

**Insurance Times:** Rising claims costs put New York's no-fault law in spotlight  
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Report suggests law helps fuel auto insurance fraud abuse

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Medical no-fault auto insurance costs are climbing faster in New York than in any other state and fraud is largely to blame, the Insurance Information Institute concluded in a recent study.

What's more, New York's 27-year-old no-fault auto insurance laws help fuel the fraud abuse, according to the document, which was released March 29.

"In New York, a policyholder is eligible to receive compensation for medical fees, lost wages, funeral costs and other out-of-pocket expenses without having to prove the fault of the other driver," the study concludes.

"(And)... There is an incentive for claimants and their attorneys to "build-up" a claim in order to establish a basis for a potentially more lucrative filing of a bodily injury suit."

According to the III, no-fault personal injury protection (PIP) claims rose in New York by nearly one-third last year, versus a 4.5 percent increase in 1998; and claims jumped from 4,393 in 1995 to 12,372 last year.

Florida, by contrast, faced the second-largest increase in claims costs last year, at 15 percent.

Several state senators were quick to respond to the news with sponsorship of several bills to fight insurance fraud. One would reduce the value of property obtained through insurance fraud needed to qualify for a felony. Two other bills would give insurance companies more time to investigate claims, and also increase aid to prosecutors and investigators to fight insurance fraud.

#### Regulation 68

The New York Insurance Department tried to reform the state's no-fault regulations last year with changes to Regulation 68, including reducing the time an insured has to report an accident to an insurer to a month instead of 90 days.

But the courts threw out the changes for procedural reasons.

Insurance Department spokesperson Joanna Rose said the III report echoes what her office has already been hearing from the industry.

She points out that the III, in its report, recommends another attempt at reforming Regulation 68. She said the Insurance Department is still doing that "and considering our next options."

Joseph Termini, associate counsel for the National Association of Independent Insurers, said the III report accurately depicts the effects of fraud in New York.

NAII, Termini said, supports reforms including reducing claims reporting times, and the creation of medical guidelines to determine what treatment "is appropriate or medically necessary."

Numbers in the III report aren't encouraging.

Last year's average bodily injury claim in New York was 64 percent higher than in any other states, according to III.

Other conclusions in the report:

- For every \$100 in premiums New York insurers took in from January through September 2000, more than \$177 went out in claims.
- A large jump in personal injury protection (PIP) claims cost in New York has forced equally high growth in the New York Auto Insurance Plan - which services high-risk drivers as a market of last resort. The III study says applications to the New York Plan jumped 62 percent from 1999 to 2000.
- The numbers of new Plan applications continue to rise. They jumped 277 percent in the first nine weeks of 2001, according to the study.

#### Fraud Fight

Insurance companies, the National Insurance Crime Bureau and law enforcement agencies continue to spend millions to fight fraud in New York, the III said.

A day after the report came out, legislators and industry representatives held a summit in Manhattan to address the issue of no-fault fraud and discuss possible solutions.

Steven Spiro, president of IIAANY, attended the summit. He said IIAANY supports solutions including giving insurance companies more time to review claims and a quicker reporting time of injuries by providers to companies.

IIAANY also supports a bill that would make being a "runner"(coordinator of fraud abuses) a felony rather than a misdemeanor.

A runner sets up accidents and coordinates "injured parties" visits to a doctor or attorney.

"We want to work with both houses of the State Legislature to bring people together to solve the problem," Spiro said.