



Crashed vehicles are a reality of any car rental business — particularly at the high end. This Lamborghini Gallardo, owned by Gotham Dream Cars, was wrecked on Christmas Day in 2004. “The customer walked away with nothing more than a bruised ego,” writes Noah Lehmann-Haupt, co-owner of Gotham. The customer’s insurance covered the loss.

THE PROBLEM WITH RENTING FAST CARS

Fat profit margins on thin capital, deficient insurance and a propensity for insurance fraud — welcome to the wrong way to rent an exotic car.

BY CHRIS BROWN

“READY FOR A RIDE?”

Victor Negrón fires up the Lamborghini, a \$460,000 Aventador, named after a Spanish fighting bull and inspired by the U.S. military’s Stealth Fighter. The rocket exhaust does its job, startling me into anticipation and a dose of dread.

Negrón plays nice — relatively — out of the driveway of American Luxury Auto Rental. We chew pavement along NW 25th

and 26th streets, catching stares from the warehouses on this strip servicing Miami International. In the city that prides itself as the exotic car capital of America, this might then be the country’s exotic car ghetto. Non-descript, and that’s the way the rental companies here like it.

On this strip, the old-school exotic renters, such as American Luxury, share an uneasy truce with the upstart rental

“companies,” some that pay little heed to fair business practices, insurance regulations and at times the law. Negrón points out a cluttered sign attached to a brick building. “They were renting out stolen Mercedes that were re-vinced,” he says. “The cops came and picked up three of them last month.”

We head for the highway. Negrón uses the on-ramp to the 112 as a launch

pad of sorts. We're at white-knuckle time in four seconds. "One hundred thirty, just like that," Negron says. That's miles per hour. We top that a few seconds later.

Negotiating Miami's post-rush hour traffic at 100 miles per hour, propelled by 780 horses, the whole fast car thing gets real. It's a visceral exclamation point of how owning them and renting them to people who want to drive them can be, to put it succinctly, a problem.

SCOPE OF THE PROBLEM

Arriving back at American Luxury, we're met by Negron's backyard neighbor, Carlos Dolabella, owner of First Class Rent A Car, the godfather of the exotic renters in South Florida. We're also joined by Bruno Vargas, owner of Speed Auto Rental, a relative newcomer.

"In the last two years, this market has become polluted," Dolabella says.

Dolabella, Negron and Vargas tell me that a good portion of the exotic car rental market in South Florida — by some estimates as many as 20% to 30% of transactions — are brokered through individuals who do not own any cars and do not carry commercial auto insurance. It's hard to pinpoint the scope, because hundreds of transactions are executed without scrutiny.

The trio goes on to paint a picture of a side of the car rental industry that operates in muddy waters, perpetrating insurance fraud and other crimes while leaving insurers, legitimate companies and owners of personal cars holding the bag when something goes wrong. And they say it's getting worse.

INSURANCE ISSUES

The rental of ridiculously expensive vehicles — Ferraris, Lamborghinis, Bentleys, Bugattis and Rolls Royces — differs materially from a standard car rental transaction, in that it is critical for the exotic rental company to vet and monitor its renters six ways to Sunday.

This entails taking a hefty deposit, from \$2,500 to \$50,000, running credit and sometimes background checks, and installing GPS devices in the cars to track them if a rental goes wrong. It also entails being consistently vigilant in confirming that the renter has personal auto insurance, which will cover liability and the value of the car, or at least a good portion of it.

With these stringent checks and bal-

ances, most rentals go off without a hitch, yet all exotic rental company owners will trade campfire stories of hair-raising accidents, criminal activity and disappearing cars.

While the majority of personal auto policies cover car rentals, not all personal policies cover exotic rentals. Is there a general trend for insurance carriers to mitigate exposure to exotics? "Absolutely," says Tony DeBoor, national accounts manager for Zurich Insurance Group.

Many policies limit collision coverage to a like-kind in quality vehicle, which precludes paying out on a wrecked \$200,000 Ferrari. Some carriers are even dropping exotics from their policies. In April of this year, Geico discontinued its coverage for physical damage to a rented exotic vehicle, though it still covers liability.

Further, typical rental car insurance offered through credit cards such as

SOME 20% TO 30% OF TRANSACTIONS OF EXOTIC RENTAL CARS IN SOUTH FLORIDA ARE BROKERED THROUGH INDIVIDUALS WHO DO NOT OWN ANY CARS AND DO NOT CARRY COMMERCIAL AUTO INSURANCE.



(Left to right) Victor Negron of American Luxury Auto, Carlos Dolabella of First Class Rent A Car and Bruno Vargas of Speed Auto Rental are fighting elements of the exotic car rental industry in South Florida that are perpetrating fraud, undercutting business and tarnishing the image of legitimate car rental operators.

Visa, American Express, MasterCard and Discover don't cover exotic cars. American Express does, for a flat fee of \$24.95 per rental.

"When you're dealing with \$200,000 cars, insurance is everything," DeBoor says. "Managing insurance claims in the world of exotics can make or break a company."

HIGH STAKES

While exotic rental companies depend on the renter to have insurance, fleet insurance is also a necessity — if you can get it.

Similar to the trend in personal coverage, commercial auto insurers are backing away from the market. Zurich, one of the largest carriers, has essentially frozen new coverage of exotics. "Zurich hasn't withdrawn from the exotic and luxury car rental market per se," says DeBoor, "but we've tightened our criteria to preclude us from getting involved in any of that dark side."

Fleet insurance on a \$200,000 car can run \$400 to \$1,300 a month, yet many policies carry high deductibles and don't cover customer theft of the car. Sam Zaman, owner of Black & White Car Rental

could have ever known that. The card looked 100% authentic."

The renter left the car at a hotel. "If he were to keep the car, steal it, part it, ship it or whatever," Zaman continues, "we would have been out of a \$280,000 Lambo and no [ability to file an] insurance claim."

Even with the high price of insurance, rental companies loathe filing claims, because a series of them could cause their carrier to drop them completely. This happened in December 2011 to HiGear, a peer-to-peer exotic car rental company in San Francisco, when four privately owned vehicles with a total value of around \$300,000 were stolen using fraudulent documents.

The cars were recovered; however, the company was forced to shut down. "This incident exposed us to the worst-case risks inherent in our service," wrote HiGear CEO Ali Moiz to members. "Even by improving security and processes, we are not completely sure we can prevent an incident of this sort from happening again given the peer-to-peer nature of our service."

But it was an accident that sent ripples through the world of exotic rental companies and those that insure them. In May

Enter the world of brokering, where fleet funding, commercial insurance and even car ownership are not necessities. As the name suggests, brokers connect owners of exotic cars with renters. Simple in its base form, there are many permutations to a brokered car rental transaction. In a common scenario, established companies that own the cars and carry fleet insurance regularly horse trade with similar rental companies to better service their customers. This transaction is backed by the contract and insurance of one of the companies.

In the broker model, individuals will set up a company, often an LLC (limited liability company), and create a website with stock photos of cars they think they can procure. In a legitimate transaction, brokers connect a renter to an established rental company and take a cut for their service. They rely on the renter's insurance as primary and the rental company's commercial policy as secondary.

Slipping into a gray area, brokers will rent vehicles from legitimate companies in their personal names and then re-rent the vehicles to personal clients without the rental companies' knowledge.

Zaman discovered this when he noticed that photos of cars rented by a regular customer were ending up on a mysterious rental website. "I found out he was the owner of the company," Zaman says. "I stopped renting to him immediately."

Even more common is the renting out of personal vehicles, in which brokers borrow from a large pool of owners who can't make their payments or just want to make a buck on the side.

The cars are brokered through informal lease (often called sublease or leaseback) agreements between the owner and the rental company. Popular with recreational vehicles, legitimate companies will add the privately owned vehicle to their commercial insurance policy. Lacking commercial insurance, a broker must take pains to ensure that the renter's insurance policy is in force — and will pay out.

DAINGEROUS GROUND

The brokering of rental cars muddies the insurance waters, specifically when a personal car is used. In a standard personal auto insurance policy, an agreement to use the vehicle in a commercial nature is a direct breach of contract.

"Once a car owner gives his or her car

"THERE IS LITTLE TO NO INVESTIGATION OF AUTO THEFT IN SOUTH FLORIDA, LEAST OF ALL RENTAL CARS," SAYS JOE CARRILLO, A PRIVATE INVESTIGATOR. "AND THE BAD GUYS KNOW."

in Beverly Hills, pays "only" \$450 per month for cars up to \$300,000 in value — yet with a \$20,000 deductible and the theft exclusion.

"Theft is the biggest fear we have, and lately we have had some close calls," says Zaman, who recounts a recent rental of a Lamborghini in which the renter provided a seemingly valid driver's license and credit card. While his counter agent was able to ring through a deposit of \$50,000 on the customer's credit card, six days later the bank called to question the transaction.

"We verified our customer's name and sure enough we found out it did not match the actual cardholder," Zaman says. "It turns out the customer made the credit card. There is no way my counter agent

2012, two employees of Gotham Dream Cars — an established, highly regarded and properly insured exotic car rental company — were driving Ferraris in East Rutherford, N.J., when one of them struck and killed a motorcyclist.

The two employees face charges of aggravated manslaughter and vehicular homicide for reckless driving. A lawsuit filed by the family of the motorcyclist against the car rental company is pending.

MANY FORMS OF BROKERING

And yet these perils can be overlooked when renting vehicles for thousands of dollars a day. This fact alone will turn anyone's eyes into dollar signs on a slot machine, and attract a lot of people who are ready to rent vehicles the wrong way.

to another party to rent, even if they keep their personal auto policy in force, the personal auto policy is most likely not going to pay and defend a claim in the event that there is an accident involving the car,” DeBoor says.

Moreover, if the exotic car is financed or leased (and most are), commercial use of the vehicle is a breach of a standard lease or finance contract.

Ronnie Garber of 718 Leasing, a lessor of exotic cars in New York City, is fairly sure that a percentage of his customers are leasing out his cars in personal names and turning around to rent them out. “What he does after [the lease] is his business,” he says. “But he’s playing with fire.”

Zaman encountered the wrath of a financing company when he personally leased his “dream car,” a rare Ferrari 599.

While Zaman had no intention to rent the car and had fully disclosed his business on the lease application, “After one month of owning the car, the bank sent a repo team and repossessed the car straight from my office late at night while we were closed,” he says. “They refused to return the car or the \$85,000 down payment I had given them.”

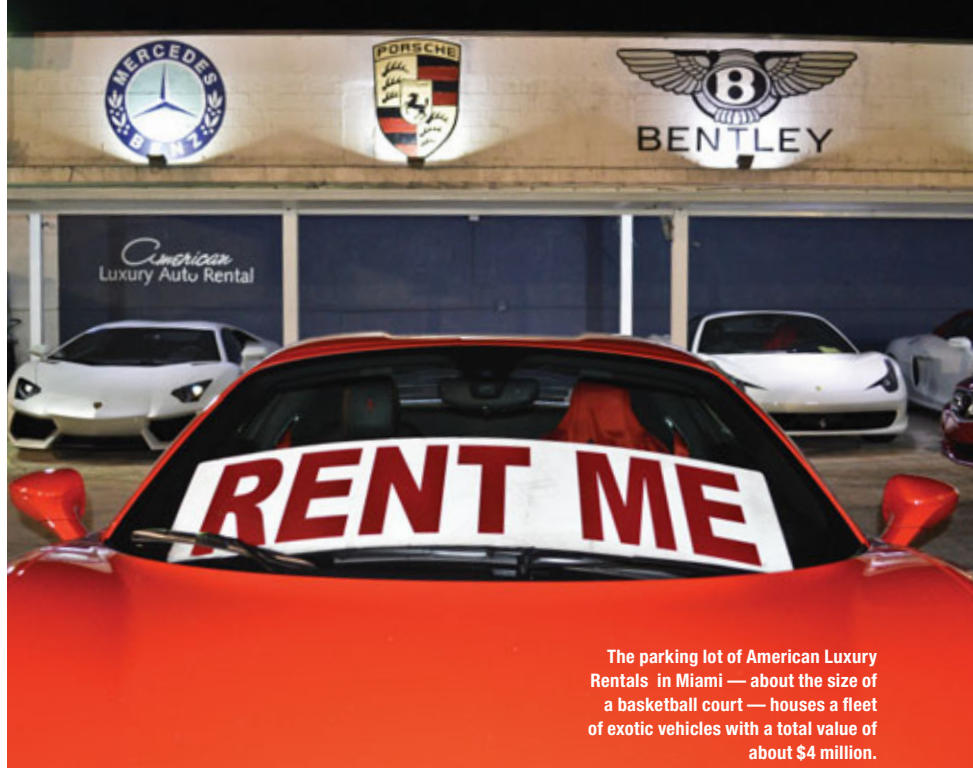
Zaman took the leasing company to court and won. “I honestly never did rent the car, but here is a sample of how the banks take sub-renting cars so seriously,” he says.

LIABILITY EXPOSURE

Insurance aside, a brokered transaction leaves the car owner exposed to liability. The lease agreement — the cornerstone of a brokered rental — at best demonstrates that the broker or rental company has the legal right to use the car. But it does not absolve the car owner from liability arising from a third party using that car.

Traditional rental companies and leasing companies are protected by laws that eliminate vicarious liability (such as the federal Graves Amendment) or state laws that cap vicarious liability. These laws usually only apply to vehicle owners “engaged in the trade or business of renting or leasing motor vehicles.”

“Those laws are not likely to help the individual who owns an exotic car and wants to make some side income by allowing it to be rented out,” says Greg Johnson, a Minnesota attorney focusing on auto dealers and rental car and transportation companies. “Additionally, the vehicle owner remains on the hook for claims of direct negligence, such as



The parking lot of American Luxury Rentals in Miami — about the size of a basketball court — houses a fleet of exotic vehicles with a total value of about \$4 million.

HOW TO AVOID RENTING A PERSONALLY OWNED EXOTIC CAR

If the car has a dealer plate, it is most likely not a rental.

Some exotic car dealers rent vehicles through brokers to get the slow sellers out of the showroom. These vehicles are not registered as rental vehicles.

Is the fleet too good to be true?

Be especially wary of a rental company in business for a short period of time and advertising a fleet of exotic cars valued in the millions of dollars. The company may not yet even know where it will procure those vehicles when someone asks to rent them.

negligent vehicle maintenance or even negligent entrustment.”

“Cars get in accidents, people get hurt and lawsuits happen,” Johnson continues. “When the driver of an exotic car causes big injuries in a collision, the owner is likely going to be sued, too. And that liability may not be covered by the owner’s personal auto policy due to its business use exclusions.”

A FLORIDA THING

Now layer the brokering model onto its epicenter, South Florida.

According to a 2012 study by the Insurance Research Council, Florida had the

Is the car heavily customized?

Cars with custom wheels, body kits and vanity plates are a sign of a personally owned car. For a rental company, there’s no value in spending extra for custom rims because they’re more expensive to repair and harder to replace if damaged.

Check the company’s website: do the pictures of cars appear to be stock photography?

While legitimate rental companies may use stock photography, it’s all too easy to pull generic photos from auto manufacturers’ websites and advertise them as rentals.

Ask to see the company’s commercial fleet insurance policy.

While rental companies are not obligated to reveal the details of their policies, go ahead and ask.

Ask to see the vehicle’s registration document.

A properly registered vehicle should be in the rental company’s name, even if it’s financed or leased.

Ask if the company offers a collision damage waiver through a third-party insurer.

Third-party insurers do not offer a collision damage waiver (CDW) product on non-owned vehicles.

second most number of uninsured motorists of any state in the country — almost 24% of Florida drivers were not properly insured.

Florida is also the capital of insurance fraud, identified by the National Insurance Crime Bureau (NICB) as the state with the most organized crime-related “questionable claims” submissions both by volume and per capita. (The great majority of these claims were related to staged auto accidents, endemic to states with no-fault personal injury protection.)

According to the NICB, Florida ranked second in luxury auto thefts from 2009 to 2012, while the Miami-Ft. Lauderdale area

has the second highest number of unrecovered thefts. It may come as no surprise that the federal auto theft task forces serving Broward and Miami-Dade counties both disbanded in the last three years.

“There is little to no investigation of auto theft in South Florida, least of all rental cars,” says Joe Carrillo, a Miami-based private investigator who works with exotic rental companies to retrieve cars. “And the bad guys know.”

“It’s easy money,” says Tony Fernandez, an insurance fraud investigator working in Florida for the NICB. “[The criminals] know it’s hard to get law enforcement involved because they don’t have the time or the manpower. I don’t have the manpower to do auto theft the way it should be done.”

MISSING CARS

Carrillo, who works with American Luxury, has stories. His last retrieval involved a Romanian organized crime family that rented a Mercedes S550. “Within a week, they had it retitled and sold in California,” Carrillo says. “We stopped them in the middle of the desert.”

He also mentions the renter who used the Bacardi name — as in spirits — to rent another S550. “She rented it for a day and kept it for a year and a half,” Carrillo says. “We ended up chasing it up to Chicago; it took us about a year and five months [to recover].”

At the time of the interview, Fernandez was investigating the theft through fraud of seven luxury cars owned by Hertz.

Three had been recovered so far. One of them, a Mercedes, “showed up at Port Everglades ready to be exported to the Bahamas, and the [vehicle identification] numbers had been changed,” Fernandez says.

Earlier this year, Gene Smith of Auto Xotics, a Ft. Lauderdale rental company, lent his Mercedes S550 to two brokers. “I didn’t know these guys that well, and I didn’t know who they were giving [the car] to,” he says. “That night, I got a phone call: ‘Gene, can you use the GPS tracking to shut the car down?’”

Smith remotely disabled the Mercedes and then jumped in his own car to find it. “I’m driving around; I see it behind a steel gate with a cloth over it,” he says. “I call the cops, but they say they can’t be involved. They told me I was in the worst area of North Miami.”

Smith says he used bolt cutters to break through the gate. He then called a



A renter of Black & White Car Rental in Beverly Hills used this credit card and driver’s license. Though the company was able to ring through a \$50,000 deposit on the credit card, the card proved to be fraudulent. Most commercial insurance policies for exotic cars do not cover customer theft. Luckily, the renter left the car at a hotel.

towing company to reconnect the battery. “The whole time I’m thinking, I’m going to get shot. Long story short, I stole my car back.”

The thieves damaged the car by towing it while disabled. “The guys I loaned the car to, they said they’ll fix it. They didn’t,” Smith says. “I don’t give my cars out anymore. Unless that company has beautiful cars to offer me, I’m not giving my cars to them.”

A QUICK BUCK

“A lot of people getting into this business now, they think it’s a quick buck,” says Negron. “We call them the overnighters. They’re around for a year, two-and-a-half years. They screw people over; they take the deposits, burn themselves and get out of the market. It affects us because the car I [can rent for] \$2,000, they’re renting for \$1,000.”

“These pop-ups are thinly capitalized; they’re running on a shoestring,” says DeBoor. “They have a couple of claims and are facing \$20,000 in insurance deductibles, and they just fold the tent and go away.”

While some brokers might want to do things the right way, acquiring the proper commercial coverage without owned autos is almost impossible. “I was dealing with individuals calling me on a regular basis looking for [commercial] insurance,” says Michael Stazzone of Williams & Stazzone, an auto insurance brokerage serving South Florida. “When you start asking questions about who owns the vehicles, most of these guys are borrowing and lending cars.”

“Some of these guys are tricky,” Stazzone says. “I would say no and then receive different calls from different names to get a policy for the same company. You

can tell it's the same people trying to get the insurance."

When bad stuff happens, "A broker can come back to me and say, sorry, I lost the car," Negron says. "The only thing he loses is my business. I have to pay the claim. Who loses more?"

While it behooves brokers to ensure a smooth transaction, others willfully cheat the owners of the vehicles they take.

"We're seeing scenarios in which brokers who execute subleases on these exotics will essentially hold the cars for ransom after the sublease period is up," says Fernandez of the NICB, "and then charge the owner for storage or some other cooked up fee to get it back."

EXOTICS RENTERS AND THE LAW

An arrest and criminal records search of people associated with exotic rental companies in South Florida reveal a myriad of charges and convictions, ranging from automobile-related issues such as insurance fraud, reckless endangerment and fleeing police, to other forms of fraud and aggravated battery, criminal mischief and domestic violence.

In 2011, a Palm Beach County couple that brokered exotic cars and mansion rentals was charged with insurance fraud after attempting to secure personal auto insurance for vehicles they intended to rent out. The couple executed lease agreements with an exotics company doing business today.

Two exotics operators were indicted by the FBI in 2009 on a mortgage fraud scheme that resulted in about \$4 million in fraudulent loans. One of those operators was named in an August 2009 case, which involved insurance fraud and grand theft related to filing multiple false accident claims on a Lamborghini Murcielago rented by his company. He runs an exotic rental business today.

Five years ago, Michael Stazzone was approached to provide commercial insurance to Robert Ribeiro, the owner of Players International Services, a Miami-based exotic rental company.

"He also owned a tobacco company and had the money to afford the cars," Stazzone says. However, Stazzone says that after the insurance carrier approved the contracts, Ribeiro changed the language in the contracts so that coverage would be built into the rental price. Stazzone says his firm was in the process of nonrenewal when Ribeiro said he'd made a mistake — but then submitted four or

five claims on his vehicles. "Those fluke accidents in groups of five didn't seem truthful," Stazzone says.

In 2012, Ribeiro — part-owner of Belcorp, the tobacco company — pleaded guilty to a variety of crimes related to the illegal trafficking of contraband cigarettes, including mail and wire fraud, money laundering and evasion of excise taxes. He was sentenced to a 60-month prison term.

Vargas of Speed Auto Rental was Ribeiro's general manager at Players; it's where he cut his teeth in the exotics business. Vargas recounts the call from the FBI, who knew "everything about him," yet assured him he was not part of the investigation. (Vargas believes the insurance claims were related to accidents on Ribeiro's "experience drives," where the

"THEFT IS THE BIGGEST FEAR WE HAVE, AND LATELY WE HAVE HAD SOME CLOSE CALLS," SAYS SAM ZAMAN OF BLACK & WHITE CAR RENTAL IN BEVERLY HILLS.

company shows up to a mapped street course with a truckload of cars to rent.)

And then there's the murder of Raimundo Modia, a Miami broker who did business as Lifestyle Luxury Rentals. Modia's renters had scammed him out of three luxury vehicles he had obtained from private sources for rent.

On Dec. 22, 2011, he was gunned down outside a Broward County warehouse during a rendezvous to purportedly sell his personal car. His killer is still at large.

"I got calls from Raimundo Modia many, many times for commercial auto rental insurance over the years," says Stazzone. "I recall he was honest about 'borrowing cars' and I was always honest with him that his business practices were

unacceptable. I tried to educate him on how to obtain proper coverage. When I heard of his death, I felt badly for him. I think he truly wanted to do things correctly — but just did not have the capital and credit to do so."

OUR INVESTIGATION

To understand the depth of the issue firsthand, *Auto Rental News* embarked on its own fact-finding investigation. We contacted several exotic car rental operators in South Florida, alternately posing as a potential renter as well as an owner of a Ferrari 458 looking to rent through a broker.

Auto Rental News and its parent company Bobit Business Media have chosen not to reveal the names of the exotic car rental operators herein. It is important to note that no car was actually rented; therefore no fraud was committed by any of the operators we contacted as a result of our investigation.

Six operators responded to our queries.

Operator A

"Rent your dream car today! ALL YOU NEED IS A LICENSE!" screamed the Craigslist ad, along with a listing of rental rates for Lamborghinis, Maseratis and Rolls Royces. An offer too good to be true, we decided to reach out to "Operator A" through an associate working with *Auto Rental News*.

The "CEO" replied via email. "Hey, how are you! All you need is a license and cash and I gotchu."

Upon a follow-up email asking for details, the CEO replied, "Question, do you have insurance? If not, it's ok just asking."

After settling on a car and a rental rate, our associate followed up on the insurance: "Okay, so I called my insurance company, and they said I'm not covered at all for exotic rentals. Does that change anything, or am I still okay to do this deal?"

"Ok awesome, what dates were you coming down to rent it and for how many days?" the CEO replied.

Operator B

Operator B purported to be able to get us "any car you want" but did not offer insurance on the rentals, instead insisting that he verifies his renter's policies.

Operator B was upfront about the broker issue: "I am aware of other brokers renting out personal cars, which is illegal and I will have no part in that. All the

vehicles I rent out are in legitimate company names which can be proven.”

Operator C

Our associate made contact with Operator C to rent out our Ferrari. Operator C responded that the company did not take privately owned vehicles; all of them were company owned.

Operator D

With Operator D, we posed as an international renter looking to rent a Ferrari 458 Italia convertible we saw on the company's Web page. Operator D offered to supply us with “rental insurance” for \$150 a day, which would get us a provision written into the rental contract that waived our responsibility for damages or liability.

When we asked, Operator D supplied us with a photocopy of the company's fleet insurance policy that covered four vehicles, including our potential rental.

We also posed as an owner, and Operator D was willing to take our Ferrari. Operator D took pains to assure us that the renter's insurance would cover any claims, and that the security deposit would be used to repair minor damages. Operator D promised to claim our Ferrari on the company's commercial insurance policy, but only after “seeing how the car first does in the market.”

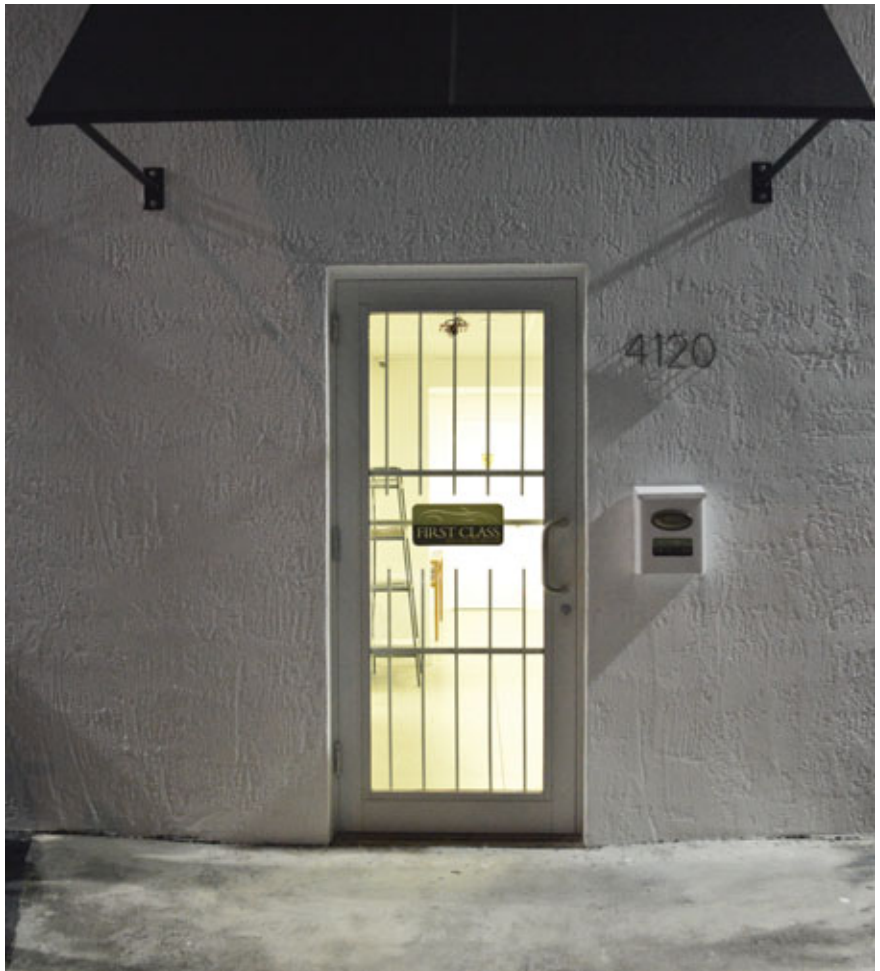
When pressed on insurance, Operator D replied via email: “If there were a case where someone presented us with a fraudulent insurance card, then we would contact law enforcement and you can file a claim with your insurance company.”

Operator D provided us with a lease agreement, which contains a provision stating it would insure the vehicle for periods of more than a month. However, “Vehicle Owner agrees to provide automobile insurance for lesser rental periods as secondary insurance.”

Let's reiterate that this is commercial use of a vehicle insured under a personal policy. If we were to abide by this written contract, the car owner's claim would be denied; the carrier would drop the owner's policy and the carrier would have the right to open a case for insurance fraud.

Operator E

Operator E wanted our Ferrari as well, responding via email with even more direct instructions to commit



The entrance to First Class Rent A Car in Miami is understated on purpose. Exotic rental companies generally deliver cars to their clientele, and there is no need to attract attention to the location where the cars are kept.

insurance fraud: “The best way is to use the other ppl [people's] insurance, and second way we can use your personal insurance too, but if something happens the person can't tell that he is renting the car.”

Regarding the issue of the car being financed or leased, Operator E responded, “You don't say anything to the bank, banks don't have to know anything about renting the car ...”

Operator F

Operator F offered to rent us a Ferrari 458 coupe for \$1,400 a day with a \$10,000 deposit. We asked a few questions via email, one of which concerned insurance: “If you're okay with a \$10k deposit as insurance that works for me.”

“The answer to all your questions is yes ...” responded Operator F.

A BROKER SPEAKS

After our investigation, we contacted each of the operators, this time as *Auto Rental*

News. The contact number for Operator E was disconnected. The ones we did make contact with had little to say to us, save for one: Operator A.

Operator A fully admits he brokers cars through private owners, and he understands that personal auto policies don't cover commercial use of the vehicle. We asked him about his Craigslist ad that blared, “All you need is a license!”

“That's just to get people's attention,” Operator A responds. “If the renter doesn't have insurance, they can bring a friend who has insurance and we'll use that.”

He is well aware of the risks of exotic rentals, saying that a former partner is presently in a lawsuit over a wrecked car in which the renter's insurance did not pay out. And he's had a few close calls himself: “I had a guy try to steal a car that was headed for the docks to be put on a boat,” he says. “I deactivated it before he put it on a ship.”

And yet, he admits he's sometimes



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SPECIAL REPORT

loose with clientele. "I take [as renters] rappers, kids 18 and up. When they get into a Lambo, sometimes they abuse the shit out of it."

Operator A does not use lease agreements with the owners of the vehicles he rents out. "There is no agreement, just trust," he says. "When you get on people's good side, you can be trusted. You have to show you can run a business."

While commercial auto insurance is not possible for him, he takes his own precautions through a variety of methods. When a car is being rented, "I'll check the [GPS] tracker every two-and-a-half hours to see what's going on."

And he has an eye for fake documents. "I know what a stolen credit card looks like. I did all that shit before."

Understanding that "five grand for bumper repair will kill your profit from the rental," Operator A has built up connections with the repair shops to mitigate costs.

Of course, when there's drama with a rental, Operator A says

"IT'S THE BORDERLINE UNETHICAL BUSINESS PRACTICES AND COUNTER PROCEDURES OF THE UNEDUCATED AND OUTRIGHT DISHONEST THAT HAVE HELPED CAUSE THIS SITUATION," SAYS MICHAEL STAZZONE, INSURANCE AGENT.

it's good policy to shield the car owner from it. "You wouldn't tell the owner you had any problems," he says. "You'd just fix the problem."

Operator A takes cash, credit or debit. He says for a \$2,000 daily rental, he'll clear \$600 to \$800 a day. While the money is good, "It's still a job. To be successful, you have to go out there and grind every day of the week. You have to want clients."

That means getting out there with cars — see and be seen. "I'll link up with a rapper at a nightclub, get on his good side," he says.

Talking to Operator A, what comes off as callous disregard is better categorized as the impetuosity of youth. Friendly and frank, he has yet to get burned. "I enjoy renting luxury and exotic cars," he says. "I dropped out at 16 years old to start a business. That was four years ago. I'm 20 now."

At 20 years of age, he can't legally rent a car in Florida.

FROM HERE, WHERE?

While it's hard to quantify the problem with data or dollar figures, DeBoor of Zurich offers some qualitative points: tarnishing an industry reputation, exposing unsuspecting vehicle owners to liability and putting a damper on insurance for legitimate companies.

"These guys are not just putting themselves and their 'clients'

at risk, but are actually harming, if not ruining this entire industry segment,” DeBoor says.

“I can no longer insure exotic in many parts of the country,” Michael Stazzone says. “It’s much worse than just rate increases. Carriers have found it nearly impossible to remain profitable in this class of business.”

“It’s the borderline unethical business practices and counter procedures of the uneducated and outright dishonest that have helped cause this situation,” Stazzone says, adding that he believes unscrupulous insurance agents hide the truth from carriers just to earn a commission.

Neither thinks these issues are abating.

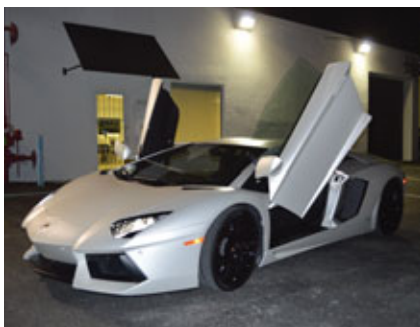
REALITIES

Back at American Luxury Auto Rental, a pair of potential customers eyeballs the iron candy. With saggy designer jean shorts, Affliction-brand T-shirts and expensive kicks, they’re wannabe ballers who look all of 20.

But Ernesto Fuente, the on-duty employee, tells me one is actually 25 years old and holding an American Express “Black” — the golden ticket. “He says he can bring a bunch of renters from the Middle East,” Fuentes says. “He was trying to work out a commission deal with me.”

Negron escorts me to the back office, where we’re joined by Dolabella and Vargas. So what can be done to mitigate the brokering problem?

Vargas has an auto dealer’s license; obtaining one is an exacting and Byzantine process that by its nature weeds out the pretenders. If car rental companies had to jump through the same hoops, he believes the problems associated with brokering would all but cease to exist. Vargas



American Luxury Auto Rental will rent this Lamborghini Aventador for about \$4,500 a day. Propelled by a V12 engine and 780 horses, the Aventador hits 60 miles per hour in 2.7 seconds and achieves a top speed of 217 miles per hour.

says his business partner-wife has been in contact with state politicians; they’re preparing a brief to present to them.

If forcing rental companies to obtain a dealer’s license presents a problematic layer of new regulation, Negron, Dolabella and Vargas at the very least would like some form of oversight to ensure that vehicles being rented are registered to the rental company.

On a smaller scale, I ask them if the

legitimate companies could get together and create a website that outlines best business practices and lists their companies as examples. With search optimization, renters looking for exotic vehicles would come across the Web page. But Dolabella is wary: “I don’t want to cause too much of a commotion around here.”

I ask if he’s worried about someone lobbing rocks into his rental lot. “More like bullets,” he says.

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