



NEW YORK STATE SENATOR

Jeffrey D. Klein

## Senate Passes IDC Priority Bill to Crack Down on Auto Insurance Evasion

JEFFREY D. KLEIN June 5, 2011

| ISSUE: **INSURANCE, INSURANCE FRAUD**



The State Senate today passed priority legislation by the Independent Democratic Conference that would crack down on 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 has led to the rise of organized criminal enterprises.

The legislation, (S.4847), would:

- Grant the Superintendent of Financial Services new authority to investigate auto rate evasion;
- Make auto rate evasion a class E felony;
- Make forging a certificate of insurance or an insurance identification card a class D felony;
- Make forging 10 or more such documents a class C felony;
- Expand the types of insurance fraud that is to be reported to the Department of Financial Services.

“Auto insurance evasion is far from a victimless crime,” said the bill's main sponsor, Senator Jeffrey D. Klein, (D-Bronx/ Westchester). “Its ripple effects soak law-abiding drivers with higher insurance premiums and rob state and local governments of revenue for which they are rightly entitled. This legislation will help combat this fraud and help New York as a whole.”

In February, the IDC released a report, titled **AUTO INSURANCE RATE EVASION: A Report on the Fraudulent Practice of Insurance Rate Evasion Through Illegal Out-Of-State Vehicle Registration**, that showed the extent of this problem. The report found that:

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 are 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.

“It seems that you would have to go to Scranton before you find more cars with Pennsylvania plates than Staten Island,” said Senator Diane Savino, (Staten Island/ Brooklyn.) “This legislation would provide much-needed tools to fight auto

insurance evasion and make sure that everyone plays by the same rules.”

The current system has also given rise to auto insurance evasion rings, where criminals – often preying on poor and immigrant communities – run mills that register people out of state.

“Auto insurance evasion is a crime that drives up costs for New Yorkers who follow the rules, register their cars in New York and purchase the proper auto insurance,” Senator David Carlucci (D-Rockland/Orange) said. “This legislation will help to lower rates and keep New York competitive with other states while restoring much needed tax dollars through license plate fees, title certificates and vehicle registration fees back to New York where they rightfully belong.”

“The IDC report on Auto Insurance Evasion shone a light on this growing problem,” said Senator David J. Valesky, (D-Oneida). “This legislation provides a comprehensive solution, which will result in savings to consumers and to New York State.”