

STRATEGIC REPORT

NATIONAL INSURANCE CRIME BUREAU

STRATEGIC & TACTICAL INFORMATION DEPARTMENT

Date: August 15, 2008

Regarding: **Catalytic Converter Thefts**

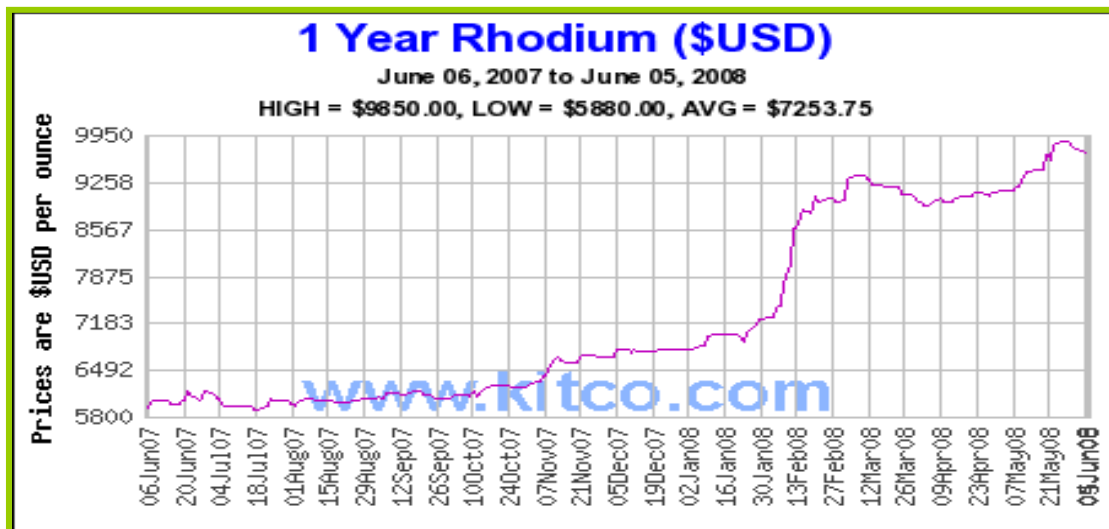
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Catalytic Converter Thefts: Motive

The catalytic converter is part of the exhaust system located underneath a vehicle and is designed to reduce the toxicity of emissions from an internal combustion engine. Thieves steal catalytic converters because they contain small amounts of precious metals including rhodium, platinum, and palladium, all of which are trading at record high levels (See Charts Below). Catalytic converters can be sold to scrap dealers for \$20-\$200 per unit because of the precious metals contained within. A catalytic converter can cost between \$400-\$2,300 to replace and install depending on the type of converter. Vehicles with higher ground clearance levels, such as trucks and SUVs are particularly vulnerable to catalytic converter theft due to easy access to the catalytic converter.

Vehicle dealerships and fleet operations (example: shipping companies) are also frequent targets because large numbers of catalytic converters are easily accessible. The catalytic converter replacement costs for a vehicle dealership or fleet operation can cost the business and insurance company in excess of \$30,000 depending on the type and number of catalytic converters stolen and the amount of lost revenue from the thefts. This figure was determined after discussing several claims involving car dealerships with a member company's SIU department in California.

Rhodium, Platinum, and Palladium 1 Year Price Tables (June 2007 – June 2008) from Kitco.com



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Catalytic Converter Thefts: Scope

Law Enforcement:

The National Insurance Crime Bureau, in an effort to identify the number of catalytic converter thefts nationwide, contacted multiple law enforcement agencies and reviewed the National Crime Information Center's (NCIC) theft records for 2006 and 2007. Catalytic converters are not a traceable part, meaning catalytic converters, in most instances, cannot be traced back to their vehicle of origin. This creates a unique problem in identifying the total number of catalytic converter thefts. Vehicle part manufacturers place a part or casting number on catalytic converters. This number, with exception of an "in-plant" tracking number placed on catalytic converters by the Chrysler Corporation, is not traceable to the vehicle of origin. Chrysler's catalytic converter "in-plant" tracking number is placed on catalytic converters as a sticker and is designed to aid in the vehicle assembly process. The "in-plant" tracking number is not meant to serve as a traceable number after

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assembly. However, new Chrysler vehicles with low miles may still have the “in-plant” tracking number affixed to the catalytic converter. If this number is still visible on the catalytic converter it can be “traced” to the vehicle of origin*. Because the part or casting numbers placed on catalytic converters, are in most cases, not traceable these numbers are not known to the public or law enforcement. This makes the entry of catalytic converters into the NCIC theft records difficult.

According to the NCIC, a stolen item, to be properly entered into the NCIC theft records, must have a unique number. If the item that was stolen does not contain a unique number, or if the unique number is not known, the item cannot be properly entered into the NCIC theft records. For this reason, law enforcement agencies are not able to properly enter thefts of catalytic converters into the NCIC theft database making identification of the total number of catalytic converter thefts difficult.

The NICB was, however, by querying the “miscellaneous” field in the NCIC theft records, able to identify a limited data set in regards to catalytic converter thefts. In 2006, **11** catalytic converter thefts were reported in NCIC theft records. In 2007, **69** thefts were reported in NCIC theft records. As noted above, a unique number must be known for an item to be properly entered into the NCIC theft records. However, as demonstrated by the presence of catalytic converters within the NCIC theft records, some records are being entered. Discussions with the NCIC and a review of the 2006 and 2007 NCIC theft databases have led to the identification of the following ways in which catalytic converters are entered into the NCIC theft records:

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- The VIN number of the vehicle, that the catalytic converter was stolen from, is used as a unique number for the catalytic converter.
 - The owner has etched a number into the catalytic converter, providing an “owner generated” unique number.
 - A randomly generated number has been entered as the unique number for the catalytic converter.
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Shown below is information obtained from four (4) police departments concerning catalytic converter thefts. Additional information was obtained from eight (8) news reports and four (4) police departments but was not listed below due to the repetitive nature of the information.

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- A police department, for city in Tennessee (population 180,000), reported a total of **six (6)** catalytic converter thefts from January 2007 to May 2007. From January 2008 to May 2008, the department reported **132** catalytic converter thefts. Discussions with detectives from this police department’s property theft division indicate that they believe the total number of catalytic converter thefts to be significantly higher than what is reported to their department and in response have assigned two (2) detectives to investigate.
 - A police department, for city in California (population 50,000), reported a total of **32** catalytic converter thefts in 2007. From January 1, 2008 to date, the department has reported a total of **30** catalytic converter thefts. An analyst, from this department, also indicated that many neighboring jurisdictions, including a city with a population of 407,000 people, have experienced similar increases in the number of catalytic converter thefts.

*The NICB was unable, after extensive research, to identify vehicle manufacturers other than Chrysler that placed traceable “in-plant” tracking number on catalytic converters. However, the NICB cannot rule out with 100% certainty the possibility that additional vehicle manufactories place “in-plant” tracking numbers on catalytic converters.

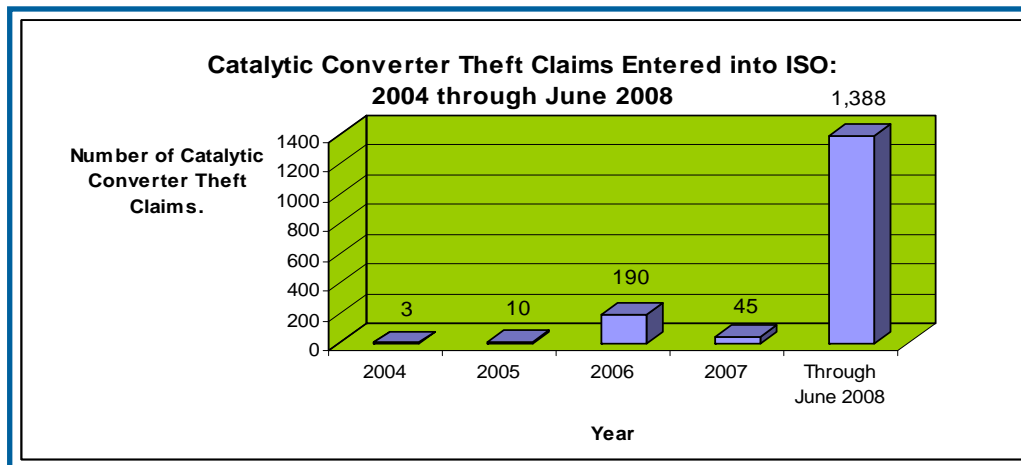
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- The Dallas, TX Police Department, in an interview with the Dallas Morning News, indicated that it had seen a rise in the number of catalytic converter thefts. The article also mentioned that Dallas had recently passed an ordinance requiring a photograph and identification for anyone selling catalytic converters. The ordinance was passed as an effort to reduce catalytic convert thefts.
- A police department, for a university in Oklahoma (student population 20,000), has reported increased numbers of catalytic converter thefts with several “clusters” of thefts reported in 2007 and 2008. In the last 18 months, approximately **20** catalytic converters have been stolen at the university. An analyst from this department also indicated that over **70** police departments had contacted him concerning catalytic converter thefts.

Insurance Industry:

The National Insurance Crime Bureau, in an effort to identify the number of catalytic converter thefts nationwide, reviewed the Insurance Services Office (ISO) database from 2004 through June 30, 2008. By querying the “loss description” field of the ISO database from 2004 through June 30, 2008, the NICB was able to identify catalytic converter theft claims submitted to ISO.

The claims identified in this query show a dramatic increase in the number of catalytic converter theft claims entered into ISO in 2008 (See Chart Below). In just the first six (6) months of 2008, **1,388** catalytic converter theft claims have been entered into ISO; this represents more claims than 2004 through 2007 combined.



Catalytic Converter Thefts: NICB Response

The NICB currently has eight (8) open and three (3) closed cases involving catalytic converter thefts. One of the eight (8) open cases involves an unlicensed scrap metal dealer. The dealer sold over \$390,000 worth of car parts between January 2007 and September 2007, a large portion of which are believed to be stolen catalytic converters. A closed case in Florida resulted in the recovery of \$150,000 of platinum and 500 catalytic converters. The catalytic converters were shipped to Florida from as far away as Indiana and were then processed to extract platinum, which was then shipped to China and other foreign countries. The NICB has also produced seven (7) ForeWARN alerts concerning catalytic converter thefts.

Research conducted online has identified a community of individuals that buy and sell catalytic converters over the internet on auction sites such as Ebay, on less formal sites such as Craigslist, and through list servers on

Yahoo and other sites. The list servers can also be utilized as a learning resource for those that trade in catalytic converters, because of discussions on the best methods and equipment to remove catalytic converters as well as methods to sell them.

The NICB cannot, at this time, accurately calculate the total number of catalytic converter thefts nationwide. There is however, a large amount of anecdotal data such as media reports, interviews, claims information, and NICB cases that indicate catalytic converter thefts are a growing and widespread problem.

Catalytic Converter Thefts: Deterrence

In an effort to improve the tracking of recovered catalytic converters and to aid in criminal prosecutions, several police departments in California, Oregon, Tennessee, and Texas have implemented catalytic converter etching programs in which the vehicles' license plate number (the last eight (8) digits of the VIN can also be used) is "etched" onto the heat shield of the catalytic converter. Catalytic converter etching programs range from government run programs where citizens may have their vehicles etched for free, to programs that use local businesses, i.e. body shops and car dealerships, to etch catalytic converters for a small fee. Some etching programs limit vehicle participation to heavily targeted vehicles, while other programs are open to all vehicles.

Precise data on the number of catalytic converter etching programs nationwide is not available. But several police departments of varying sizes such as the Knoxville, TN Police Department; the El Segundo, CA Police Department; the Duncanville, TX Police Department; the Vacaville, CA Police Department; the Tigard, OR Police Department; and the Manhattan Beach, CA Police Department, have initiated programs.

Catalytic Converter Thefts: Future Solutions

Catalytic converter etching is a proactive response to catalytic converter thefts that should bring positive results to any city or organization that implements it. However, this is not a long-term, nationwide solution. Unless the prices of rhodium, platinum, and palladium decline a significant amount, catalytic converter thefts will continue to be an issue all across the U.S. costing businesses, vehicle owners, and insurance companies an ever increasing amount of money. A problem of this magnitude requires long term solutions such as:

- Vehicle Manufacturer traceable stamping on catalytic converters for all new vehicles.
 - This is an ideal solution that would provide the broadest form of catalytic converter identification across the entire U.S.
- Nationwide programs to increase public awareness of catalytic converter thefts.
 - Public awareness programs sponsored by government agencies and insurance companies could increase the vigilance of consumers, reducing the overall number of thefts.
- State by State legislative efforts to increase identification requirements at all scrap yards.
 - By requiring photo identification from sellers of catalytic converters and a "cooling off" period before the items could be resold, similar to precious metal laws for pawn shops, many thieves could be dissuaded from catalytic converter thefts.

Catalytic converter thefts represent a challenge to the law enforcement and the insurance industry; a challenge that can and will be solved with concentrated and concerted efforts from all involved parties.

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