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Vehicle Clones are a Street-Level Problem for NICB Members

SPECIAL EDITION

Vehicle Cloning

Fred and Lorraine Pierson of Prestonwood, North Carolina, figured they had done their homework when they bought a used Lexus LX470 luxury sport utility vehicle from a private individual. They put $10,000 down and had a local car dealership finance the balance of the $40,000 purchase. They had the vehicle fully inspected for previous damage. Carfax checked its vehicle identification number (VIN) for a vehicle history. They even drove the car for nearly two years and diligently made loan payments for 20 months. What the Pierson's didn't figure, though, was that they would become crime victims when they bought the car. And they certainly didn't figure they would lose their Lexus to a vehicle cloning scam.

Look Twice: Your Insured Vehicle May Have a Twin

Vehicle cloning is a growing problem for National Insurance Crime Bureau (NICB) members. Cloning is a crime in which stolen vehicles assume the identity of non-stolen, legally owned, vehicles that are a similar make and model. By applying counterfeit labels, plates, stickers and titles to stolen vehicles, criminals can make them appear as if they are legitimate, legally owned cars and trucks. The non-stolen vehicles can be actively registered or titled in another state or country, creating a situation in which multiple vehicles bearing the same VIN are simultaneously registered and/or titled. The result is that you have two or more vehicles that look exactly alike…at least by their identification documents and vehicle tags.

"Vehicle cloning is a relatively easy crime to commit, especially by organized rings of professional vehicle thieves and fraud artists enticed by its allure of huge profits," says Robert M. Bryant, NICB president and chief executive officer. "Conservative U.S. vehicle cloning profits are estimated to exceed more than $12 million annually, with an average net of $30,000 per cloned vehicle."

For less than $2,000, cloning rings can use a computer, color printer, typewriter, barcode label printer, rotary tool and engraving pen to create counterfeit identification documents. Using these tools, sophisticated criminal operations can produce cloned vehicles that are virtually undetectable by untrained auto theft investigators.

Vehicle cloning schemes range from relatively simple cases of counterfeiting to global export scams and other types of insurance fraud. Car thieves frequently travel across state and international borders to sell stolen cloned vehicles, oftentimes to unsuspecting buyers like the Pierson's.

NICB special agents and analysts have uncovered a tremendous array of cloning schemes limited only by the audacity, imagination and complicity of individuals involved in these crimes. The four most common schemes affecting NICB members include those using duplicate and/or washed titles, "paper" cloned vehicles, ones in which the vehicle's buyer and seller are involved in the crime, and scams involving staged accidents.

A new NICB White Paper, posted on the NICB members-only web site, outlines these schemes, examines criminal motives, reviews results

Please turn >>>

from several NICB cloning investigations, and provides detailed fraud indicators to support member claims and special investigation unit professionals. Members-only web site access is free to all NICB members. For web site registration information, please contact the NICB Customer Service Department at 1.800.447.6282 x. 4800.

A Washed Title and They're Cleaned Out: The Pierson Case

The Pierson case is a typical example of a washed title cloning scam. Title washing involves transferring a vehicle title among states to remove title brands and change an odometer reading. Criminals will transfer the title among several states to disguise the vehicle's history and confuse the ownership trail. They use the final clean title to sell the vehicle to an unsuspecting customer.

The Pierson's case began with an investigative lead gathered in February 2004 by the NICB's Area 9 office in Hartford, Connecticut, and shared with its Area 6 office in Washington, D.C. The lead involved a stolen vehicle insured by an NICB member: a Lexus LX 470 reported stolen from New York City in 1999. Through an investigative database search, NICB agents believed they had located this vehicle in the Raleigh, North Carolina area, which is covered by the Area 6 office.

Working with the NICB, investigators from the North Carolina Division of Motor Vehicles paid a visit to the Pierson's, who were the unsuspecting owners of the vehicle. Investigators discovered the car's VIN markings had been professionally altered almost everywhere on the vehicle and replaced with a VIN of a similar non-stolen Lexus. Further examination proved that the Pierson's car was the one stolen from New York City more than four years earlier. The Lexus' title had been washed in Virginia. Within hours, officials towed the Lexus and later returned it to the NICB member insurer that paid the claim on the stolen vehicle years before. The total elapsed time from when the lead was shared among NICB area offices to the time the vehicle was returned to the insurer: three weeks.

Tallying up the costs on this case: The Pierson's made $17,700 in payments on the Lexus, and could potentially be liable for the loan's balance of more than $25,000, pending legal action. They also lost the Lexus and had to replace it with another vehicle. The thieves made off with an easy $40,000.

Even consumers like the Pierson's, who figured they did everything right when purchasing their used Lexus, can be victimized in vehicle cloning crimes. It's clearly a buyer-beware market.

Check For Double Vision

The NICB urges members to carefully analyze potentially fraudulent claims involving cloned vehicle schemes. In addition to its training programs covering VIN identification and cloned vehicle crimes, the NICB suggests the following steps and tools to support fraud-fighting efforts:

- Prior to insuring, pre-inspect vehicles and scrutinize their VIN, Federal Certification Labels, stickers and title for any discrepancies.
- Document the circumstances surrounding the insured's purchase of the vehicle.
- If possible, check the vehicle's VIN with appropriate government agencies, state bureaus of motor vehicles, or public databases.
- To determine if the vehicle has a prior salvage or was exported, search the ISO database to verify the VIN.

"The Pierson case shows that cloned vehicles frequently require well-trained investigators to detect falsified VINs. Awareness, education and training are important components to uncovering and stopping these crimes," says Bryant.

UpClose is published by the Member and Government Affairs Department of the National Insurance Crime Bureau (NICB®), a not-for-profit organization whose mission is to combat fraud and theft for the benefit of its customers and the public through information analysis, forecasting, criminal investigation support, training and public awareness. Contents may be republished whole, or in part, with attribution.

A new NICB brochure, available in English and Spanish versions, is now available to help consumers recognize vehicle cloning scams, and provides valuable crime prevention tips. NICB members can order up to 3,000 copies of each version at no cost. Registered NICB members-only web site users can order any of our public awareness materials online from the web site's material request form. If you are not a members-only user and wish to order any public awareness materials, please contact the NICB Customer Service Department at 1.800.447.6282 x. 4800.

Custom printing programs are also available.

Recent NICB investigations have led to the recovery of more than 400 stolen vehicles involved in cloning schemes. The most popular cloned vehicles uncovered in these investigations include (in alphabetical order):

BMW X5
Cadillac Escalade
Chevrolet Avalanche and Tahoe
GM Hummer
GMC Yukon
Jeep Grand Cherokee
Lexus GX, LX and RX
Mercedes Benz
Mitsubishi Montero
Toyota Camry and 4Runner