

**FRAUD
FIGHTER**

Combat Identity Theft & Optimize Compliance



RENTAL CAR AGENCY ID AUTHENTICATION AS A MEANS TO CONTROL FRAUD

A USE-CASE STUDY EXAMINING
THE SUCCESSFUL PILOT PROJECT
CONDUCTED BY A MAJOR
CAR RENTAL CHAIN

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CAR RENTAL ID AUTHENTICATION AND IMAGE CAPTURE USE-CASE STUDY

The below use-case study is based upon a genuine case involving a pilot project with one of our global rental-car agency clients. At the request of this customer, we have redacted any information that might convey information about their identity, or specific data relating to confidential operations information.

EXECUTIVE SUMMARY

Car rental agencies around the globe have increasingly fallen victim to the constantly-changing and improving capabilities of criminal gangs targeting their rental-car locations. In recent years, a sharp spike in the number of rental vehicles stolen under the guise of false identification documents has been experienced by all major rental agencies.

One such rental company (“RentalCo”), an existing customer that uses UVeritech UV-Fraud-Detection equipment, approached UVeritech asking whether the relatively new line of UVeritech products targeted at conducting forensic document authentication of Identity Documents (driver licenses, passports and other ICAO ID-1 documents) could be utilized by the agency in their higher-risk and higher-volume locations.

This new product line, grouped generally under the product category “Image Capture and Authentication” (or, “ICA”), is designed to utilize advanced forensic methodologies to conduct high-confidence authentication of Identity Documents, such as driver licenses and passports.

After several meetings, both online and in person, in which UVeritech staff demonstrated how products such as the ID-150 and B5000 ID Authentication Equipment were able to detect even the most sophisticated counterfeit ID documents, it was determined that a pilot project conducted in one of the highest-volume locations in the country should be implemented.

This document is a summary overview of the project and its results.

PROBLEM DEFINITION

RentalCo had experienced significant loss resulting from fraudulent ID’s and Credit Cards used to rent automobiles throughout rental car locations worldwide. Issues have been particularly problematic in major airport locations in the Western and Central U.S. Such losses have included outright automobile theft, where the vehicle is stolen, and “compromised” rentals a term describing a circumstance where, while a vehicle may have been recovered, the validity of the payment has been discovered to be fraudulent after the rental period has already expired. Compromised rentals might see parts stripped and replaced with low cost replacements, or not replaces at all when the automobile is returned.

RentalCo had already implemented a stringent process to attempt to solve some aspects of these problems, including the use of UV scanners for verification of driver licenses and credit cards, together with custom training documents and resources designed to allow field-level employees to verify ID documents real-time during the transaction. Unfortunately, criminals utilizing



sophisticated counterfeit credentials have become very prevalent in a business that conducts multiple thousands of transactions per day. It was discovered that the simple process of verifying ID documents utilizing UV devices was insufficient in the face of an ever-improving breed of counterfeit ID document.

Organized crime involvement in the rental car theft “industry” led to increased losses, despite dedicate efforts to combat it. The organized criminals introduced a new element to what had previously been a fairly random problem. Now, gangs were focused on rental vehicle theft as a means of income. They were able to tap into newly emerging marketplaces for high-quality counterfeit identity documents, often paired with a genuinely valid credit card account. Matching counterfeit ID and credit cards could be purchased as a “set” and used one time, then thrown away, with the cost for the false documents more than off-set by the profits from a stolen vehicle.

The fact that there are over 1050 valid licenses in circulation in the US, alone, as well as 32 valid Mexican provincial licenses and hundreds of other International driver licenses means it is virtually impossible for even the most experienced RentalCo agent to become familiar with recognizing fraudulent licenses without some form of aid.

The major international airport location chosen for the pilot project handles approximately 14,000 rental car transactions per week. Peak days at this location can exceed 2400 cars with the average customer transaction taking 5-7 minutes to complete. This airport location was indicative of the North American major metropolitan airport operations. At this pilot location, annual losses from counterfeit transactions resulting in stolen cars or compromised rentals had become harmful to the profitability of the operations. In one year, alone (2011) 31 vehicles had been stolen from the location under a “false identification” scenario. This translated to an annual equipment loss resulting from actual stolen vehicles of approximately \$1,000,000. The additional losses incurred from hundreds of compromised rentals were equal to this amount.

In addition to the actual hard-dollar losses, every time a loss occurred, numerous employee-hours were required to follow-up on the account. Loss prevention officers, accountants, local clerks, equipment maintenance personnel and others would be pulled into the case to perform additional work to try to recover the company’s loss from the compromised event.

RENTALCO PILOT AIRPORT ENVIRONMENT

- Average volume at top-5 airport is 14,000 rentals per week with peak days at 2400 vehicles
- Total transactions per year are more than 700K
- 60% of daily renters are Special-Member customers who are able to proceed directly to the car. All paperwork and identification verification checks conducted at the exit gate
- XXXX airport has 5 exit gates and checks all licenses for UV features upon exit
- Estimated counterfeit transactions resulted in the loss of 31 automobiles in 2011 just at the one airport.
- There are 6 Customer Service desks at main XXXX airport rental facility with 2 Special Member desks.

- Employee turnover is high. In a large airport location like XXX airport this may result in managing hundreds of employee hires and I-9 verifications annually.
- RentalCo are concerned about regulatory issues such as FTC-Privacy and PCI. Currently, there is no picture or other ID document information available to share with law enforcement when a car is determined delinquent.

UVERITECH SOLUTIONS

UVeritech is a leading supplier of counterfeit detection equipment to the loss prevention industry. UVeritech systems are **fast, efficient and cost effective** as evidenced by the fact that over 700,000 units have shipped to companies such as Bank of America, Wells Fargo, Citizens Bank, Kohl's, In N Out, Macy's, Taco Bell, Louis Vuitton, Nine West, Sears, CVS, Walgreens, and a host of other banking, retail, grocery, drug stores and credit union companies. Each of these organizations rigorously tested our devices prior to purchasing bulk quantities, quickly determining that significant R.O.I. was available. As a result of the very positive reduction in losses achieved by installing the devices, these institutions continue to implement these products into their locations.



UVeritech offers a broad range of products, including a range of “Identity Authentication & Image Capture” (“ICA”) solutions which provide clients with protection from false identification documents and fraudulent credit cards. These ICA solutions, in addition to conducting high-confidence authentication of Identity Documents also capture and store encrypted records of the document authentication process, including images of the picture on the license, and data read from the ID document via barcode, magnetic strip and other locations on the document.

Here is a summary of those products we believe can be leveraged by car rental agency:

- **UV-16 at agent's Point-of-Sale to check driver's license and credit card for UV luminescence; 1 for every 2 agents**
- **B-5000 and Documetrics Software with barcode and magstrip reader, 1 unit shared for every 3 – 4 agents to validate any license or credit card that is unknown or suspicious**
- **ID-150 DL-1 scanner for driver's license authentication at each gate upon exit**
- **B-5000 or equivalent to validate new Special Members during their initial transaction to set-up their account (the data from the ID authentication could be kept on file and images made available with the picture to any agent in the company when the Member ID Card is presented at any location)**



PROPOSED PILOT PROJECT SOLUTIONS

Based upon conversations with RentalCo management, UVeritech recommended that RentalCo should consider, at a minimum, 1 UV-16 type devices for every 2 agents. Also we recommended a B-5000 or similar scanner to be shared among the rental agents to verify problematic ID's. Finally, we recommended an ID-150 DL-1 scanner at every exit booth, and

We also recommended utilizing UV-16's to validate Identity Documents, including Social Security Cards, to conduct I-9 Employment Verification. Because of high turn-over of employees in the rental locations, this proposed solution will add to the return-on-investment for the equipment purchase.

RentalCo could also leverage UVeritech's newly developed UV image catalogue, the "UV DriverLicense Guidebook" to assist agents in expediting the customer booking process.

RENTALCO XXX AIRPORT CONFIGURATION COST

Assumptions:

All ID's required to be authenticated before a rental transaction is completed.

*Drivers Licenses & Credit Cards will be the only instruments analyzed by the unit. XXX identified that they do not take international passports as a valid form of identification for renting.

The location wants to incorporate the authentication into every transaction as opposed to using the new authentication equipment as a back-up procedure to existing UV testing on the front line. The difference meant outfitting every other station (13 ID-150 units)).

Product(s) Recommendations

There are 2 distinct products we considered for the RentalCo proposal:

- B-5000 and Documetrics Software with barcode and magstrip reader, validates driver licenses, credit cards and global ID's including foreign driver licenses. RentalCo wanted 26 agents to be able to validate any license or credit card that is unknown or suspicious, thus, we recommended 2 B5000 units to be shared at a cost of approximately \$4200/unit
- ID-150 is a 1-step process mechanical scanner and driver license database, with no credit card authentication. We recommended 1 ID-150 unit for every 2 agents. The ID-150 checks known patterns and Infra-Red security, does not conduct UV testing and is perfect for the exit booths. The MSRP for the ID-150 is \$2495/unit.
- Utilize B-5000 or equivalent scanner to validate new Special Members initial transaction (could keep on file and bring up with the picture with record history or as a trusted user

Configuration Recommendation

Standard Rental Processing

13 ID-150 units for 26 stations = \$32,345

2 B5000 units for credit card PIN and UV verification or Global ID or DL = \$8400



Special Member Customer Service

Handles any outstanding or problematic issues relating to transactions (rental unit specific or payment/ID). This location should have units at every other workstation or share one unit if volume allows.

Total units - 3 for 6 workstations

3 x ID-150 = \$7,485

Special Member Enrollment should be able to utilize a B5000 unit located in Customer Service area.

Exit gates

Equip each booth to be able to authenticate identification upon exit.

Each booth should have a DL-1 only scanner to authenticate license at final check out.

Total units - 5

DL-150

Cost (hardware, software and maintenance for both) \$12,475

XXX Airport Facility	Model	UV	IR	Pattern	Credit Card	Quantity	Cost	Total
Standard Rental	B-5000	X	X	X	X	2	\$4,200	\$8,400
	ID-150		X	X		13	\$2,495	\$32,435
Special Member Service	ID-150		X	X		3	\$2,495	\$7,485
Exit Gates	ID-150		X	X		5	\$2,495	\$12,475
								<u>\$60,795</u>
					Installation & Training			\$10,000
					Total Cost			\$70,795

This is a \$71,000 cost weighed against annual loss numbers that measured between \$2,000,000 - \$3,000,000 in 2011.

90 DAY RESULTS

After the units were purchased, configuration was set-up and training of front-line level employees was completed, we began to collect data.

Because the pilot project was set-up as a "one-off" installation, there was no integration with enterprise level systems performed, thus, the configuration at the work-site was a little unusual. We were forced to set-up a temporary external-storage device and route reports to a manager's PC via a specialized Ethernet connection.

Ideally, the data from the ICA units will be fed into an organization's existing IT systems, and the driver license or other ID data can be correlated to specific customer accounts, contracts and transactions. As it was, we were forced to perform manual data reviews and build manual reports for the executive team involved in the evaluation of the project.



Despite these challenges, we did successfully set-up a reporting and monitoring function for both local and regional managers.

Employee adaptation was slow. In an environment that routinely saw more than 2,000 rental transactions per day, it was not unusual to see only 300 - 400 ID's scanned during the same time frame. It eventually took the Sr. Manager in charge of the project to create an incentive program to get full buy-in from the employees to where as many as 90% of the daily transaction had associated driver license scans.

During the first 90 days of the trial, on 5 separate occasions, counterfeit driver licenses were detected, and fraudulent rental transactions were avoided. In 4 cases, when it became obvious that the transaction had gone sideways, the perpetrator fled the scene. We did, however, achieve one arrest in connection with the presentation of false identity and intent to commit fraud.

Unfortunately, on 2 separate occasions, false identifications were detected, but the customer service representative proceeded with the transaction, anyway. One of these transactions resulted in a stolen vehicle – the only vehicle theft that occurred in the location during the 90 day trial period.

While it is difficult to say what “would have happened” in the location had the FraudFighter equipment not been installed, it has been generally accepted among the Security and Loss Prevention team members with RentalCo that the pilot project likely prevented 7-8 vehicle thefts from occurring, which may have cost the company approximately \$300,000.

The investment of \$70,000 into the pilot project was a success, and currently, RentalCo, upon completion of an ERP system upgrade, will be seeking ways to integrate the ICA equipment into, first, it's top 30 airport locations in North America, then later into other high-risk and high volume locations.