



NEW YORK STATE SENATOR

Martin J. Golden

Golden: Senate Insurance Committee Hearing Features Expert Discussion on No-Fault Auto Insurance Fraud

MARTIN J. GOLDEN April 26, 2011

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Claims New York Risks Losing Some Auto Insurance Companies

Brooklyn- State Senator Martin J. Golden (R-C-I, 22nd District), today joined with Chairman James L. Seward and Senator Jack M. Martins for a State Senate Insurance Committee hearing designed to address the illegal multi-million dollar industry of no-fault auto insurance fraud.

Senator Golden, an Insurance Committee member, stated “No-fault fraud and abuse cost New York consumers and insurers roughly \$241 million dollars in 2010. Drivers in my district pay 185% more than the state wide average for auto-insurance coverage. We need to fix the system, and there are simple steps that can do that. As a State, we need to implement tougher penalties for the perpetrators, and decertify medical providers who commit insurance fraud modifying the ‘30-day rule’ to allow insurers the opportunity for longer investigation time of suspicious claims. We also must require disputed no-fault claims be submitted to an arbitrator.”

The Senators were joined by experts from law enforcement and the district attorney's offices for four of the five boroughs of New York City. These witnesses testified as to their suggestions for combating auto-insurance fraud.

"One common sense measure I support [to combat fraud] is Senator Golden's bill S. 4507, which would allow the retroactive cancellation of a policy in the case of any fraudulent activity," stated Richmond County District Attorney Daniel Donovan. "As Senator Golden points out, most states that have no-fault insurance also allow for retroactive policy cancellations to prevent [fraud]. New York is not one of them – and it's no coincidence we are consistently among the leaders in insurance fraud..."

Also speaking were members of insurance industry from throughout New York State to discuss the impact of no-fault fraud.

"These sustained losses, because of no fault fraud, cost State Farm \$1.30 for every \$1.00 in benefits provided. This is a total loss of \$72.5 million for 2010," stated Floyd Holloway, from State Farm Insurance. When asked by Senator Golden about how State Farm handled such sustained losses in other states with no-fault fraud, Mr. Holloway stated "...State Farm withdrew from New Jersey until legislation was passed to help combat fraud."

Senator Golden concluded the testimony of Mr. Holloway by stating, "In the very near future, without substantive legislation making real changes, New York is at risk of losing some of the companies that we rely on to provide auto insurance."