

Automobile News

ID Theft Protection is Proving Popular News Coverage Helps to Sell New F&I Product

By Rosland Briggs Gammon
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In August, Pro Chrysler-Jeep near Denver added a fourth product to its F&I menu: identity theft protection.

The timing was right. With growing media coverage of identity theft, the dealership's finance customers have been buying the product more often than not. Owner John Schenden says the insurance has a penetration rate of 70 percent among customers arranging financing through the store.

The insurance helps people through the process of restoring stolen identities. "It's an easy product to sell to clients because everyone sees it on the news," says Danny Madigan, the dealership's F&I manager.

Identity theft is getting lots of attention. This year, TJX Cos., the parent company of giant retailer TJ Maxx, reported that information from about 46 million credit and debit cards was stolen by hackers who accessed TJX customer information.

In 2006, the Federal Trade Commission reported 246,035 complaints of identity theft in the United States. That represented 36 percent of all complaints to the FTC.

Increasingly, financial institutions and insurance companies -- and now auto dealerships -- offer insurance products to help victims restore stolen identities.

Pro Chrysler-Jeep sells Identitheft from Triple Protection Auto Care Inc., or Tri-PAC. Denver-based Tri-PAC, which also sells vehicle-maintenance packages for dealerships, added identity theft insurance two years ago, says Glen Tuscan, the company's president.

Tuscan joined with a pair of identity theft experts to create the product, which debuted in March 2006. About 480 dealerships now sell Identitheft. Tuscan says the average penetration rate is about 29 percent.

Positioning the product

Dealerships have been receptive, he says. The challenge has been positioning the insurance on dealerships' product menus.

"F&I will take awhile to embrace the product," Tuscan says. "The dealer has to make a commitment to the product for it to be successful."

ID Advocates, of Scottsdale, Ariz., launched its identity theft insurance product 16 months ago, says Joe Annoreno, who started the business and sold it to Merchants Information Solutions this year. About 270 dealerships sell the product. The average penetration is about 50 percent, says Annoreno, who still runs ID Advocates.

Annoreno says he targeted dealerships because people often learn that their identity has been stolen while financing vehicles. "Identity theft affects credit ratings and the ability of people to get auto insurance," he says. "I saw a need for car dealerships to offer that kind of product."

Selling through dealerships also lets customers roll the cost into car loans. Tuscan says most dealerships pay \$149 for Identitheft and sell to consumers for \$399. Annoreno says dealers selling ID Advocates typically earn commissions of about \$300.

Tuscan and Annoreno say their products cover identity theft relating to any credit card or account -- not just the car loan. They claim that similar products offered by credit card and other companies usually cover only accounts with those institutions.

"If somebody used your medical insurance benefits, (a bank's product) can't help you with that," Tuscan says. "Our product assigns a personal advocate to recover your identity and notify all participants, including your medical insurer."

Power of attorney

Tri-PAC's partner, Identity Safeguards LLC of Beaverton, Ore., obtains power of attorney so victims don't have to spend time undoing the damage, says Heather Wells, recovery supervisor of Identity Safeguards. Victims whose information is used to open accounts spend an average 60 hours to resolve the problem, according to an FTC report in 2003.

Currently, customers from car dealerships represent only 1 percent of Identity Safeguards' business, says Rick Kam, the president. But, he says, that could grow to 10 percent in the next year.

Kari Dodge-Chrysler-Jeep-Hyundai in Kalispell, Mont., began selling Identitheft last year, F&I Manager Logan Bench says.

The penetration rate is only about 50 percent because the dealership is selling a large number of bank-financed used cars. The cost cannot be rolled into bank loans, Bench says. He hopes to boost the penetration to 80 percent.

Initially, selling the product was a challenge because of customers' lack of knowledge of the risks, Bench says.

"Some customers feel if they get their mail every day, that's a way of protecting their identity," Bench says. "A lot of folks don't understand the major steps to protect themselves."