



NOTICE OF PUBLIC HEARING

SENATE STANDING COMMITTEE ON INSURANCE

ORAL TESTIMONY BY INVITATION ONLY

(Written testimony is welcomed)

SUBJECT: No-Fault Auto Insurance Fraud

PURPOSE: To examine ways to reduce the incidence of no-fault auto insurance fraud in New York.

Tuesday, April 26, 2011

10:00 AM

**Senate Hearing Room
250 Broadway, 19th Floor
New York, NY**

New York's no-fault system is plagued with fraud and abuse, which adds significant costs to auto insurance premiums and is one of the primary reasons that New Yorkers currently pay among the highest auto premiums in the country. Although we had seen modest improvement in previous years through the efforts of insurers, their SIU teams, the Insurance Department and the legislature, unfortunately no-fault fraud numbers are trending upward once again.

Overall, no-fault fraud costs New Yorkers more than \$241 million last year, a cost absorbed by all policyholders in the form of increased premiums. In light of continuing economic difficulties, these increased costs can be unsustainable for many policyholders who are already struggling financially.

While no-fault fraud has been on the rise throughout the entire state, it is of particular concern in the New York City area. In fact, a recent Insurance Research Council study found that, in New York City, one in every five no-fault claims shows evidence of fraud and as many as one in three claims appear to be inflated. Further, the IRC also found that another fourteen percent of claims

in the New York City area involved either overbilling or excessive utilization of medical services, another key element contributing to increased costs to the no-fault system.

Particularly in the downstate area, organized crime rings have now become involved in perpetrating no-fault fraud, by staging auto accidents and then steering the “victims” to fraudulent medical mills. These criminals who engage in no-fault fraud have proven themselves to be quite innovative and they continue to find new ways to game the system. It is critical that we seek out ways to halt this illegal activity which, along with increasing costs, can have dire consequences for innocent drivers and bystanders who happen to be in the wrong place at the wrong time.

It is clear that comprehensive reforms are necessary in order to eliminate the rampant fraud and abuse that is occurring in the no-fault system. The purpose of this hearing is to identify specific action that can be taken by the legislature in order to crack down on fraud in the no-fault system and reduce costs to both insurers and policyholders.

Oral testimony will be accepted by invitation only and limited to ten minutes in duration.

Ten copies of any prepared testimony should be submitted at the hearing registration desk. The committee would also appreciate advance receipt of any prepared statements. Written testimony will also be accepted and may be sent to the contact person listed on the reply form.

In order to further publicize these hearings, please inform interested parties and organizations of the committee’s interest in hearing testimony from all sources.

In order to meet the needs of those who may have a disability, the legislature, in accordance with its policy of non-discrimination on the basis of disability, as well as the 1990 Americans with Disabilities Act (ADA), has made its facilities and services available to all individuals with disabilities. For individuals with disabilities, accommodations will be provided, upon reasonable request, to afford such individuals access and admission to legislative facilities and activities.

**Senator James L. Seward, Chairman
Senate Standing Committee on Insurance**

**Senator Martin J. Golden, 22nd Senate District
Member, Senate Standing Committee on Insurance**