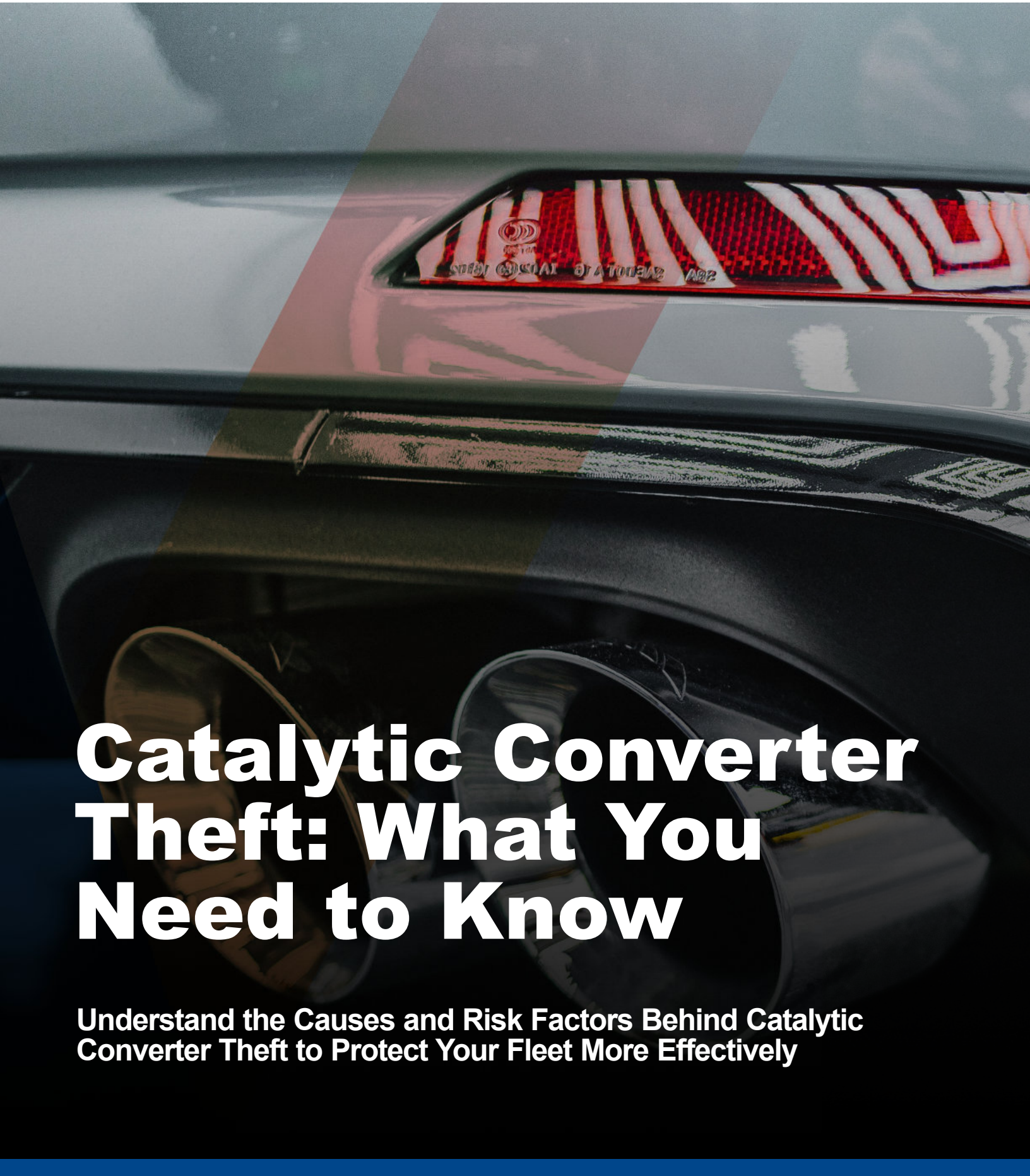
Wilmar™ *Drive Your Fleet Forward*



Catalytic Converter Theft: What You Need to Know

Understand the Causes and Risk Factors Behind Catalytic Converter Theft to Protect Your Fleet More Effectively

Introduction



Catalytic converter theft has been a problem in the U.S. for decades, but reported cases have begun to skyrocket across the nation in recent years.

The rising cost of the precious metals contained in these devices and the relative ease with which they can be stolen by thieves is driving the rapid rise in thefts. As the value of the precious metals contained within catalytic converters continues to increase, so do the number of thefts of these automotive emissions devices.

What Is a Catalytic Converter?

Catalytic converters are used to break down harmful compounds in vehicle exhaust streams before they exit the vehicle. Gases exiting the engine are blown over a catalyst which downgrades these pollutants, and the less harmful byproducts pass through the vehicle's exhaust.

The catalyst portion of a catalytic converter is made up of platinum group metals including platinum, palladium, and rhodium. They are mined and refined primarily in South Africa and Russia. Demand for platinum group metals has spiked in recent years due to more stringent emissions regulations like LEV-III in North America and the national Stage VI emission regulations in China. Demand is further driven by the need for platinum, palladium, and rhodium in fuel cell and battery powered vehicles.



Why do Thieves Target Catalytic Converters?

The price of catalytic metals has risen sharply as a result of increased demand. Supply chain disruptions beginning in 2020 have driven the cost of these metals exponentially higher. Mining companies in South Africa have been operating at only 50% capacity since 2020, and armed conflict in eastern Europe has disrupted mining and refining in Russia.

> ***Based on current prices, a single catalytic converter can contain up to $2,300 worth of precious metals.***

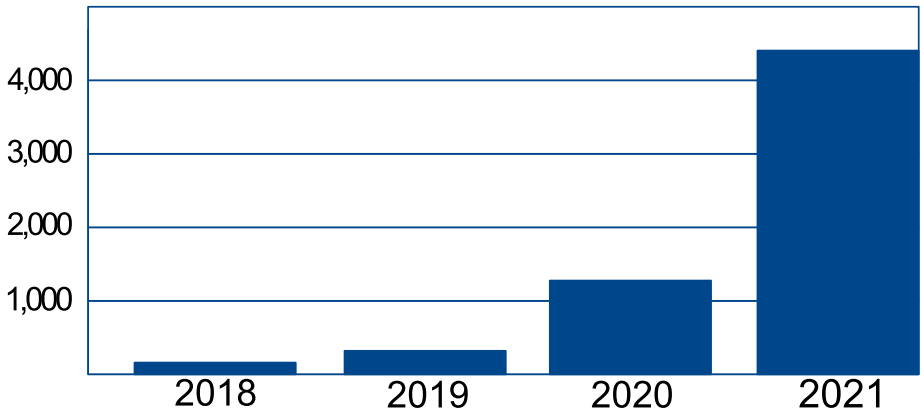
A typical catalytic converter contains around 0.1-0.25 ounces of platinum, 0.1-0.25 ounces of palladium, and 0.03-0.07 ounces of rhodium. These metals are extremely rare, and are in short supply across the globe.

The current price of platinum is around $950 per ounce. Palladium went from less than $500 an ounce in 2016 to $2,115 in 2022. Rhodium prices saw an even larger increase, going from $640 an ounce to a record $21,900 an ounce in 2021. The price of rhodium is expected to reach $24,000 by 2023. For perspective, the current price of gold is around $1,700 per ounce, making rhodium over 12 times more valuable.

Catalytic Converter Thefts On the Rise Nationwide

The value of the platinum group metals inside catalytic converters has led to an increase in both legitimate recycling operations and black-market enterprises dedicated to extracting and recovering these materials. The black-market trade of catalytic metals has driven a massive increase in catalytic converter theft.

Catalytic Converter Thefts per Month



According to the National Insurance Crime Bureau (NICB), catalytic converter thefts have seen a dramatic increase across the country. In 2018, there were an average of 108 catalytic converter thefts per month. That number reached 282 average monthly thefts in 2019, and 1,203 average thefts per month in 2020. In 2021, catalytic converter theft rose an alarming amount, reaching an estimated 4,300 per month for a total of almost 52,000 reported incidents. That number is expected to rise even further in 2022.

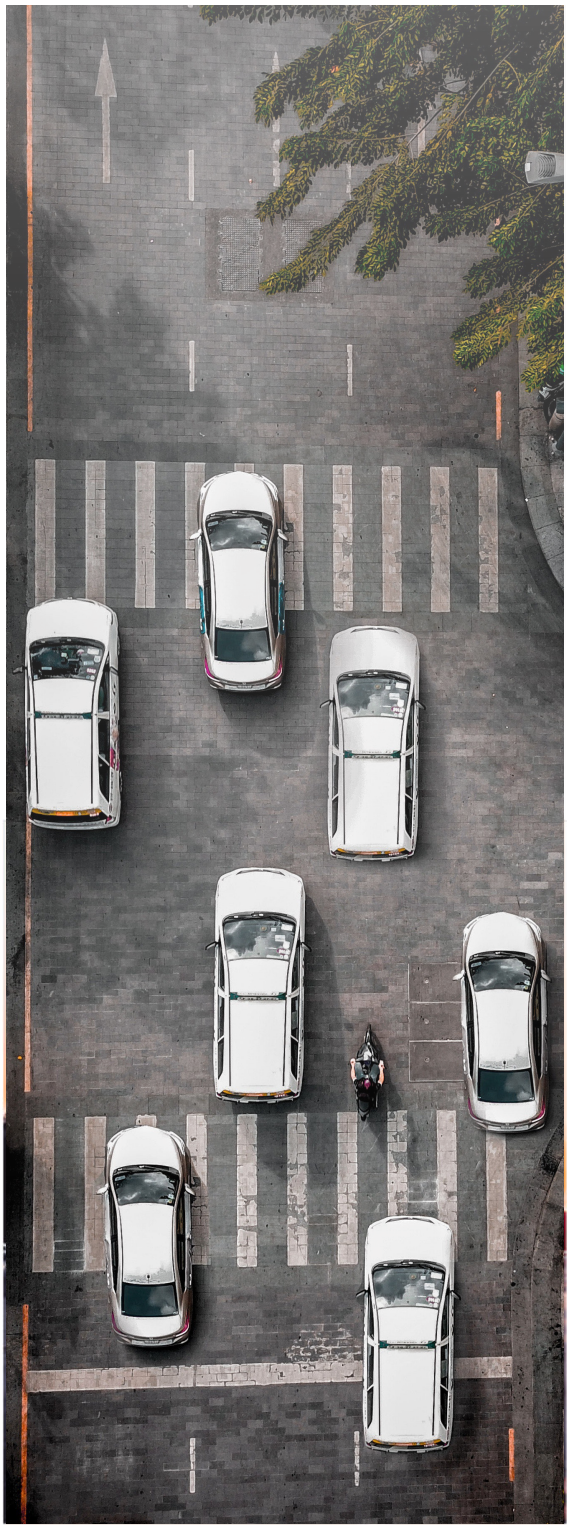
52,000 catalytic converter thefts were reported in 2021, an increase of more than 350% over the previous year.

Removing a catalytic converter takes only minutes using readily available, battery-operated tools from any local hardware store, meaning that thieves can make off with a very high-value part in very little time. Thieves then sell the stolen catalytic converters to metal recyclers, scrap yards, or chop shops, and typically receive $500 or more per device sold. Metal recyclers then break down the catalytic converters to extract the extremely valuable rare earth metals to sell for market price.

Nationwide, catalytic converter thefts in 2022 are up nearly 16% compared to the same time period in 2021. By July of 2022, eight states had already surpassed their full-year 2021 theft numbers. In New York City alone, the NYPD reported that catalytic converter thefts nearly quadrupled in 2022, with 5,548 catalytic converter thefts reported as of August 14th, in comparison to 1,505 thefts during the same period in 2021.

The true number of catalytic converter thefts nationwide may be considerably larger due to underreporting.

Although the reported increase of catalytic converter theft by the NICB is staggering, it reflects only the number of thefts reported, not the entire total amount of thefts in the U.S., which can only be estimated. While underreporting of catalytic converter thefts remains an issue, the numbers provided by NICB provides an insightful look at the trends of catalytic converter thefts. Many catalytic converter thefts go unreported due to lack of comprehensive insurance to cover the loss for some drivers, or because the cost of repair is less than the insurance policy deductible.





Which Vehicles Are Most At Risk for Catalytic Converter Theft?

Vehicles Most Likely to Have Their Catalytic Converters Stolen:

- 1985-2021 Ford F-Series
- 1989-2020 Honda Accord
- 2007-17 Jeep Patriot
- 1990-2022 Ford Econoline
- 1999-2021 Chevrolet Silverado
- 2005-21 Chevrolet Equinox
- 1997-2020 Honda CR-V
- 1987-2019 Toyota Camry
- 2011-17 Chrysler 200
- 2001-21 Toyota Prius

Targeted vehicles range from small cars such as the Chrysler 200, to SUVs such as the Honda CR-V or Chevy Equinox, all the way up to full-size pickup trucks from Ford and GM.

Opportunistic thieves target catalytic converters in bigger vehicles like large pickups and delivery vehicles. Trucks and commercial vehicles like transport vans are targeted due to higher ground clearance, which allows criminals to more easily access the undercarriage of the vehicle to saw off and remove the catalytic converter.

Ultra-low-emissions vehicles like hybrids have also become a major target, as they are equipped with two catalytic converters. Hybrid vehicles also emit fewer toxins, thereby providing a cleaner and more valuable catalytic converter. Due to less overall toxic emissions, less catalytic metals are depleted in the conversion, which results in a higher demand on the black market and recycling centers.



Fleet Vehicles and Catalytic Converter Theft

Fleet vehicles make an attractive target for catalytic converter thieves. Company cars and trucks are typically stored in parking yards and often left unattended overnight, allowing individuals to enter the lot and remove multiple catalytic converters with a minimal amount of effort and time. Heavy duty trucks like Ford F250s, which are often used in commercial applications, are also highly targeted due to larger catalytic converter size and relative ease of access underneath the vehicle. Catalytic converters in these vehicles can cost $2,500 or more to replace.

Centralized parking areas for company vehicle pools are prime targets for catalytic converter thefts.

Thieves looking to steal multiple catalytic converters at once will target a large group of vehicles in an unmonitored overnight parking lot. Thieves target these parking areas at night, knowing it is unlikely for anyone to come for the vehicles until the following morning.

An experienced thief can remove a catalytic converter from a vehicle in under two minutes, creating the opportunity for a large amount of damage to a fleet in a very short amount of time. One Oregon thief was pulled over with over 100 catalytic converters in the trunk of his car, having an estimated value of $80,000.

Impact On Your Fleet

Catalytic converter theft is a growing issue for many fleets around the country, and a huge headache for owners and managers. Most drivers become aware of the theft when they start their vehicle and hear the extremely loud jackhammer-like sound of an unmuffled engine.

Catalytic converter theft also creates a potential health and safety hazard. A vehicle missing its catalytic converter can be extremely dangerous due to hot gases escaping from the cut exhaust pipe. The escaping hot exhaust can harm individuals in close proximity to the vehicle. This can also heat the vehicle's fuel tank, creating a potential fire or explosion hazard if driven.



The Consequences of Catalytic Converter Theft

While a vehicle with a removed catalytic converter will be drivable, it is not legal to operate on public roadways. A catalytic converter is required by law in all 50 states. If you drive a vehicle damaged by catalytic converter theft, you could be pulled over and fined. Vehicles missing their catalytic converters must be parked in a storage lot or on private property until the vehicle is repaired and the catalytic converter is replaced. Because it is illegal to drive a vehicle without a working catalytic converter, theft results in immediate downtime of a vehicle and potentially its driver and support staff.

Illegal removal of a catalytic converter causes significant damage to a vehicle's exhaust system. Purchasing a new catalytic converter can range in cost from $900 to $3,000 or more. Incidental damage to vehicles that occurs during catalytic converter theft can reach upward of $10,000 or more if a delicate part like an oxygen sensor or a brake line gets cut or damaged by thieves during catalytic converter theft.

Owners must consider not only the cost of replacement, but also the time it takes to order and receive the part, insurance claim factors like large deductibles or lack of necessary coverage, and damage to other parts of the vehicle. Absorbing the associated cost for one vehicle is bad enough. If a significant portion of your fleet is targeted, the financial damage can be catastrophic.

What's Being Done About Catalytic Converter Theft?

Ten states enacted new legislation in 2021, including laws in Arkansas, South Carolina and Texas that require scrap metal buyers of used catalytic converters to maintain records of purchases, including proof of ownership, vehicle identification numbers, the seller's home address and driver's license numbers, according to the insurance crime bureau.

Across the country, state governments are trying to curb the rising number of catalytic converter thefts. The increase in thefts has prompted states across the country to toughen penalties and impose new requirements for scrap metal dealers who buy the converters. 153 bills have been introduced in 2022 alone in 37 states. Here are a few examples of proposed legislation:

North Carolina: Catalytic converter theft is now a Class I felony and requires businesses that buy used catalytic converters to get documentation and maintain detailed records on people who sell the devices to them.

Connecticut: It is now illegal for vehicle recyclers to acquire a catalytic converter that's not attached to a vehicle, and metal recyclers now must keep written records of all transactions involving catalytic converters.

Mississippi: Fines have increased for anyone caught stealing a converter, and sellers must provide their personal ID and the VIN of the vehicle that the converter came from in order to sell it. Buyers also need to pay by check.

Illinois: HB 107 would require scrap yards and recyclers to review and record the identification of catalytic converter sellers. If a seller doesn't have a license that identifies them as an auto parts recycler, the seller will be required to fill out a 1099-MISC tax form.

South Dakota: HB 1174 would require scrap metal businesses to track catalytic converter transactions as a way to curb thefts.

Kentucky: SB 114 requires recyclers to document the title or registration for the vehicle from which the catalytic converter was removed and the name of the seller. It also increases the punishment from a $100 fine or 30 days in jail to a Class B misdemeanor.

In addition, the National Automobile Dealers Association and 12 other trade groups requested Congress to hold a hearing on the Preventing Auto Recycling Theft Act (PART), introduced in January 2022. This Act would codify federal penalties for anyone convicted of stealing a catalytic converter, and set federal rules on making catalytic converters trackable by stamping vehicle identification numbers onto the devices in new cars.

What Can You Do To Avoid Catalytic Converter Theft?

Catalytic converter theft is a crime that law enforcement officials are working to put an end to, but there are proactive steps you can take to minimize your risk. Some of these precautions involve the vehicles themselves; others involve improving the security of vehicle storage areas.

1) Shield Your Catalytic Converters

One of the best ways to prevent part theft is to install an undercarriage shield. Most commercially available catalytic converter shields are made from heavy-duty aluminum. This means that they are sturdy enough to act as a skid plate and protect your vehicle undercarriage from road debris damage as well as shielding your catalytic converter.

2) Etch the VIN Into All Frequently Stolen Parts

It's a good idea to etch the vehicle's VIN and perhaps company name or license plate onto parts like catalytic converters that are frequent targets of theft. The etching itself may be a deterrent for potential thieves, and may help authorities identify stolen parts when a police report is filed.

3) Install Catalytic Converter Alarms

Universal catalytic converter alarms attach to the exhaust via metal hose clamps and can fit nearly any car or truck. These devices are relatively inexpensive. A motion-based alarm can be set with a fob whenever a vehicle is parked, and sounds loudly if it gets jostled or moved.

4) Mark Your Catalytic Converters

Something as simple as adding brightly colored heat-resistant paint to your catalytic converter can help to deter theft. This inexpensive precaution can make your equipment stand out, making theft less likely. Bright markings can also make your catalytic converters more easily identifiable by police and scrap yards in the event that a vehicle in your fleet is targeted.

5) Light Up Your Parking Lot

Darkness provides cover for thieves. Dark parking lots are the ideal spot for catalytic converter thefts, which means bright flood lights are a good deterrent. Motion-reactive lighting in a commercial parking lot can be used as an alternative to always-on lighting. Bright motion-activated lights let thieves know they've been spotted.

6) Gate and Lock Your Lot

Minimize access to your lot with a tall fence and sturdy lock. A hard to climb fence can deter potential catalytic converter thieves by increasing the difficulty level of getting to your vehicles and getting away from the scene of the crime.

In addition, common-sense policies can increase vehicle safety in the field. If fleet vehicles go home with employees, ask that they be parked inside the garage or kept in a well-lit spot, ideally with a camera trained on the driveway. If your vehicles are in use for overnight or multi-day trips, look for lodging with CCTV and well-lit parking lots. This will improve the safety of your vehicles when they're not under your control.



What To Do If Your Fleet is Targeted

First, report the theft to police so they can document the case. If you have etched the VIN number into the converter or marked it in any way, report that as well. It's also a good idea to call local scrap yards to report the theft.

Once the theft has been reported to police, you will need to contact your insurance company. You will want to find out if you are covered for catalytic converter theft, and if so, what your deductible is.

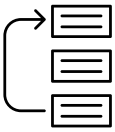
Finally, you'll need to come up with a repair plan. If you don't have in-house fleet maintenance, you will need to find a dealership or repair shop with competitive pricing. It's a good idea to shop around for the best quote, as prices for catalytic converter repair or replacement can vary significantly depending on location.

Conclusions and Recommendations



Know Your Fleet

Knowing the risk profile of the vehicles in your fleet can help maximize the money you spend on measures taken against catalytic converter theft. As discussed above, some makes, models, and model year vehicles are more likely than others to be targeted. In particular, hybrids and vehicles with higher ground clearance are more likely to have their catalytic converters stolen. You can reach out to local garages to find out more information on specific makes and models being targeted in your area.



Prioritize High-Risk Vehicles

If you have limited secure vehicle storage space in a gated lot or garage, it is a good idea to prioritize these vehicles. High-risk vehicles can also be prioritized for anti-theft measures like shielding, VIN etching, and alarm systems.



Consult Your Fleet Management Partner

The right approach to mitigating catalytic converter theft can vary significantly depending on fleet size, composition, location, and vehicle storage facilities. A good fleet management partner can help assess your fleet risk profile and develop a strategy that makes sense for your unique situation.

About Wilmar

Working in our clients' best interests has been the cornerstone of Wilmar since our inception in 1980. Founder Bill Crawford insisted that if we followed this philosophy, we would have clients for life. As obvious as it may seem, there are far too many fleet management companies and dealerships that make recommendations that are good for only one company: their own.

We don't give generic recommendations. Instead, we take the time to learn about your organization—your size, your goals, your history, and your risks. Then we work with you to create a customized, innovative program designed specifically for you.

We are proud of our entire team at Wilmar, Inc. – hard working individuals, collaborating to solve our clients' needs. Our fleet management team will work with you to help determine the ideal solution for you.

To learn more about our fleet management services, please visit us at www.WilmarInc.com.

