



NEW YORK STATE SENATOR

Jeffrey D. Klein

IDC Releases Plan to Fight Auto Insurance Evasion

JEFFREY D. KLEIN February 7, 2011

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Fraudulent Practice Cost NY Drivers Millions, Puts Strain on State and Local Governments

The Independent Democratic Conference today unveiled comprehensive legislation to fight the widespread and fraudulent practice of auto insurance evasion. This practice, where drivers illegally register their vehicles in other states in order to pay lower automobile insurance rates, drives up premiums for law-abiding drivers, robs the state and municipalities of millions of dollars in revenue, and makes enforcement of existing motor vehicle laws more difficult.

“This is no little white lie,” **said Senator Diane Savino, (D-Staten Island/ Brooklyn).** “If you live here, but register your car out-of-state, you're not only committing fraud, you're also making things more expensive for your neighbors. With our legislation, the Independent Democratic Conference is looking to end this harmful practice and to help the millions of New Yorkers who play by the rules.”

Current law requires all drivers who live in New York State for more than 90 days to register their vehicle with the Department of Motor Vehicles.

The IDC additionally released a startling new report on this topic.

Among the report's findings:

- Auto insurance companies experienced a **20 percent to 50 percent spike** in insurance evasion cases in 2009. This increase is compounded by the loss of millions of dollars in registration fees and related revenues that is rightfully owed to the state.
- The State loses at least \$1 million each year in revenue from license plate fees, title certificates, and vehicle registration fees in New York City alone.
- For 2010 alone, New York City is \$72.7 million in the hole from unpaid parking tickets issued to drivers of out-of-state registered vehicles, a major indicator of insurance rate evasion

The report additionally discovered that tickets New York City officials issued to motor vehicles with Pennsylvania license plates increased 38 percent in the last four years, from 181,997 in 2006 to 250,259 in 2010. To date, 40 percent of the 2010 tickets remain unpaid, leaving nearly \$10 million in fines owed to New York City.

“As a former town clerk, I have direct experience with how lost revenue puts a strain on vital services residents rely on,” **Senator David Carlucci, (D-Rockland), said.** “Auto insurance rate evasion drives up costs to law-abiding New Yorkers. Currently, our laws do not do enough to deter people from committing auto insurance fraud. The measures we have put forth today will assist in ending this costly practice.”

Pennsylvania, in an earlier report on this subject by the now-defunct State Commission on Investigation, was found to be a favored state for rate evaders. This was due to its privatized tag and registration system, lax reporting of insurance companies to the Pennsylvania Bureau of Motor Vehicles when a driver loses his or her insurance, and the relative ease to forge residency documents.

The ease of obtaining coverage in Pennsylvania has led to a proliferation of criminal schemes. This includes a New York family who provided an address in Tobyhanna, Penn., to obtain auto insurance for 14 vehicles. Among them were two 15-seat passenger vans that were titled, tagged, and insured in Pennsylvania as non-commercial passenger vehicles, but used to operate an illegal bus service in Brooklyn.

In February 2010, authorities arrested five people accused of selling used cars and illegal Pennsylvania insurance policies to more than 200 New York residents. These insurance policies were obtained from various insurance companies using forged documents with fake Pennsylvania addresses. All vehicles were registered to one of four Pennsylvania addresses.

“Auto insurance evasion is a fraud with ripple effects,” **said Senator Jeffrey D. Klein, (D-Bronx/Westchester)**. “This criminal activity leads in many instances to unsafe drivers on the road, higher taxes to offset revenues that rightly belongs to state and local governments, and higher premiums for everyone else. This has to stop and I believe that the legislation crafted by the Independent Democratic Conference will go a long way toward ending this harmful and illegal behavior.”

The IDC's bill, (S.988), will:

- Direct the Superintendent of State Police to establish a state-wide Insurance Fraud Reward Program paying between \$1,000 and \$5,000 to those who provides information leading to the arrest and conviction of persons guilty of insurance fraud. The program would be funded through the State Police Motor Vehicle Law Enforcement Account.
- Grant the State Superintendent of Insurance expanded authority to investigate auto evasion fraud;
- Expand the definition of the class D felony of forgery in the 2nd degree to include forgery of a certificate of insurance or an insurance ID card;

- Expand the class C felony of forgery in the 1st degree to include forgery of 10, or more, written instruments such as certificates of insurance, or insurance ID cards;
- Expand the definition of insurance fraud to include any false document used to secure insurance coverage, file a claim or obtain payment for coverage;
- Grant law enforcement access to any individual's street address provided to the DMV to obtain a license; and
- Create a temporary Task Force on motor vehicle insurance fraud to further examine and develop more comprehensive solutions to this issue.

“Insurance fraud is a serious issue that affects all regions of New York State, and this legislation will give law enforcement the tools it needs to help eliminate this costly and dangerous problem,” said **Senator David J. Valesky, (D-Oneida.)**

Ellen Melchionni, President of the New York Insurance Association, said: “Rate evasion is a serious problem in New York. The current laws for this crime are so weak that criminals aren’t afraid to commit fraud and steal money from the pockets of New York drivers. We thank the members of the Independent Democratic Conference for introducing legislation to make this form of insurance fraud a felony.”

John Sargent, Chair of New Yorkers Against Auto Insurance Fraud, said: “Insurance rate evasion is an issue that negatively effects the New York State economy and forces honest drivers to pay for those who have chosen to lie and not pay what they truly owe.”

Jack Houston, Investigations Unit Manager for the New York Automobile Insurance Plan, said: “Auto insurance evasion is a real and persistent problem for which every New York driver ends of paying the price. Look around, and anywhere in New York, you will find cars with license plates from Pennsylvania, Rhode Island, and North Carolina. The legislation that was announced today is needed to help crack down on this practice and put everyone on equal

footing.”

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