

Motor Vehicle Theft Prevention and Insurance Verification Council
Wednesday, August 1, 2018
10:30 a.m. – 12:00 p.m.

Illinois State Library
300 South Second St., Room 403/404
Springfield, IL 62701

Meeting Minutes

1. Welcome and roll call

Chairman Piazza called the meeting to order at 10:35 a.m., informed the members that minutes for the meeting would be electronically recorded and asked Micah Miller to take the roll call. The following members were present:

Pete Piazza, Director, Secretary of State Police
Sgt. Keith Blair, Chicago Police Department
Steve Lyddon, Illinois State Police
Steven Block, Cook County State's Attorney's Office
Larry Johnson, Farmers Insurance
Matt Gall, Country Financial
Dana Popish, Allstate Insurance
Todd Feltman, State Farm Insurance

Chairman Piazza also recognized the following individuals who were in attendance:

Henry Haupt, Deputy Press Secretary, Secretary of State
Tiffany Baum, Dept. of Information Technology, Secretary of State
Kacy Reiss, Dept. of Information Technology, Secretary of State
Dwayne Killian, Tri-County Auto Theft Task Force
Amanda Trimmer, Chief Deputy Director, Secretary of State Budget Office
Bill House, Secretary of State Budget Office
Lt. Elmer Garza, Deputy Director, Secretary of State Police
Sgt. Adam Broshous, Secretary of State Police
Dave Fuchs, Programs and Policies, Secretary of State

Having recognized that a quorum was present (6 members or more physically present), Chairman Piazza asked the members take a few minutes to introduce themselves.

2. Approval of minutes

Mr. Miller instructed members to locate the minutes from the May 9, 2018 meeting and asked if there were any comments or revisions. Hearing none, Chairman Piazza asked for a motion to approve the minutes. Mr. Lyddon made the motion and Mr. Johnson seconded the motion. Hearing no objections, the minutes from May 9, 2018 were approved.

3. Discussion and vote on administrative rules and bylaws

Mr. Miller instructed members to locate the administrative rules and bylaws, which were included in their packets, and asked for Ms. Williams to offer a briefing on these items. Ms. Williams explained that the administrative rules were based largely upon the former rules used by the Illinois Criminal Justice Information Authority, however there were several technical changes. She continued that these changes were based upon the Secretary of State's office now overseeing the Council along with the language from Public Act 100-0373, which broadened the scope of the Council to include insurance verification and recyclable metal theft.

Ms. Williams indicated that the rules would need Council approval before they would be filed with the Joint Commission on Administrative Rules. She also briefly discussed the bylaws and stated that they are fairly standard and that they would provide guidance on how the Council should conduct itself.

Chairman Piazza asked if members had any comments or concerns. Hearing none, he asked for a motion to approve the minutes. Mr. Feltman made the motion and Mr. Gall seconded the motion. Hearing no objections, the administrative rules and bylaws were both adopted.

4. Electronic payment presentation - SOS Dept of Information Technology

Mr. Miller explained to the members that insurance companies would now be remitting payments to the Council through the Secretary of State's office. He continued that the process was manual for 2018, with an effort on meeting deadlines for when insurance companies should be informed (by March 1 of each year), and when payments should be received (by April 1 of each year). However, the demand for an online method of payment led to the development of an online process, which members of the Secretary of State's Department of Information Technology were on hand to present to the Council.

Ms. Baum, with the Secretary of State's Department of Information Technology, began her computer demonstration, explaining each step that an insurance company would go through in order to remit their annual payment to the Motor Vehicle Theft Prevention and Insurance Verification (MVTPIV) Trust Fund. She explained that the link for the web portal will be located at the new MVTPIV webpage by January 1, 2019, which could be located at: www.cyberdriveillinois.com/MVTPIV/home.html

Mr. Johnson asked if there were any payment processing fees. Ms. Baum said that they use JetPay payment processing and every e-check, regardless of size, would be charged a \$.50

payment processing fee, which by law the state cannot take responsibility for. She also explained that if there was a need for credit card payments, they could set it up very easily, however the fee would be 2.25% on each transaction, which could be a substantial cost to the company.

Mr. Feltman asked if companies have multiple NAIC codes, would they be able to run them all together in one transaction, or would they have to input every one. Ms. Baum said they would have to look into that and get a response back later. Mr. Reiss asked how many NAIC codes they would need to handle. Mr. Johnson said that some companies may have 12 or more subsidiaries. Mr. Reiss asked if the FEIN numbers would be different in each case as well. Mr. Miller said that when he received payments for 2018, some companies would turn in 12 or more worksheets, with different FEIN numbers, and it would not be unusual to see one check with the grand total, or 12 smaller checks attached to each one. Ms. Popish suggested a comment section if companies wish to make one payment for multiple subsidiaries.

Ms. Baum thanked everyone for their feedback and said to contact Mr. Miller if they have any further suggestions.

5. Financial Report

Chairman Piazza asked Mr. Trimmer, Chief Deputy Director for the Secretary of State's Budget Office, to brief the members on the balance of the MVTPIV Trust Fund. Ms. Trimmer explained that the current balance as of Aug 1, 2018 was just under \$16.4 million dollars and they received last year's revenues of just over \$7.1 million dollars. She said that they successfully secured an FY19 appropriation from the General Assembly and were currently in the process of hiring staff for the administration of grants.

Ms. Popish asked if it was a new appropriation and if so how much. Ms. Trimmer verified that it was a new \$20 million dollar appropriation and reminded the members that the legislation that restructured the old Council included a provision for the funding of a new mandatory insurance verification system. She said that the Request for Proposal (RFP) had recently been posted, a mandatory pre-bid conference will soon be scheduled and then an evaluation committee will look at the proposals. She anticipated an update in the coming months on the cost of the system.

Mr. Johnson asked for clarification that funds were available as of FY19 and Ms. Trimmer confirmed. He asked when money would be available for council use and Chairman Piazza said they are targeting January 2019 as a timeframe to have the appropriate staff in place and guidelines for how to utilize the funds. Mr. Johnson asked if the Grant Review Committee structure would be utilized again. Ms. Williams confirmed and stated that it was written into the Administrative Rules. Mr. Miller said that members had already expressed interest in serving on the Grant Review Committee and he planned on asking for a vote on these members at the next council meeting.

6. Multi-year Strategy Discussion

Chairman Piazza asked for members to locate the 2016-2019 multi-year strategy and asked for continued comments on the strategy that he been previously developed. He also asked for comments on auto theft trends that people have noticed. Mr. Miller reminded the members that with insurance verification utilizing up to 75% of the funding for the first year and up to 50% in each following year, the total pool of funding will be reduced from what it once was. He encouraged the members to look at programs that were previously funded and to decide what should be a priority moving forward.

Sgt. Blair said that they are seeing an increase in financial identity theft, which can be done over the internet and may span multiple states. He said that many of the auto thefts they see are crimes of opportunity, for instance, people leaving their keys in the car. They do not see as many cases of people manipulating ignitions, mostly due to increased security and sophisticated technology on modern vehicles.

Sgt. Broshous said that starting in 2014, the Secretary of State's office went online with National Motor Vehicle Title Information System (NMVTIS). The system is mandated by the U.S. Department of Justice, but administered by the American Association of Motor Vehicle Administrators (AAMVA). He explained that anytime a person applies for a title or registration, it compares that application against every other state that may have a record for that particular vehicle in an effort to weed out fraudulent transactions. If there is an inconsistency, the transaction is scrutinized by the error and fraud protection division for manual oversight. If there is reason to believe that it is fraud, the matter is then referred for investigation to the Secretary of State Police.

Sgt. Broshous said that he was a member of the Northeast Metro Auto Theft Task Force (NEMAT) and in 2015, shortly after the closure of most of the statewide task forces, he came back to the Secretary of State Police and their command assigned one investigator full time to continue the work they were doing with the auto theft task force. From March 2015 until May 2018, they conducted a total of 504 fraudulent title investigations, which resulted in the recovery of 119 stolen motor vehicles at a value of approximately \$3.6 million dollars. There were also 54 criminal charges that directly resulted from those investigations.

As of June 1, 2018, the Secretary of State's Auto Theft Unit is comprised of one supervisor and two investigators, working full time and within the two month period they have recovered 19 stolen motor vehicles at a value of approximately \$600,000. There were also 18 charges that directly resulted from those investigations.

Sgt. Broshous concurred with Sgt. Blair's assessment that auto theft has moved toward paper crimes, financial institution fraud, and synthetic identity and credit profiles which allow criminals to fraudulently obtain loans on multiple cars until their identity is no longer usable. They have also seen either fraudulent lien releases to try and obtain a clear title, or fraudulent titles. If they can obtain a title, the vehicle is then sold at a discounted rate. He also indicated a case where a stolen vehicle was used to breach security fencing at auto manufacturing facilities

and then several people stole brand new cars that didn't have MSO's assigned to them yet. The Secretary of State's office has seen 63 of these vehicles come into the state of Illinois, represented as out-of-state lease transfers, to VIN's that do not exist. Through partnership with the Chicago PD, 4 of these vehicles were recovered, but 59 are still out there and have been entered into LEADS.

Mr. Johnson asked about NMVTIS, specifically scrap dealers reporting titles on vehicles that have gone to scrap. He referenced some examples where older vehicles had been scrapped, but the titles were not collected by the dealer, therefore the owner still held a clean, negotiable title to a vehicle that does not exist. Mr. Johnson said that in other states (Kentucky and Indiana) they do occasionally catch vehicles that have gone to scrap, but for awhile, that information was not showing up in Illinois. Mr. Miller said that he would inquire.

Mr. Feltman asked if Illinois participated in the Fraud Awareness Calls that AAMVA has monthly. Sgt. Broshous said that he personally attends all of them along with other SOS Police, the SOS Error and Fraud Detection Unit, and other administrators.

Mr. Gall asked Sgt. Blair about a process that the Chicago Fire Department implemented approximately two years ago where stolen vehicles that are recovered burned would prompt interaction by the Chicago Police Department to interview the owners and fill out some paperwork. He asked specifically if that process had any impact on the amount of thefts and burns in the city. Sgt. Blair indicated that his unit would be notified of a stolen vehicle that was burned and if they noticed a pattern they could handle it case by case, however he had not seen a sharp rise in burn vehicles.

Mr. Miller asked if any Council members could comment on how the prior auto theft task forces operated as far as structure, monthly meetings or reports. Mr. Johnson said that whoever applied for funds from the Council would submit a proposal to the Grant Review Committee, that committee would vote on recipients and their proposals would then be voted on by the entire Council. Mr. Killian said that once every 3 years, the applicant would go before the Grant Review Committee and when the auto theft task forces were operational, they would typically submit monthly activity reports to the Council.

Sgt. Blair said that they have seen a rise in financial crimes used to obtain vehicles fraudulently and it caused him to contact the National Auto Dealers Association to warn them of the issue and advised them to scrutinize applications from the Chicagoland area and Northwest Indiana. He said that this action led to a lot of positive feedback from area dealers and also encouraged dealers to institute further checks before shipping vehicles, as it can take up to 15 days for loans to be posted onto credit reports.

Lt. Garza said that another problem is when these vehicles are obtained fraudulently, criminals have learned that if they make a few payments, then the dealership can't report it stolen and it then becomes a lienholder issue. The vehicle is listed for repossession, but has since been retagged and won't be found - while it was stolen it never got documented as stolen.

Mr. Johnsons reminded the members that the Council is funded by premiums placed upon insurance policies to combat auto theft and the insurance fraud that is associated with it. While he recognized the financial crimes that affect financial institutions, he reminded members of the mission of the Council.

Mr. Killian asked if auto theft task forces are reinstated, would indemnification occur again as the Illinois State Police did previously. Chairman Piazza said that indemnification would be essential to the operation. Mr. Lyddon said that Task Force Officer (Inspector) status is a common practice in order to have multi-jurisdictional authority.

Mr. Lyddon asked if the Council intended to try and reinstate all of the previously operational auto theft task forces. Chairman Piazza indicated that funding would most likely not allow for that. Mr. Lyddon asked the members to consider the training and intelligence/data gathering aspect for use of grant funds. He said that if the trend is moving toward financial crimes, the training aspect would need to be modified to include this.

Mr. Miller told the members that the last grants that went out before the funding was stopped, included 6 Auto Theft Task Forces, 1 Specialized Prosecutor in Cook County, and a Special Audit Team for SOS, which added up to over \$6 million dollars, which was the majority of the fund. Chairman Piazza noted that the Special Audit Team would not be requested. Mr. Miller stated that even with the savings of no Special Audit Team funding, the remaining \$5 million dollars is more than the Council will have available in the upcoming years if you account for 50% of what has traditionally been \$6.5 million deposited into the fund annually.

Mr. Johnson said that insurance companies used to donate cars for use by these task forces, but then the Council started purchasing cars. Mr. Miller noted that inventory lists that were passed along to him designated vehicles as "grant purchased" and "program owned," which may differentiate between vehicles that were previously donated to the Council.

Mr. Gall said that the Property Casualty Insurers Association (PCI) inquired about the lost funding of the Council and if it was related to funds not being used and grants not being issued. Mr. Johnson said that the Council did a good job at utilizing nearly all of the money that came into the Trust Fund. Mr. Miller noted that the grants where halted in 2015 by Executive Order and the budget impasse did not allow an appropriation to use funding in fiscal year 2016 and beyond. Mr. Johnson noted that as the Trust Fund accumulated a balance, with no appropriation, the Governor's office swept it a few times for budgetary needs.

Mr. Feltman asked if there was language to prevent any future sweeps. Chairman Piazza said that there was language in Public Act 100-0373 explaining that Council funds were not to be used for other purposes and not to be considered general revenue. He also noted that the Secretary of State is a separate Constitutional Officer than the Governor.

7. Public Comments

Chairman Piazza asked for any other comments from the public. Mr. Feltman encouraged the members to consider hearing testimony from AAMVA representatives at future meetings as the topic of vehicle theft is frequently discussed. Ms. Williams agreed and said as a frequent participant with AAMVA she would work with Mr. Feltman for future arrangements.

Hearing no further comments, Chairman Piazza thanked everyone for their time.

8. Wrap up, set new date

The members suggested meeting in Springfield, during the fall veto session. Mr. Miller agreed to set up a date in November.

9. Adjournment

The meeting adjourned at 11:45 a.m.