

AUTO THEFT: A NATIONAL CRISIS

Canada is facing an auto theft crisis as tens of thousands of vehicles are stolen across the country each year; in 2022, more than 70,000 private passenger vehicles were stolen. Ontario has been hit especially hard with over \$700 million in losses province-wide, and over \$500 million worth of vehicles stolen in the Greater Toronto Area (GTA) alone, with regions in the 905 belt seeing the highest increases over the past five years, including Durham (+561%), Halton (+514%) and York (+497%).

The numbers speak for themselves

- 34,861 vehicles were stolen in the first half of 2023 in Canada (private passenger vehicles only)
- In 2022, Ontario and Quebec had the most vehicles stolen (Ontario up 48.3% year over year, Quebec up 50% year over year compared to 2021) coupled with the lowest recovery rates (Quebec 34%, Ontario 45%). Those trends are continuing into 2023.
- In Toronto alone, auto thefts have increased 34.3% year-over-year in the first half of 2023.
- The national vehicle recovery rate is 57%
- The majority of stolen vehicles are new (2019 and newer)

While high-end, luxury vehicles are lucrative targets, everyday vehicles are also highly desirable. These losses not only have financial impacts for families that own highly targeted vehicles (from Honda CR-Vs to Ford F-150 pickup trucks), they also cause disruption, anxiety and fear. The numbers also represent increasingly unsafe communities: not only will criminals resort to violence (carjacking) to steal vehicles, the illicit proceeds are used to fund the trafficking of guns and drugs and other criminal activity in our communities.

It is estimated that insurance fraud costs Canadians between \$3-5 billion per year. We all have a role to play in addressing this crisis. Auto manufacturers, insurers and law enforcement agencies must collaborate to address the problem at its source and make Canadian vehicles more difficult to steal in the first place. Additionally, federal agencies have a key responsibility to block the transport of stolen vehicles across and out of our country.

Canada's private auto insurance provinces, namely Ontario, Quebec, Alberta and the Atlantic Region, experienced \$1.2 billion in theft claims costs in 2022, tripling from approximately \$400 million in 2018. In Ontario, auto theft claims costs were approximately \$700 million in 2022, up from approximately \$160 million in 2018, a staggering 329% increase. It is time to prioritize solutions.

What Happens to Stolen Vehicles?

Once vehicles are stolen, they face three primary outcomes. All of these outcomes need to be addressed in a whole-of-society prevention strategy:

1. **Shipped overseas:** Vehicles are exported to international markets by domestic and international criminal organizations. The proceeds – which are often laundered through organized crime syndicates – are then used to finance drug trafficking, arms dealing and international terrorism.
2. **Fraudulently re-VINed vehicles sold to unsuspecting customers in Canada:** Vehicles are re-VINed and sold domestically to unsuspecting Canadians (re-VIN: to change the vehicle identification number (VIN) of a stolen vehicle to conceal that the vehicle is stolen).
3. **Disassembled in “chop shops” and sold for parts:** Vehicles are illicitly disassembled by disreputable providers (“chop shops”) for parts resale (e.g., catalytic converter thefts) which also funds organized crime activities.

The majority of stolen vehicles are exported and sold overseas for maximum profits. While it is difficult to get an exact number, data suggests over 50% of stolen vehicles are exported. Most of the remaining vehicles are re-VINed and sold domestically.

A Whole-of-Society Strategy to Address the Auto Theft Crisis

1. Stop vehicles from being stolen in the first place

Auto Manufacturers

Auto manufacturers should play a fundamental role in equipping vehicles with modern and effective anti-theft safety devices. The current anti-theft deterrent standard in federal regulations was first implemented in 2007. It has not been updated since, despite the widespread adoption of modern technologies such as keyless, push-to-start ignition. This has rendered the current standard outdated and leaves vehicles vulnerable to theft. Vehicle manufacturers can prevent auto theft by proactively building to an updated anti-theft safety standard. Auto manufacturers should install effective anti-theft safety devices in all new vehicles as outlined in the UL Standards & Engagement’s (ULSE) recently updated [Standard for Automobile Theft Deterrent Equipment and Systems: Electronic Immobilization, CAN/ULC 338 Second Edition](#).

Insurers

Insurers have a key role to play in educating consumers about protecting themselves against auto theft. For example, many insurers are now offering, approved aftermarket tracking devices and theft-deterrent technologies. Vehicles that are at the highest risk of theft may be subject to higher insurance costs, and proactive steps undertaken by the insured as suggested by the insurer, to better protect their vehicle may help improve insurance costs.

Provincial Governments

- a. The Ontario government can amend provincial vehicle registrations by:
 - Introducing a physical VIN inspection as part of the safety inspection before every vehicle transfer
 - Banning third-party registrations by private actors that lack power of attorney
 - Preventing private actors (non-dealers) from registering a vehicle using a New Vehicle Information Statement.
- b. The Alberta government, through Service Alberta, should eliminate the current VIN override policy to ensure that registrations can be issued if a VIN fails to conform to VIN verification databases.
- c. All provinces should provide more resources for coordinated, inter-agency enforcement.

Provincial Enforcement Agencies

Provinces can bolster enforcement capacity. They should create provincial auto theft teams with dedicated prosecutorial support to strengthen provincial capacity to police and deter organized crime's involvement in auto theft, as was recently done in Ontario.

2. Stop the illegal export of stolen vehicles

Federal Government

The federal government must play a leadership role in coordinating a national auto theft strategy with a focus on stopping the illegal export of stolen vehicles. For example, Public Safety Canada should empower and invest in Canada Border Services Agency (CBSA) to improve controls at the ports and border. This could be facilitated by prioritizing stolen vehicles as a targeted export commodity, similar to how guns and drugs (specifically opioids) are prioritized for inspection on import. In addition, CBSA should align with U.S. Customs and Border Protection's policy by requiring all vehicles set for permanent export be presented for inspection 72 hours prior to departure. Concurrently, Public Safety Canada should add vehicle inspections to the commodities priorities list for CBSA, behind drugs and gun inspections, as auto theft is a funding mechanism for drug and gun trafficking in our communities. Adding vehicle inspections to the commodities priorities list will increase targeted inspections and reduce the amount of stolen vehicles being exported from Canada, thereby reducing the funding source for these more serious crimes.

Transport Canada also has a regulatory role to play to ensure modern vehicle safety standards are implemented by updating Canada's outdated Federal Motor Vehicle Safety Regulations, and adopting the updated set of standards set out by ULSE. This must include mandating that effective modern anti-theft safety devices be installed in every new vehicle that is manufactured. These devices should never be more than three years old in order to remain current with the modern anti-theft technology. Manufacturers install modern technology for convenience, and they should be required to meet modern safety standards in theft prevention.

Furthermore, the Royal Canadian Mounted Police (RCMP) should facilitate the upload of Canadian Police Information Centre (CPIC) data to the International Criminal Police Organization (INTERPOL). However, stolen vehicle data on CPIC is not currently being uploaded to INTERPOL database which prevents intervention by international law enforcement agencies. As a result, when customs authorities conduct checks at international ports using INTERPOL databases, stolen Canadian vehicles do not return a “hit” and are allowed to move on through the importation process. By uploading CPIC data to INTERPOL, international authorities would be able to identify Canadian stolen vehicles and seize them, which would stem the flow of contraband vehicles from Canada and assist in their repatriation.

The Bottom Line

We need a whole-of-society approach to turn the tide: no one organization or industry can solve the problem of auto theft on its own. It starts with the federal government playing a lead role in a coordinated, inter-agency response. This should begin with the immediate formation of a short-term all-stakeholder working group that reports to the ministers of Public Safety and Transport Canada, and focuses on building upon the strategy outlined above.

About Équité and IBC

About Équité Association

Équité Association is a not-for-profit, national organization, supporting Canadian property and casualty (P&C) insurers. Équité combats the insurance crime problem that exploits vulnerable Canadians through advanced analytics, intelligence best practices, and coordinated investigations. Delivering improved service and fraud analytics for vehicle, property, and cargo recovery to its members, Équité collaborates with law enforcement, partners and industry organizations to protect Canadians against exploitation.

About The Insurance Bureau of Canada

IBC is the national industry association representing the vast majority of Canada's home, car and business insurance companies. We rely on the collective expertise of our members and leadership team to create policy positions, advocate for a competitive and sustainable market and influence meaningful change in the insurance industry.