

REPORT ON BVRLA THEFT & FRAUD MEMBER SURVEY 2006

The BVRLA collects and publishes a report on stolen vehicles and general industry fraud experienced by its short-term rental Members every year. We do this to help BVRLA Members identify risks that impact their businesses, their assets and their earning potential. Risks in this context include: fraud, vehicle theft and conversions, security breaches, insurance fraud, credit card fraud, data protection issues, vehicle impounding etc. The published results allow Members to benchmark their risk management performance against their peers. The reports also helps the BVRLA Executive, under direction from BVRLA's Security & Risk Management Committee, alert police and other agencies to the specific issues faced by vehicle rental operators in BVRLA membership.

164 BVRLA Rental Members (representing some 3,000 rental outlets) were surveyed during February 2007 and asked to comment on the numbers of vehicles they reported stolen in 2006 and to report their issues and concerns regarding other losses. The response rate to the 2006 survey was 31% - marginally better than for 2005's Survey (30%).

Executive Summary

- Members' data for vehicle theft and fraud in 2006 was collated in April 2007. Members reported 1,652 vehicles stolen in 2006, 11% up on 2005's figure.
- The number of vehicles recovered, 1331 units, represents a higher net achievement than in 2005 and the 81% recovery rate is the best performance since records began in 1997.
- Conversion theft, where the Renter converts the vehicle to his own use, makes up 44% of all losses with the employment of false personal identification, denoting criminal intent, at 32% for 2006. These figures are very similar to 2005.
- Other vehicle losses also remain at very similar levels to 2005 i.e. thefts from the BVRLA Member's rental company premises, from the renter (e.g. burglaries from homes and hotel rooms), from the renter's premises and during delivery/collection. Tighter security on new vehicles means that thieves must get hold of the vehicle's keys to steal the vehicle.
- The cost of vehicle theft to the industry amounts to £4.84m taking into account net vehicle loss, loss of opportunity to earn income from the asset and damage repair costs on recovery.

1. Vehicle Thefts

Members reported 1,652 vehicles stolen in 2006 which represents 0.52% of the total fleet in that year. In 2005, the figures were 1,490 and 0.48% respectively. At first sight, this increase is puzzling when The British Crime Survey (BCS) shows a 12% fall in thefts of motor vehicles for 2005/06 and a downward

trend over the last three years. The difference in trends can be explained by a number of factors. Firstly, the BCS is a survey of private households and individuals' experiences and perceptions of crime and thus commercial fleets are excluded. And whilst it is true that police recorded crime takes the experiences of individuals *and* commercial organisations into account, and also shows a similar downward trend, it is clear that other factors are at play.

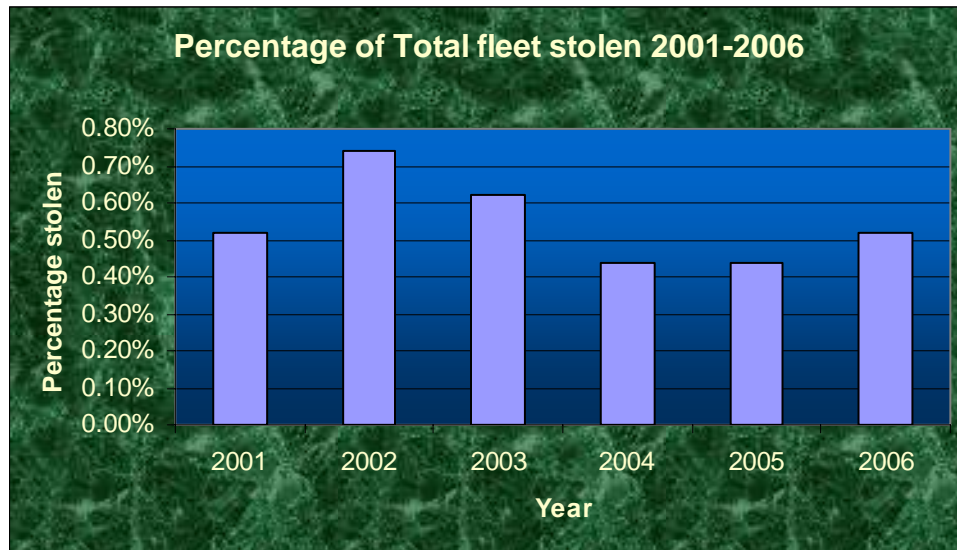
It is known that 'vehicle crime' is under-recorded. For example, if a house is burgled and the householder's vehicle stolen, the incident will be recorded as a burglary – not vehicle-related theft. Secondly, of those BVRLA Members that reported instances of vehicle theft in 2006, 38% had their reports of crime accepted by their local police stations at the *first* attempt. This would not normally be cause for rejoicing unless one knows and understands the difficulties that rental companies often experience in reporting vehicle losses to the Authorities. The Police consider themselves un-empowered to intervene in matters they regard as civil disputes and appear unwilling to action complaints they perceive to be 'overdue hires'. In an attempt to overcome such difficulties and to seek to work with the police in detailing an efficient reporting and investigative structure, the best practice advice set out in BVRLA/ACPO's Stolen Vehicle Reporting, Acceptance Criteria and Guidelines for Reporting Stolen Vehicles was published in 2002 and has gained steady recognition ever since. One could argue therefore that the increase in BVRLA Members' vehicle losses year on year is more to do with an improved performance at getting those reports of crime *accepted* by Police than any wholesale increase in vehicle theft from Members.

Although the numbers of vehicles reported stolen in 2006 reflect a steady upward trend over the last three years – there is still some way to go before reaching previous record losses observed in 2002 when 2,016 vehicles were reported stolen (0.74% of the total fleet). It is also important to note that the net vehicle loss is 321 vehicles, 28 fewer vehicles than in 2005.



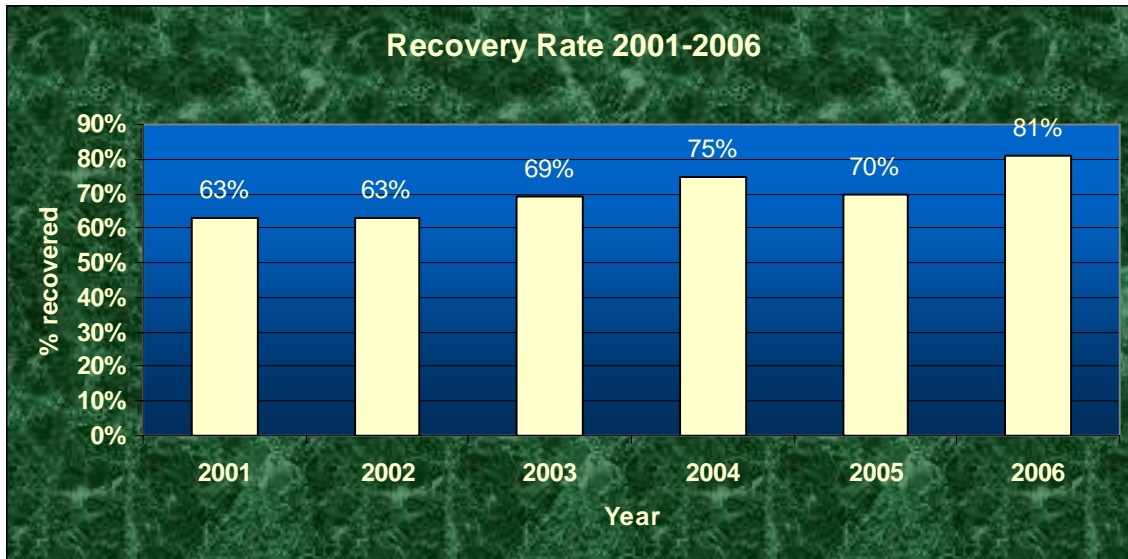
(Figure 1)

In 2006, BVRLA Members' total fleet at 317,041 showed an increase of 6,223 vehicles (2%) compared with 2005. Of these, the largest increase in fleet size (42%) is to be found in the commercial vehicle sector and with vehicles over 3.5 tonnes. In this vehicle category, remarkably, Members reported only 25 stolen vehicles in 2006 and achieved 100% recovery rate. This is due to the business-to-business transaction model operated by commercial vehicle rental organisations in membership and the large ratio of 'account' or pre-approved customers with the subsequent much reduced risk from walk-in or cash customers.



(Figure 2)

Recording vehicle losses in absolute terms can be difficult for the short-term vehicle rental industry as it traditionally enjoys a high vehicle recovery rate. The current British Crime Survey (BCS) indicates that 58% of vehicles stolen in 1999 were recovered. Overall, the BCS and police figures suggest that vehicle theft tends to be perpetrated by determined professionals rather than opportunist thieves. In 2006, BVRLA Members reported that of the 1652 vehicles reported stolen, 1331 (81%) were recovered. *Figure 3* below shows Members' vehicle recovery rates for the period 2001-2006 and a discernible upward trend. A key reason for Members' success in vehicle recovery rates is more widespread computerised customer and hirer rental records which make fleet control and rental administration easier and more efficient. Counter systems assist with customer follow-up and administrative controls help ensure that vehicle rental periods are extended efficiently and that customers are promptly contacted when overdue. Use of such systems make researching a 'lost' vehicle quicker, enabling rental staff to complete their investigations within shorter time-frames.



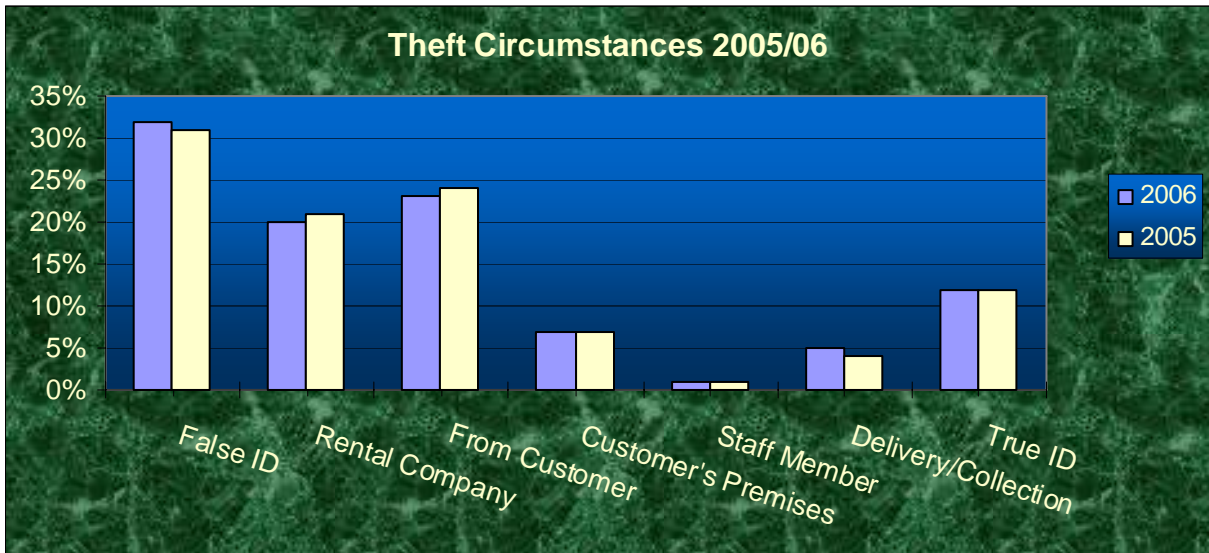
(Figure 3)

How Vehicles are stolen

The circumstances of vehicle theft have remained stable comparing 2005 and 2006. As we have seen in previous years, increasing security measures available on modern vehicles make them more resistant to theft and thieves must target the keys to the vehicle. BVRLA Members own and operate the newest models and have always benefited from the latest vehicle security technology. They are thus often the victims of identity fraud (mostly credit card fraud) because the simplest way for a fraudster to get hold of a vehicle and its keys is to turn up at a vehicle rental office and rent a vehicle. *Figure 4* shows that of the 1652 vehicles reported stolen in 2006, 536 (32%) were with a stolen or false customer ID. This indicates very strongly that rental vehicles are used by vehicle thieves, fraudsters etc. in their 'business' lives in pretty much the same way as other, bona-fide, corporate customers. Comparing 2006 with 2005, our statistics also show that when there have been operational risks identified, delivery and collection of vehicles for example, BVRLA Members have responded by addressing the risk and introducing measures that do not disadvantage their customers – arranging times when the customer is available in person, for example.

The Cost of Vehicle Theft

Taking into account, outright loss for un-recovered vehicles (BVRLA Members tend to self-insure for theft), loss of use (for vehicles recovered over time) and refurbishment costs on recovered vehicles, the costs of vehicle theft to the rental industry in 2006 is £4,840,830 – some £1.3million and 27% less than in 2005. In 2006, the net vehicle loss was 321 made up of 249 cars and 72 LCV/Minibus. In contrast, in 2005, the net vehicle loss was 481 which was made up of 388 cars, 87 LCVs/Minibus and 6 vehicles over 7.5 tonnes.



(Figure 4)

The chart below (Figure 5) shows that BVRLA Members recovered more of their stolen vehicles in 2006 than in 2005 and, moreover, they recovered them quicker and were fortunate in that they had to spend less in repairs etc. before restoring the vehicles to their fleets. We have already seen that Members recovered 81% of their losses in 2006, and 32% of those were recovered within 7 days of reporting. What has also contributed to an overall decrease in costs for the industry is the large number, 676, 41% recovered with no damage to the vehicle.

Analysis of Vehicles Recovered

	2006	2005
No. Vehicles recovered		
Recovered in 1 to 7 days	531	486
Recovered in 8 to 14 days	385	152
Recovered in 15 to 28 days	108	84
Recovered in over 29 days	307	287
Vehicles Recovered Total	1331	1009
No. Vehicles recovered with damage		
With no damage	676	525
Damage repairs up to £500	227	147
Damage repairs £501 to £1500	168	215
Damage repairs £1501 to £5000	177	63
Over £5000	83	6
Sub-total	1331	950
Damage level not reported	0	53
	1331	1009

(Figure5)

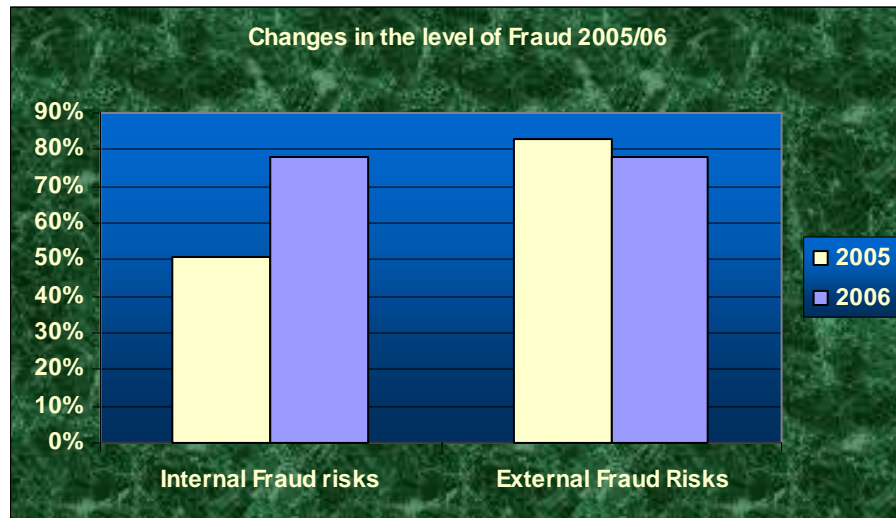
Vehicle Rental Losses and Fleet Sizes 2000-2006

Rental Losses 2000-2006	2006	2005	2004	2003	2002	2001	2000
Total Fleet Size	317041	310818	311050	218,081	271,181	315,786	255,173
Number of Vehicles Stolen	1652	1492	1,382	1,346	2,016	1,636	1,303
% of Total Fleet Stolen	0.52%	0.48%	0.44%	0.62%	0.74%	0.52%	0.51%
Car fleet size	184195	179926	179753	163,811	206,006	219,478	202,347
Number of cars stolen	1415	1248	999	1,042	1,450	1,275	1,119
% of fleet stolen	0.77%	0.69%	0.56%	0.64%	0.70%	0.58%	0.55%
LCV fleet size	93872	103494	113058	37,394	55,454	74,426	39,694
Number of LCVs stolen	237	196	176	166	294	137	79
% of fleet stolen	0.25%	0.19%	0.16%	0.44%	0.53%	0.18%	0.20%
HGV fleet size(over 7.5t)	38974	27399	18239	16,876	9,721	12,950	13,132
Number of HGVs stolen	0	46	85	118	272	224	105
% of fleet stolen	0.00%	0.17%	0.47%	0.70%	2.80%	1.73%	0.80%
% Recovered	81%	68%	75.00%	69%	63%	63%	60%
% Not Recovered	19%	32%	25%	31%	37%	37%	40%
% stolen from rental company premises	20%	21%	22.54%	24.00%	32.00%	18.20%	16.30%
% stolen from hirer/customer	22%	24%	28.40%	33.00%	34.00%	32.50%	21.60%
% stolen from hirer/customer's premises	7%	7%	16.10%	10.00%	24.00%	7.90%	2.10%
% stolen by a member of staff	1%	1%	1.48%	10.00%	0.00%	1.70%	0.60%
% stolen during delivery/collection	5%	4%	7.92%	8.00%	3.00%	11.20%	17.00%
% converted using false or stolen identification	32%	31%	12.37%	8.00%	5.00%	14.30%	19.90%
% converted using true credit identification	12%	12%	11.18%	8.00%	3.00%	14.20%	22.50%

(Figure 6)

2. Vehicle Rental Fraud

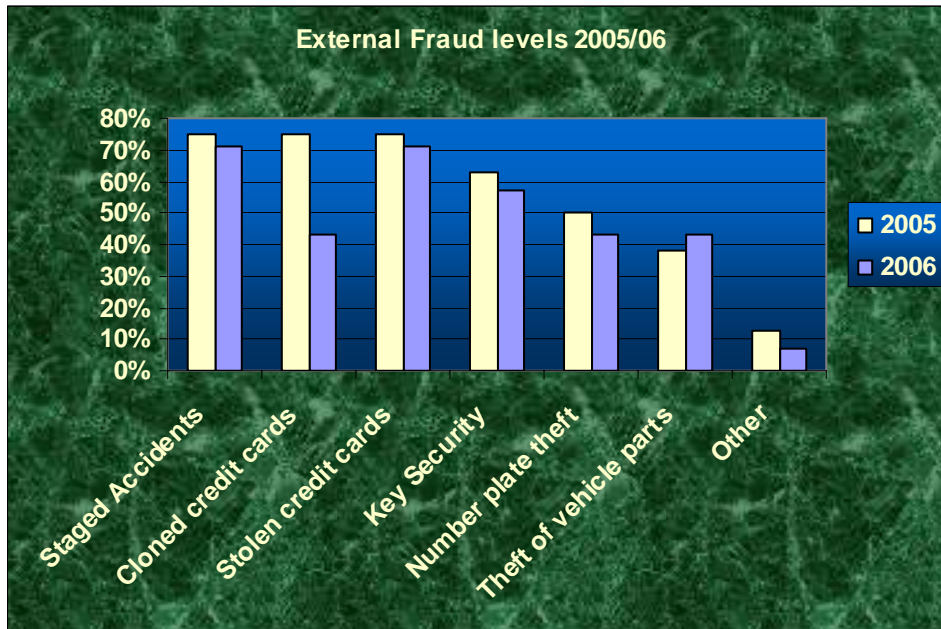
BVRLA Members identified their fraud risks in a variety of ways in 2006. 78% of respondents had been affected by internal fraud (increase from 51% in 2005) and 78% of respondents had also been a victim of external fraud (down from 83% in 2005).



(Figure 7)

Members assess internal risks through mounting monitoring exercises, liaising with rental staff and vehicle controllers and internal security checklists. External risk was identified by networking with contacts, police and credit card fraud departments. 15% of respondents reported that external risk was identified through using BVRLA's on-line risk assessment tool, RISC Online. 25% of Members reported that they had experience of insurance fraud.

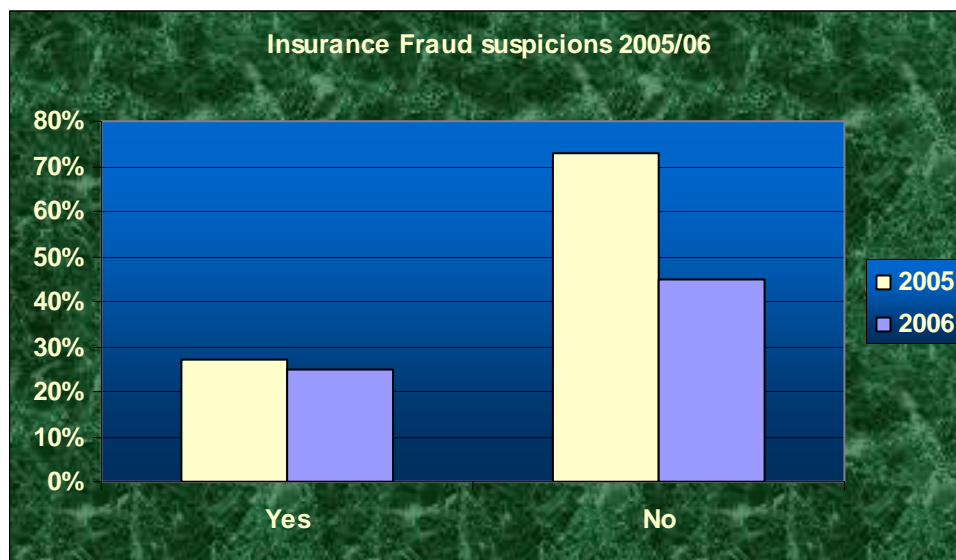
Asked what types of external fraud they encounter most often, Members report stolen credit cards (71%) and staged accidents (71%). Included in staged accidents are instances of exaggerated claims and false personal injury claims. Cloned or counterfeit card fraud (43%), which occurs when an illegal copy of a genuine card is made, has fallen since the introduction of chip and PIN to rental offices – a similar fall would be mirrored in national statistics when these figures are available. Members also report key security (57%) as a key area of risk with key box security cited as being a major concern. One Member reported that a change in policy was made necessary in that no customer vehicle returns were allowed out of office hours following an incident that resulted in a vehicle going missing. Number Plate theft and theft of vehicle parts each were reported by 43% of Members and other external fraud includes foreign renters presenting forged documents and company accounts set up fraudulently.



(Figure 8)

Internal Fraud

78% of Members stated that they had been affected by internal fraud, that is, fraud or theft committed by their own staff. With regard to specific breaches of security, Members appear to be on top of their internal fraud issues with most Members reporting decreased levels of activity year on year except for fuel theft which shows a 6 percentage point increase over 2005. Staff fraud includes; manipulation of computer systems, cash irregularities (customer deposits not refunded, petty cash infringements). Other fraud reported includes mis-use of customer discounts and abuse of customer benefit programmes.



(Figure 9)

Encouragingly, BVRLA survey results indicate that BVRLA Members have counter fraud controls in place to tackle both internal and external fraud threats. They encourage a culture of vigilance and

communication and have introduced such practices as; locking up keys at the end of the day; relying on Chip & PIN; stringent and consistent customer qualification checks on ID; rigorous staff training and using RISC, the industry bad renter database.

Members often adopt a 'carrot and stick' approach to staff fraud; generously recognising and (in some instances) rewarding front line staff for vigilance and making it known that fraud offences by staff members carries the threat of instant dismissal.

50% of Members said that their methods are 'almost always' successful in encouraging staff to report fraudulent activities, 40% said they were 'sometimes' successful and 10% of Members believed their methods to 'never' be successful.

Procedures reported by Members to monitor the effectiveness of their fraud controls include; staff training; regular meetings; identifying and predicting trends and constant communication between departments. It was also reported that all general fraud information is passed onto senior management.

All respondents are prepared to share fraud related information with other BVRLA Members (including the use of RISC, the industry bad renter database).

41% of Members suggested ways in which the BVRLA could help them combat fraud related crime, for example, holding dedicated seminars.

- Publish successful ideas and schemes that prevent fraud/criminal activity from other BVRLA Members and Police feedback/input on prevention.
- A website link to Frequently Asked Questions or an advice page
- Lobby for access to DVLA database of all licences that would highlight convictions stolen licences real time
- Open RISC Online database subscriptions to non BVRLA members
- Back government plans to introduce personal identity card system with photo. This would greatly aid the rental industry in renter qualification and help prevent conversion by identity fraud.

BVRLA Member Services

April 2007