchback	2.8 Liter V6
	2D Hatchback	1.8 Liter Turbo 4 Cycle
Jetta	4D Sedan	1.8 Liter Turbo 4 Cycle
	4D Sedan	GLX 2.8 Liter V6 200 Horse Power
	4D Sedan	GLI 2.8 Liter V6 200 Horse Power
	4D Sedan	GL 1.8 Liter 4 Cycle Turbo
	VOLVO	
S80	4D Sedan	T6 2.8 Liter 24v L6 twin-turbo
		2.8 Liter 24v L6 twin-turbo

*V8 stands for 8 Cylinder V Engine
**V12 stands for 12 Cylinder V Engine
***2D stands for 2 Door
****4D stands for 4 Door

5 INSURANCE LOSSES FROM MOTOR VEHICLE COMPREHENSIVE POLICIES DURING 2003

This section describes the losses incurred by insurance companies in 2003 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 2003
- 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 sections which follow.

5.1 Comprehensive Claims Paid By Insurers During 2003

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 2003 and the number of these claims which resulted from a theft.

The total number of comprehensive claims paid by each company is presented in Table 7. The number of comprehensive claims paid by the different reporting companies during 2003 ranged from just over 6500 to over 5 million.

5.1.1 Table 7. Number of Comprehensive Claims Paid By Reporting Ins. Co. (2003)

Insurer	All Vehicles	Commercial
Allstate Insurance Group	Not Reported	Not Reported
American Family Insurance Group	348,819	Not Reported
Auto Club (Michigan)	Not Reported	Not Reported
California State Auto Association	212,332	Not Reported
CNA Insurance Group	178,904	Not Reported
Erie Insurance Group	201,930	Not Reported
Hartford Insurance Group	194,945	6,509
Metropolitan Life Auto and Home Group	225,917	Not Reported
New Jersey Manufacturers Group	8,780	Not Reported
Progressive	*	*
Travelers Insurance	124,692	Not Reported
State Farm	2,893,579	15,812
Kentucky Farm Bureau	30,952	Not Reported
Farmers Insurance Group	586,090	Not Reported
Total:	**5,456,567**	**22,321**

* confidential

In total, 5,456,567 comprehensive claims were paid by these companies during 2003 for all types of vehicles.

The commercial vehicle data on Table 7 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.

Whereas comprehensive claim totals are presented in Table 7, provided by the insurers, Table 8 indicates the number of comprehensive claims paid by each company during 2003 which resulted from a theft. The number of these claims paid by the various companies ranged from 177 to 179,347 theft claims.

5.1.2 Table 8. Theft Claims Paid by Reporting Ins. Co. (2003)

Insurer	All Vehicles	Commercial
ALFA Insurance Companies	384	Not Reported
Allstate Insurance Group	50,216	Not Reported
American Family Insurance Group	12,064	Not Reported
Auto-Owners Insurance Group	2,284	Not Reported
California State Auto Association	6,312	Not Reported
CNA Insurance Group	6,400	Not Reported
Erie Insurance Group	2,749	Not Reported
Farmers Insurance Group	20,404	Not Reported
Hartford Insurance Group	5,886	177
Kentucky Farm Bureau	337	Not Reported
Metropolitan Life Auto and Home Group	6,773	Not Reported
New Jersey Manufacturers Group	1,589	Not Reported
Progressive	*	*
Southern Farm Bureau	357	0
State Farm	179,347	Not Reported
Tennessee Farm Bureau	598	240
Travelers Insurance	3,986	Not Reported
Total:	**328,665**	**417**

* confidential

A total of 5,456,567 claims of all reported comprehensive claims paid by 16 out of the 17 reporting insurance companies were the result of the theft of a motor vehicle or the theft of its contents or components. Progressive total theft claims were not included in Table 8. The total of all comprehensive claims reported was 5,456,567 and the total theft claims was 328,665

Five rental and leasing companies, Avis, Budget, Dollar Thrifty Automotive Group, The Hertz Corporation, and U-Haul reported thefts totaling 9,859. (Table 9)

*Progressive did not report.

5.1.3 Table 9. Number of Thefts Reported By Leasing Co. (2003)

Insurer	All Vehicles
Avis	2,124
Budget	840
Dollar Thrifty Automotive Group	1,752
The Hertz Corporation	1,877
U-Haul	3,266
Total:	9,859

5.1.4 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 2003, which resulted from the theft of motor vehicles. This classification excluded claims resulting solely from the theft of vehicle contents or components.

5.1.5 Table 10: Proportion of Theft Claims Paid Due to Vehicle Theft (2003)

Insurer	All Vehicles	Commercial
ALFA Insurance Companies	N/A	N/A
Allstate Insurance Group	N/A	N/A
American Family Insurance Group	N/A	N/A
Auto-Owners Insurance Group	N/A	N/A
California State Auto Association	N/A	N/A
CNA Insurance Group	N/A	N/A
Erie Insurance Group	1.36%	N/A
Farmers Insurance Group	3.50%	N/A
Hartford Insurance Group	N/A	N/A
Kentucky Farm Bureau	1.10%	N/A
Metropolitan Life Auto & Home Group	N/A	N/A
New Jersey Manufacturers Group	N/A	N/A
Progressive	*	*
Southern Farm Bureau (Ark)	N/A	N/A
Southern Farm Bureau (Miss)	22.28%	9.09%
State Farm	N/A	18.30%
Tennessee Farmers Bureau	N/A	N/A
Travelers Insurance	N/A	N/A

* confidential

These estimates are presented in Table 10. The proportion of theft claims which resulted from the theft of motor vehicles varied by company and ranged from 1.10% to 22.28% percent.

Overall, motor vehicle theft accounted for 62.4 percent of all theft claims paid by the 16 insurance companies which provided these estimates. For these 16 companies the total number of vehicle thefts was 328,665 out of 5,456,567 claims that arose from a theft. These 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.

5.2 Insurance Losses Under Comprehensive Coverage During 2003

Under paragraph (d)(2)(iii) of the NHTSA Reporting Requirements, insurers identified the total payments issued to policyholders during 2003 for claims filed under comprehensive coverage.

The monetary losses under comprehensive coverage are presented by company in Table 11. These losses varied from over 10 million to over 3 billion dollars. The combined comprehensive losses for the companies reporting this information totaled over 5.8 billion dollars for all vehicles and over 52 million for commercial vehicles.

5.2.1 Table 11: Losses Under Comprehensive Coverage Paid by Reporting Ins. Co. 2003

ALFA Insurance Companies	$43,024,069.00	N/A
Allstate Insurance Group	$10,845,069.20	N/A
American Family Insurance Group	$252,018,361.65	N/A
Auto-Owners Insurance Group	$126,881,590.22	N/A
California State Auto Association	$153,044,676.46	N/A
CNA Insurance Group	$24,720,931.00	N/A
Erie Insurance Group	$174,192,505.00	N/A
Farmers Insurance Group	$796,851,554.00	N/A
Hartford Insurance Group	$135,828,546.00	$7,394,367.00
Kentucky Farm Bureau	$40,202,461.00	N/A
Metropolitan Life Auto and Home Group	$156,733,331.30	N/A
New Jersey Manufacturers Group	$29,537,225.60	N/A
Progressive	*	*
Southern Farm Bureau (Ark & Miss)	$53,967,160.17	N/A
State Farm	$3,081,032,874.00	$21,716,683.00
Tennessee Farmers Bureau	$64,416,114.00	$23,617,204.35
Travelers Insurance	$126,187,160.00	N/A
Total:	[illegible]	$52,728,254.3[illegible]

* confidential

5.3 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 2003 as a result of theft and the percentage of all theft loss payments due to thefts of motor vehicles.

5.4 Insurer Losses Due to Theft

Table 12 illustrates reported theft and vehicle theft losses during 2003 by insurance company. The theft losses varied from approximately $2,500,000 to over $624 million. In total, these companies reported theft losses of just under $1.2 billion during 2003.

5.4.1 Table 12: Theft Losses Paid by Reporting Ins. Co. (2003)

Insurer	All Vehicles	Commercial
ALFA Insurance Companies	$3,000,384.00	N/A
Allstate Insurance Group	$2,566,098.71	N/A
American Family Insurance Group	$33,634,789.41	N/A
Auto-Owners Insurance Group	$14,449,808.79	N/A
California State Auto Association	$39,663,536.59	N/A
CNA Insurance Group	$3,651,890.00	N/A
Erie Insurance Group	$12,858,164.00	N/A
Farmers Insurance Group	$149,867,871.00	N/A
Hartford Insurance Group	$21,971,911.00	$1,371,793.00
Kentucky Farm Bureau	$2,811,975.00	N/A
Metropolitan Life Auto and Home Group	$28,809,763.43	N/A
New Jersey Manufacturers Group	$11,154,163.06	N/A
Progressive	*	*
Southern Farm Bureau (Ark & Miss)	$2,848,952.93	N/A
State Farm	$624,807,418.00	$21,716,683.00
Tennessee Farmers Bureau	$4,790,814.00	$2,274,804.06
Travelers Insurance	$18,870,125.00	N/A
Total:	$1,178,509,780.92	$25,363,280.06

* confidential

5.5 Proportion of Theft Losses Due to Vehicle Theft

Table 13 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

5.5.1 Table 13. Percentage of Comprehensive and Theft Losses Due to Vehicle Theft (2003)

Insurer	Relative To Total Theft Losses	Relative To Total Comprehensive Claims
ALFA Insurance Companies	99%	0.89%
Allstate Insurance Group	Not Reported	23.66%
American Family Insurance Group	Not Reported	13.35%
Auto-Owners Insurance Group	Not Reported	11.39%
California State Auto Association	Not Reported	25.92%
CNA Insurance Group	Not Reported	14.77%
Erie Insurance Group	Not Reported	7.38%
Farmers Insurance Group	Not Reported	18.81%
Hartford Insurance Group	Not Reported	16.18%
Kentucky Farm Bureau	Not Reported	6.99%
Metropolitan Life Auto and Home Group	Not Reported	18.38%
New Jersey Manufacturers Group	Not Reported	37.76%
Progressive	*	*
Southern Farm Bureau (Ark & Miss)	Not Reported	5.28%
State Farm	Not Reported	20.28%
Tennessee Farmers Bureau	100%	7.44%
Travelers Insurance	Not Reported	14.95%

* confidential

Only seventeen companies ALFA Insurance Companies, Allstate Insurance Group, American Family Insurance Group, Auto-Owners Insurance Group, California State Auto Association, CNA Insurance Group, Erie Insurance Group, Farmers Insurance Group, Hartford Insurance Group, Kentucky Farm Bureau, Metropolitan Life Auto and Home Group, New Jersey Manufacturers Group, Progressive Group, Southern Farm Bureau (Ark & Miss), State Farm, Tennessee Farmers Bureau, and Travelers Insurance reported vehicle theft losses and theft losses as well as comprehensive losses in dollars in 2003. The total losses for these companies were: $1,178,509,780.92 for vehicle theft and $5,879,410,961.60 for comprehensive. These values are only as accurate as the data that was obtained from reporting companies who reported this information.

5.6 Vehicle Theft Losses Reported by Rental and Leasing Companies

The losses sustained by rental and leasing companies during 2003, as a result of theft, were reported by two companies, Dollar Rent-A-Car Systems, Inc. and Thrifty Car Rental, as shown in Table 14.

5.6.1 Table 14: Vehicle Theft Losses ($) Paid by Reporting Leasing CO (2003)

Insurer	Theft Losses $
All Vehicles	
Alfa Insurance Company	Not Reported
Allstate	Not Reported
American Family Insurance Group	$33,634,789.41
Auto Club Michigan	Not Reported
Auto Owners	Not Reported
Avis-Budget	Not Reported
California State Auto Association	$39,663,536.59
CNA Insurance Group	Not Reported
Dollar Thrifty Automotive Group	Not Reported
Erie Insurance Group	$12,858,164.00
Farmers Insurance Group	$42,581,609.00
Hartford Insurance Group	$21,971,911.00
Hertz	Not Reported
Kentucky Farm Bureau	$2,811,975.00
Met Life	$28,809,763.43
New Jersey Manufacturing Group	$10,857,618.00
Progressive	*
Southern Farm Bureau (Ark)	$53,967,160.17
Southern Farm Bureau (Miss)	Not Reported
State Farm	$3,081,032,874.00
Tennessee Farmers	$27,569,028.35
Travelers	$47,218,251.00
U-Haul	Not Reported

* confidential

5.7 Net Losses Due to Vehicle Theft

Under paragraph (d)(2)(iv)(B) of the NHTSA Reporting Requirements, 12 insurers and 0 leasing companies specified the net losses sustained during 2003 as a result of vehicle theft.

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.

The amounts recovered during 2003 are presented by insurer in Table 15. These statistics were provided by 10 insurance companies. The individual insurers recovered amounts up to $114.3 million. Companies reporting under this requirement recovered a total of approximately $134,414,654.56 in 2003.

The 2003 report findings show a substantial increase 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 $134,414.654.56 for the 2003 reporting period as compared to $43,063,865 for 2002. It is believed that this increase was primarily the result of new financial information provided by the State Farm Insurance Group for this reporting period that was not provided for the 2002 reporting period.

5.8.1 Table 15: Dollars Recovered by Reporting Co. From Sale of Recovered Vehicles 2003

[illegible]	[illegible]	[illegible]
ALFA Insurance Company	387,049.00	N/A
Allstate	N/A	N/A
American Family Insurance Group	10,285,596.53	N/A
Auto Club Michigan	N/A	N/A
Auto Owners	N/A	N/A
Avis	N/A	N/A
California State Auto association	N/A	N/A
CNA Insurance Group	1,569,503.00	N/A
Dollar Thrifty Automotive Group	N/A	N/A
Erie Insurance Group	1,705,750.00	N/A
Farmers Insurance Group	N/A	N/A

Insurer	All Vehicles	Commercial
Hartford Insurance Group	N/A	N/A
Hertz	N/A	N/A
Kentucky Farm Bureau	819,396.00	N/A
ALFA Insurance Company	387,049.00	N/A
New Jersey Manufacturing Group	932,440.35	N/A
Progressive	*	*
Southern Farm Bureau (Ark)	N/A	N/A
Southern Farm Bureau (Miss)	N/A	N/A
State Farm	114,321,847.00	N/A
Tennessee Farmers	46,350.06	N/A
Travelers	1,978,712.00	N/A
U-Haul	N/A	N/A

* confidential

5.8.2 Table 16: Total Number and Amount of Claims for Premium Penalty Vehicles (544.6(d)(2)(vii))

Year	Make	Model	Count	Amount
2003	Acura	RST	15	37,003.19
2003	Acura	RSX	12	2,690.78
2003	BMW	M3S	12	3,952.50
2003	Dodge	SRS	14	7,599.83
2003	Dodge	SSE	39	23,581.14
2003	Dodge	STS	1	121.19
2003	Dodge	STX	19	32,964.00
2003	Honda	S2000	7	3,699.32
2003	Honda	UAX	122	80,764.95
2003	Honda	UCD	7	6,935.03
2003	Honda	UCL	143	77,915.80
2003	Lexus	IS3	7	2,383.99
2003	Mitsubishi	ECG	20	38,464.56
2003	Mitsubishi	EGS	42	56,966.03
2003	Mitsubishi	ERS	10	5,972.15
2003	Mitsubishi	GTS	30	13,776.69
2003	Mitsubishi	SGS	11	5,690.23
2003	Mitsubishi	STS	17	10,340.66
2003	Nissan	MGL	49	59,972.84
2003	Nissan	MGS	22	6,828.26
2003	Nissan	3ZC	49	37,132.78
2003	Subaru	IWX	38	64,725.83
Total:				**$579,481.75**

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 2003 (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 17 presents estimates by insurance companies. The estimates of the proportion of dollars recovered arising from vehicle thefts ranged from 6.35 percent to 100 percent of all dollars recovered through the sale of recovered vehicles, contents or components.

5.9.1 Table 17. Proportion of Dollars Retrieved which Arose from Vehicle Theft (2003)

[illegible]		
Insurer	All Vehicles	Commercial
Alfa Insurance Company	99%	N/A
Allstate	$253,570.97	N/A
American Family Insurance Group	$10,285,596.53	N/A
Auto Club Michigan	N/A	N/A
Auto Owners	N/A	N/A
Avis	N/A	N/A
California State Auto Association	N/A	N/A
CNA Insurance Group	6.35%	N/A
Dollar Thrifty Automotive Group	N/A	N/A
Erie Insurance Group	100%	N/A
Farmers Insurance Group	N/A	N/A
Hartford Insurance Group	N/A	N/A
Hertz	N/A	N/A
Kentucky Farm Bureau	17.80%	N/A
Met Life	98.83%	N/A
New Jersey Manufacturing Group	98.60%	N/A
Progressive	*	*
Southern Farm Bureau (Ark)	N/A	N/A
Southern Farm Bureau (Miss)	N/A	N/A
State Farm	20.30%	N/A
Tennessee Farmers	100.00%	N/A
Travelers	N/A	N/A
U-Haul	N/A	N/A

* confidential

The intention was that estimates offered by the insurers were obtained by dividing the dollars recovered from vehicle thefts by the dollars recovered from all thefts. Two estimates provided percentages of the dollars recovered relative to other totals.

5.10 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, almost all of the reporting insurers indicated that they did not specifically designate lines for premium penalties on the basis of theft potential. Two companies, California State Automobile Association and American Family Mutual, identified high risk vehicles, and the number of claims for these vehicles and the amounts paid during 2003.

The California State Automobile Association considers three categories of high theft risk vehicles. The number of claims and dollar amounts paid during 2003 for each category are as follows:

Category	No. Of Theft Claims	Dollars Paid
High Exposure	9,153	$11,074,575
*Select	0	$0
Limited	59	$101,399

*The "Select Vehicle" classification was eliminated in a rate change effective 5/1/96. There is no loss data incurred in calendar year 2003 on vehicles with policies effective prior to 5/1/96 and with the old "Select Vehicle" classification.

6 PROGRAMS TO REDUCE COMPREHENSIVE PREMIUMS DURING 2003

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 2003 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 justified reduction in losses 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. Four companies (CNA, Farmer's Insurance Group, Southern Farm Bureau, and State Farm) indicated that motor vehicles less likely to be stolen will be assigned a lower symbol than it would receive based on the MSRP (Manufacturer's Suggested Retail Price) resulting in a lower premium. 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
- Alarm
- 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 2003

Table 18 identifies the number of vehicles and policyholders which received premium reductions during 2003. Information was supplied by 7 of the companies which issued reductions for vehicles equipped with anti theft devices.

The information available indicates that 3,959,090 policyholders and 4,256,287 vehicles insured by reporting companies received premium reductions during 2003. The percentage of vehicles to policyholders is 0.9%.

6.2.1 Table 18. Vehicle and policyholders receiving premium reductions 2003

[illegible]	[illegible]	[illegible]
ALFA Insurance Company	188,901	188,901
Allstate	128,006	N/A
American Family Insurance Group	307,846	1,105,634
Auto Club Michigan	N/A	N/A
Auto Owners	N/A	N/A
Avis	N/A	N/A
California State Auto Association	N/A	N/A
CNA Insurance Group	1658	N/A
Dollar Thrifty Automotive Group	N/A	N/A
Erie Insurance Group	N/A	N/A
Farmers Insurance Group	N/A	N/A
Hartford Insurance Group	1,174,088	932,058
Hertz	N/A	N/A
Kentucky Farm Bureau	134,366	134,366
Met Life	364,901	609,447
New Jersey Manufacturing Group	N/A	N/A
Progressive	*	*
Southern Farm Bureau (Ark)	N/A	N/A
Southern Farm Bureau (Miss)	N/A	N/A
State Farm	N/A	N/A
Tennessee Farmers	N/A	N/A
Travelers	N/A	N/A
U-Haul	N/A	N/A
Total	**4,269,287**	**3,959,090**

* confidential

6.2.2 Table 19: Difference in Comprehension

Difference in comprehensive Premiums Between Policyholders with and without rate reduction (2003)		
Insurer	**With Rate Reduction**	**Without Rate Reduction**
Alfa Insurance Company	N/A	10%
Allstate	N/A	N/A
American Family Insurance Group	N/A	5-20%
Auto Club Michigan	N/A	N/A
Auto Owners	N/A	N/A
Avis-Budget	N/A	N/A
California State Auto Association	N/A	N/A
CNA Insurance Group	N/A	5%
Dollar Thrifty Automotive Group	N/A	N/A
Erie Insurance Group	N/A	5%-10%
Farmers Insurance Group	$33.00	N/A
Hartford Insurance Group	N/A	N/A
Hertz	N/A	N/A
Kentucky Farm Bureau	$4.64	N/A
Met Life	N/A	4%
New Jersey Manufacturing Group	N/A	5-25%
Progressive	*	*

* confidential

6.3 Size of Discounts Offered by Insurers

Eight insurance companies provided information on discounts for vehicles equipped with an anti theft device. The percent discounts ranged from 5 to 25%.

- 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

The remaining 15 companies did not provide information on discounts for anti theft devices. These companies are: Allstate, Auto Club of Michigan, Auto Owners, Avis-Budget, California State Auto Association, Dollar Thirty Automotive Group, Hartford Insurance Group, Hertz, ISO, Southern Farm Bureau (Ark and MS), State Farm, Tennessee Farmers, Travelers, U-Haul.

The Combat Auto Theft (CAT) Program is a voluntary vehicle registration program. Residents voluntarily register their personal vehicles with the police department. Once registered, they receive a CAT Program decal to place in the lower left corner of their vehicles rear window which gives law enforcement permission to do an investigative stop of the vehicle during the hours of 1:00 am to 5:00 am to determine if the vehicle has been stolen.

When a vehicle is equipped with more than one qualifying device, the highest single eligible discount applies; some insurance companies do allow a combined discount of up to 35%. Premium differences can vary from state-to-state.

6.4 Eligibility Criteria for Anti Theft Rate Reductions

Eight companies offered a reduction in rates for automobile comprehensive coverage to policyholders for vehicles equipped with certain theft deterrent devices and specified acceptable devices.

Some insurers indicated that these reductions were not voluntary and were offered only in states which they were required by law such as Michigan. State Farm cited discounts in thirteen such states. 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 20.

6.4.1 Table 20. 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 locks, or equipped with a redundant starting means
Note: Not all devices are recognized by all companies that offer anti theft device credits.

6.5 Thefts and Recoveries of Vehicles with Anti Theft Devices

Three of the insurers identified the number of claims filed during 2003 for stolen vehicles subject to a premium reduction for an installed anti theft device. Recovery information for these vehicles was provided by 2 of the insurers.

This theft and recovery information is presented in Table 21. A total of 211,543 thefts of vehicles with anti theft devices were reported by these insurers in 2003. The total amount of vehicles reported was 4,311 with antitheft devices.

7 INSURER ACTIONS TO ENCOURAGE REDUCTIONS IN VEHICLE THEFTS DURING 2003

The Insurer Actions to Encourage Reductions in Vehicle Thefts during 2003 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 and the exchange of information on 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) The Provision of 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 purposed to reduce the ability of a stolen vehicle or its parts to be sold. Several companies specifically mentioned VIN etching.

3) Advertising cash reward programs for information, which lead 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. State Farm has supported legislation that permits the retirement or cancellation of motor vehicle titles, with disposal of salvage by bill of sale, in those cases in which the salvage cannot, or should not, be rebuilt. Title retirement/cancellation is allowed in about a 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 traffic 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, State Farm 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 Insurance Group encourages employee participation in different industry organizations dedicated to combating vehicle theft and other insurance fraud (i.e. the Vehicle Theft Task Force and the Wisconsin Interstate Fraud Network). American Family Insurance promotes and encourages maintaining dialogue with other members of the insurance industry dedicated to eliminating such fraudulent practices.

6) California State Automobile Association (CSAA) publishes articles concerning auto theft prevention in the CSAA magazine. CSAA believes that public awareness is the most effective means of prevention. A VIN etching program is 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 software program checks the VIN number against its database to determine if the recovered vehicle is the correct vehicle.

CSAA assists law enforcement agencies at every opportunity; presenting awards to those officers who excel in their efforts to deter thefts and enhance recovery. Presentations and news releases to the media related to auto theft are submitted and a "Tips for Preventing Car Theft" fact sheet has been produced for media publication.

CSAA is a member of the NICB which is most effective in their efforts to prevent thefts and affect recovery. CSAA exchanges data electronically with NICB on a daily basis.

7) 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 vehicle criminal arrests.

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

8) 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 employers 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.

9) Southern Farm Bureau has established a cash reward program for information leading to arrest and conviction of persons committing arson or theft to a Farm Bureau member's residence. This reward is advertised in local newspapers and on signs posted on the premises. The company feels this practice has been particularly effective in rural areas. Southern Farm Bureau requires all theft losses are to be reported to the local law enforcement. They conduct an investigation of each loss as well as follow up with the local law enforcement for progress reports.

10) CNA established a Special Investigations Unit (SIU). They, as a corporation, through their underwriting and claim operations, participate with several anti-car theft committees and law enforcement agencies in public awareness and education programs concerning the problem of vehicle thefts. CNA strongly supports the Motor Vehicle Theft Prevention Councils and has loaned vehicles to multi-jurisdictional task force operations who pro-actively investigate individuals involved in organized motor vehicle theft activities. CNA's Jay Williams, Vice President, Investigative Options, has been invited on several occasions to attend the annual meetings of the Illinois Motor Vehicle Theft Prevention Council and has provided testimony concerning the impact of motor vehicle thefts on the insurance industry.

CNA is strongly committed to identifying, investigating and defending against fraudulent claims. This commitment is fulfilled through a teamwork approach integrating their front-line technicians, claim management, and Investigative Options (IO).

Currently, there are 100 members of IO staff with one or more investigators in each of its major branch offices across the nation. CNA's Claims Department routinely investigates all automobile theft claims. The following are several actions in which CNA actively participates in the deterrence and reduction of vehicle theft:

A Corporate Claim Policy relating to the reporting and control of fraud or arson claims has been published and in use since 1983.

The public's awareness that a SIU participates in claim investigations is a deterrent to those engaged in fraudulent activities.

CNA's Investigators individually belong to professional associations.

Investigative Option's staff frequently makes fraud awareness presentations at industry fraud symposiums detailing CNA's Anti-Fraud campaign and investigative methods.

An Investigative Option's Newsletter is published for CNA personnel, insured and agents. Articles include case studies, technical tips, statistical information and pertinent general information.

CNA's Investigators frequently meet with corporate insured to promote fraud awareness and to train select employees in avoiding circumstances that might lead to the perpetration of a fraudulent claim.

11) AAA Michigan has been active in a number of anti theft programs over the years that include:

Theft reward programs:

Claim Investigation unit, with 29 professionals plus support staff, investigates all suspicious thefts reported to Auto Club Group

All staff of the investigative unit takes part in one or more professional anti theft/anti fraud associations

Twenty-five loaner vehicles for federal and local law enforcement undercover efforts

Staff assistance to law enforcement and the NICB in theft investigations

Expert witness testimony in court cases

Extensive public awareness programs including statewide VIN Etching Program

Co-founder and active participation in the Michigan Anti Theft Campaign Committee

Extensive lobbying efforts for anti theft legislation

One of seven members of Governor's Automobile Theft Prevention Authority which is responsible for an annual allocation of over $5.5 million in funds for auto theft programs

Education programs for law enforcement officials, and Auto theft awareness training for ACG claims, underwriting and sales employees.

12) Erie Insurance regularly provides substantive information to its policyholders, agents, and employees concerning auto theft awareness and prevention through numerous publications disseminated throughout the year. In legislative areas, the 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.

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

Education of All Claims Personnel on making claims personnel aware of fraud indicators and red flags. The New Jersey Manufacturers Group refers the matter 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.

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

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. 21 insurance companies specified their policies towards the use of used and after market parts to repair damaged vehicles during 2003. 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. 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.

California State Automobile Association (CSAA) states that they allow utilization of used parts and after market parts in effecting repairs on vehicles. They state that insure only good quality used parts are allowed of like, kind and quality to the vehicles being repaired. They do not allow the use of used parts for vehicle suspension, running gear, or any area that affects the safe operation of the vehicle.

Tennessee Farmers Insurance Company uses used parts on certain model vehicles. They locate used parts through salvage dealers or auto parts dealers.

The Hartford 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.

CNA promotes the use of used parts in states that allow repairs to include used parts provided safety is not a consideration. CNA uses as a guideline, LKQ parts and assemblies will not be used on current model year vehicles with less than 15,000 miles unless requested by the policyholder.

CNA uses outside vendors for their entire auto damage estimating needs. The majority of their auto estimates are prepared by PDA using the "Mitchell-Ultra Mate" computer estimating program. The Mitchell-Ultra Mate system searches for available LKQ parts. PDA and other approved appraisers call salvage yards directly or utilize salvage yard "hotlines" to obtain LKQ parts.

CNA requires the repair facility to follow I-CAR and TechCor techniques for repair. However, CNA does not police the repair facility as to their record keeping. CNA understands that, currently, there is legislation in place that requires LKQ suppliers (salvage vendors) to document major components of vehicles such as front sections, rear sections, motors, drive Trans and doors, etc. that correspond to the VIN number of a vehicle. The repair industry (body shops) will maintain/document the part and VIN number on the repair order, invoice or work order. The insurance industry's practice is to audit the paper work when they re-inspect the vehicle at the repair facility. The insurance industry only reimburses the repair facility or owner of the vehicle and cannot guarantee the origin of the LKQ parts.

Farmers support the use of like, kind and quality (LKQ) in effecting vehicle repairs. 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.

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.

In Mississippi, Southern Farm Bureau encourages the use of after-market 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 are acquired and to work with the repair agencies in determining the origin of these parts.

Travelers do promote and allow 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 [illegible] identify the recycler from whom the parts can be obtained on the [illegible]ord. This estimate becomes a part of Erie's claim file, and a copy is give[illegible] the 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 [illegible] Investigative Services Section for a full and complete investigation.

Th[illegible] 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.

Auto Club of Michigan uses used parts if they are fully documented in accordance with state laws.

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.

7.3 Conclusions

Motor vehicle theft has continued to be a major cause of insurer comprehensive losses during 2003. Seventeen of the country's largest insurers received 328,665 claims for the theft of a vehicle or its contents during 2003 (Table 8); those seventeen largest insurers are: ALFA Insurance Companies, Allstate Insurance Group, American Family Insurance Group, Auto-Owners Insurance Group, California State Auto Association, CNA Insurance Group, Erie Insurance Group, Farmers Insurance Group, Hartford Insurance Group, Kentucky Farm Bureau, Metropolitan Life Auto and Home Group, New Jersey Manufacturers Group, Progressive Group, Southern Farm Bureau, State Farm, Tennessee Farm Bureau, Travelers Insurance. Payments for these claims totaled over $1,178,509,780.92 (Table 12).

From Table 5, 83,673 vehicles produced during model years 2000-2004 were reported as stolen during 2003. Of these, 59,447 were recovered. Thirty percent of these stolen vehicles were either not recovered in 2003 or were recovered with major vehicle components missing (Table 5). Starting with model year 1987 vehicles, these components are uniquely marked on lines with high theft rates as required by the Motor Vehicle Theft Law Enforcement Act of 1984. Thus parts-marking is intended to increase arrests and convictions of auto thieves and deter vehicle theft. Another goal of the legislation is to induce lower insurance premiums for comprehensive coverage by reducing insurers' vehicle theft losses. The 2003 insurer reports indicate that 17 companies issued over $1 billion in claim payments for the theft of a motor vehicle or its contents (Table 12).

Most of the insurers that reported do not assess any surcharge or premium penalty to insure vehicles with high theft rates, in fact out of the 22 insurance companies who reported this information only 1, California State Automobile Association, assess a premium penalty to insure high theft vehicles. 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.

7.3.1 Table 21: Theft and Recovery of vehicles receiving Anti Theft Discounts (2003)

Insurer	Number Stolen	Number Recovered	Percent Recovered
Alfa Insurance Company	N/A	N/A	N/A
Allstate	209,745	4,122	1.90%
American Family Insurance Group	276	189	68.50%
Auto Club Michigan	N/A	N/A	N/A
Auto Owners	N/A	N/A	N/A
Avis	N/A	N/A	N/A
California State Auto Association	N/A	N/A	N/A
CNA Insurance Group	N/A	N/A	N/A
Dollar Thrifty Automotive Group	N/A	N/A	N/A
Erie Insurance Group	N/A	N/A	N/A
Farmers Insurance Group	N/A	N/A	N/A
Hartford Insurance Group	N/A	N/A	N/A
Hertz	N/A	N/A	N/A
Kentucky Farm Bureau	N/A	N/A	N/A
Met Life	1,522	N/A	N/A
New Jersey Manufacturing Group	N/A	N/A	N/A
Progressive	*	*	*
Southern Farm Bureau (Ark & Miss)	N/A	N/A	N/A
Southern Farm Bureau (Miss)	N/A	N/A	N/A
State Farm	N/A	N/A	N/A
Tennessee Farmers	N/A	N/A	N/A
Travelers	N/A	N/A	N/A
U-Haul	N/A	N/A	N/A

* confidential

7.3.2 Table 22. Number of reported vehicle thefts for vehicles up to four years in age

[illegible]	[illegible]	[illegible]	[illegible]
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

7.3.3 Table 23. Percent Recoveries of passenger cars and their condition

[redacted]					
2000	29	57.4	13	6,057	12.9
2001	32.6	53.5	13.1	6,089	12.4
2002	24.2	28.7	10.2	9,928	77.6
2003	3.1	11.5	85	71,370	83.8

7.3.4 Table 24. Percent Recoveries of non-passenger cars and their conditions

[redacted]					
2000	33.2	53.8	13	3,987	10.8
2001	35.3	51.6	13.1	4,164	9.8
2002	38.1	49.6	12.4	5,754	11.9
2003	5.0	10.2	84.8	36,417	61.3

Since 2000, percentage recoveries for both passenger and non-passenger vehicles has increased to an average of 38% in 2002, this however is down from the more than 50 percent increase that was reported in 2003. The recovery percentage for passenger vehicles was higher than for non-passenger vehicles, for all years shown. (Tables 23-24)

7.3.5 Table 25: 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

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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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Table A - Passenger Cars

Thefts and Recoveries for 2003 Reporting Period Passenger Cars for Model Years 2000 - 2004						
			Recoveries			
State	Thefts	ATD	Intact	In-whole	In-part	Total
AK	45	1	0	3	30	33
AL	191	2	3	18	119	140
AR	86	1	1	9	49	59
AZ	1335	9	45	99	931	1075
BC	0	0	0	0	1	1
CA	3440	501	153	294	2536	2983
CO	512	31	16	27	400	443
CT	348	42	10	33	228	271
DC	533	5	5	12	564	581
DE	85	0	3	7	67	77
FL	2698	37	95	132	1766	1993
GA	965	6	35	45	700	780
HI	180	8	4	41	42	87
IA	46	0	2	0	38	40
ID	23	1	0	2	14	16
IL	696	22	52	475	532	1059
IN	255	13	10	19	158	187
KS	116	5	3	14	71	88
KY	106	1	2	7	76	85
LA	613	29	12	112	356	480
MA	463	58	16	37	331	384
MD	1765	12	10	31	1342	1383
ME	18	0	0	1	7	8
MI	1265	58	5	46	1053	1104
MN	208	8	5	21	141	167
MO	907	58	37	111	690	838
MS	129	4	3	9	87	99
MT	6	0	0	0	5	5
NB	66	1	2	0	45	47
NC	475	5	18	41	296	355
ND	9	1	0	0	4	4
NH	22	0	0	3	14	17
NJ	863	65	4	90	687	781
NM	196	1	2	25	115	142
NV	548	15	12	23	372	407
NY	2532	79	35	253	1671	1959
OH	658	14	11	38	451	500
OK	153	6	3	22	102	127
ON	0	0	0	0	2	2
OR	235	9	16	18	153	187
PA	1006	7	12	17	672	701
PR	5	0	0	1	3	4
RI	90	11	6	8	57	71
SC	257	8	6	33	154	193
SD	15	1	0	0	6	6
TN	232	13	11	25	138	174
TX	2279	98	124	337	1299	1760
UT	116	7	2	3	90	95
VA	603	26	7	25	369	401
VT	15	1	1	3	9	13
WA	503	52	9	48	383	440
WI	188	6	6	14	119	139
WV	42	1	2	9	20	31
WY	12	0	0	1	7	8
TOTALS	28154	1339	816	2642	19572	23030

Table B - Light Duty Trucks

Thefts and Recoveries for 2003 Reporting Period Light Duty Trucks for Model Years 2000 - 2004						
			Recoveries			
State	Thefts	ATD	Intact	In-whole	In-part	Total
AB	3	0	0	0	1	1
AK	30	1	0	3	19	22
AL	179	1	5	10	98	113
AR	123	2	5	3	67	75
AZ	1769	8	53	130	1126	1309
BC	0	0	0	0	3	3
CA	2305	142	97	170	1459	1726
CO	318	9	8	8	220	236
CT	56	2	1	3	30	34
DC	74	0	2	5	74	81
DE	49	0	0	2	25	27
FL	1529	10	75	63	907	1045
GA	535	5	14	24	337	375
HI	83	2	1	19	22	42
IA	40	0	6	1	17	24
ID	21	0	0	0	9	9
IL	249	4	20	182	173	375
IN	128	1	5	7	66	78
KS	95	1	3	11	55	69
KY	113	2	5	0	74	79
LA	505	14	10	58	287	355
MA	126	8	1	5	87	93
MD	375	4	5	12	234	251
ME	16	0	0	2	10	12
MI	762	9	3	25	610	638
MN	87	0	3	4	58	65
MO	355	10	6	19	271	296
MS	134	1	3	9	70	82
MT	13	0	0	0	8	8
NB	41	0	1	0	38	39
NC	308	1	10	12	131	153
ND	5	0	1	0	1	2
NH	22	0	0	1	10	11
NJ	113	3	1	13	79	93
NM	145	2	4	9	77	90
NV	363	2	4	13	229	246
NY	351	6	10	17	220	247
OH	341	4	6	6	178	190
OK	245	3	5	23	142	170
ON	9	0	0	0	0	0
OR	130	3	5	10	79	94
PA	319	2	3	5	176	184
PQ	3	0	0	0	2	2
RI	16	0	0	1	13	14
SC	184	0	7	12	103	122
SD	7	0	0	0	4	4
TN	338	8	18	26	146	190
TX	3744	115	222	383	1777	2382
UT	56	2	1	3	34	38
VA	199	7	2	3	100	105
VT	23	0	1	0	12	13
WA	250	11	5	14	198	217
WI	54	0	3	4	27	34
WV	101	0	3	13	39	55
WY	7	0	2	0	3	5
TOTALS	17446	405	645	1343	10235	12223

Table C - Heavy Duty Trucks

Thefts and Recoveries for 2003 Reporting Period Heavy Duty Trucks for Model Years 2000 - 2004						
			Recoveries			
State	Thefts	ATD	Intact	In-whole	In-part	Total
AK	2	0	0	0	2	2
AL	5	0	1	0	2	3
AR	4	0	0	0	2	2
AZ	13	0	2	1	8	11
CA	71	0	2	2	50	54
CO	7	0	0	1	3	4
CT	1	0	0	0	0	0
DC	3	0	0	0	3	3
DE	1	0	0	0	1	1
FL	42	0	0	1	21	22
GA	22	0	0	0	14	14
IL	9	0	0	4	6	10
IN	3	0	0	0	1	1
KY	1	0	0	0	0	0
LA	8	0	0	2	3	5
MD	20	0	0	0	13	13
ME	2	0	0	0	2	2
MI	14	0	0	0	4	4
MN	1	0	0	0	1	1
MO	4	0	0	0	1	1
NC	9	0	0	1	3	4
NJ	8	0	0	0	7	7
NM	0	0	0	0	1	1
NV	7	0	0	0	8	8
NY	20	0	1	0	14	15
OH	4	0	0	0	3	3
OK	2	0	0	0	0	0
OR	2	0	0	1	1	2
PA	11	0	0	0	4	4
SC	5	0	0	0	3	3
SD	2	0	0	0	1	1
TN	7	0	0	1	6	7
TX	25	0	0	1	14	15
UT	2	0	0	0	2	2
VA	8	0	0	1	3	4
WA	5	0	0	0	2	2
WI	0	0	1	0	0	1
WV	1	0	0	0	1	1
WY	1	0	0	0	0	0
TOTALS	352	0	7	16	210	233

Table D - Multi-Purpose Vehicles

Thefts and Recoveries for 2003 Reporting Period Multi-Purpose Vehicles for Model Years 2000 - 2004						
			Recoveries			
State	Thefts	ATD	Intact	In-whole	In-part	Total
AB	1	0	0	0	1	1
AK	26	0	2	1	17	20
AL	192	1	6	7	113	126
AM	0	0	2	0	0	2
AR	79	3	1	8	51	60
AZ	1004	9	45	83	634	762
BC	1	0	0	0	0	0
CA	2770	233	116	214	1873	2203
CO	446	27	14	12	332	358
CT	161	7	2	10	107	119
DC	570	7	11	37	632	680
DE	85	0	1	2	53	56
FL	2767	55	154	127	1686	1967
GA	1056	19	63	64	650	777
HI	103	1	4	19	23	46
IA	30	0	2	3	21	26
ID	16	0	1	0	11	12
IL	817	7	62	328	570	960
IN	194	2	13	17	113	143
KS	67	1	6	6	51	63
KY	101	1	6	3	68	77
LA	616	13	17	89	391	497
MA	367	27	7	25	237	269
MD	1489	15	29	39	961	1029
ME	13	0	1	2	4	7
MI	1755	44	14	58	1434	1506
MN	145	0	9	6	96	111
MO	586	25	9	55	457	521
MS	133	3	5	9	84	98
MT	8	1	0	0	4	4
NB	45	1	2	0	35	37
NC	632	2	26	28	342	396
ND	5	0	0	1	2	3
NH	31	1	2	3	19	24
NJ	916	30	5	114	612	731
NM	99	2	6	6	73	85
NT	1	0	0	0	0	0
NV	347	9	16	15	223	254
NY	2246	54	35	216	1312	1563
OH	534	7	8	16	304	328
OK	155	3	7	12	103	122
ON	16	0	0	0	0	0
OR	127	3	9	6	84	99
PA	753	3	9	25	464	498
PQ	3	0	0	0	2	2
PR	4	0	1	0	3	4
RI	66	6	1	7	41	49
SC	286	2	8	12	148	168
SD	5	0	3	0	1	4
TN	351	8	41	30	167	238
TX	3005	107	209	328	1370	1907
UT	75	0	5	2	50	57
VA	405	16	13	9	253	275
VI	2	0	0	0	1	1
VT	10	0	1	0	3	4
WA	312	22	10	22	234	266

Table D - Multi-Purpose Vehicles

Thefts and Recoveries for 2003 Reporting Period Multi-Purpose Vehicles for Model Years 2000 - 2004						
			Recoveries			
State	Thefts	ATD	Intact	In-whole	In-part	Total
WI	95	2	7	7	60	74
WV	91	0	2	9	41	52
WY	6	0	1	0	1	2
TOTALS	26221	779	1029	2092	16622	19743

Table E - Motor Cycles

Thefts and Recoveries for 2003 Reporting Period
Motor Cycles for Model Years 2000 - 2004

State	Thefts	ATD	Recoveries Intact	Recoveries In-whole	Recoveries In-part	Recoveries Total
AB	1	0	0	0	0	0
AK	7	0	1	0	2	3
AL	195	0	6	1	75	82
AR	161	0	4	6	47	57
AZ	367	0	7	4	129	140
CA	1407	0	19	14	402	435
CO	226	0	0	1	88	89
CT	104	0	0	0	39	39
DC	48	0	0	1	35	36
DE	69	0	0	1	15	16
FL	899	1	15	23	242	280
GA	438	0	8	17	156	181
HI	141	0	1	4	2	7
IA	45	0	0	0	17	17
ID	10	0	0	0	6	6
IL	350	1	7	74	117	198
IN	170	2	3	4	55	62
KS	82	0	1	2	23	26
KY	90	0	0	1	60	61
LA	273	0	3	11	103	117
MA	286	4	2	7	119	128
MD	475	1	11	8	208	227
ME	28	0	1	1	10	12
MI	369	0	0	3	126	129
MN	118	0	3	1	57	61
MO	195	0	6	10	85	101
MS	126	0	0	0	33	33
MT	2	0	0	0	1	1
NB	20	0	1	0	8	9
NC	410	5	6	7	125	138
ND	2	0	0	0	0	0
NH	36	0	0	2	12	14
NJ	182	0	0	3	56	59
NM	69	0	3	0	22	25
NV	134	0	1	1	35	37
NY	680	4	3	4	103	110
OH	466	0	3	4	174	181
OK	128	0	1	2	60	63
ON	17	0	0	0	0	0
OR	94	0	0	2	38	40
PA	369	0	2	1	143	146
PQ	0	0	0	0	1	1
PR	0	0	1	0	0	1
RI	15	0	0	0	5	5
SC	349	0	5	3	140	148
SD	9	0	1	0	3	4
TN	175	0	4	5	45	54
TX	866	0	12	14	279	305
UT	48	0	1	0	14	15
VA	365	1	2	2	145	149
VT	16	0	0	0	5	5
WA	168	2	2	2	89	93
WI	93	2	1	8	29	38
WV	98	0	1	2	28	31
WY	9	0	0	0	2	2
YT	0	0	0	0	1	1
TOTALS	11500	23	148	256	3814	4218