



NEW YORK STATE SENATOR

Kenneth P. LaValle

## LaValle: Senate Passes Tough Auto Insurance Fraud Measures

KENNETH P. LAVALLE March 22, 2012

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New York State Senator Kenneth P. LaValle said today that the Senate has passed passed three bills to combat auto insurance fraud, which costs New Yorkers more than \$1 billion a year, as well as legislation that would impose stronger criminal penalties for staging auto accidents. Recent cases of auto insurance fraud have uncovered massive crime rings, including doctors, lawyers and scam artists who staged accidents and used New York's no-

fault insurance program as their own, giant, state-sponsored ATM machine.

Senate action on the bills came on the ninth anniversary of the tragic death of Alice Ross, a 71-year-old wife and grandmother who was killed as the result of a fraud-related, staged auto accident in Queens.

The longest-running auto insurance rip-off scam in history ended last month, when federal authorities broke up an alleged crime ring that operated in the New York City metropolitan region. The scam artists are accused of stealing more than \$279 million in accident benefits over five years. Three dozen people were charged with defrauding auto insurers. The fraud scheme involved doctors, lawyers and patients who were coached to fake injuries in staged accidents.

Federal authorities said the ring exploited New York's "no-fault" auto insurance law, which requires vehicles registered in the state to carry insurance that lets drivers and passengers obtain up to \$50,000 for accident injuries, regardless of fault.

A separate auto fraud ring in Brooklyn was recently shut down when 16 people were arrested and charged with intentionally causing a dozen accidents involving unsuspecting motorists between 2009 and 2011. The suspects then submitted fraudulent insurance claims, ripping off insurance companies for \$400,000.

### **CRACKING DOWN ON INSURANCE FRAUD**

The Senate passed legislation (S.4507B) would enable insurance companies to retroactively cancel policies taken out by people who commit auto fraud.

People that plan to commit auto fraud often take out auto insurance policies and pay for the initial premium with a bad check, an unauthorized bank account or stolen credit card. Once the policy is obtained, they commit fraud through a staged accident or other means. Under

current law, the insurance company cannot cancel the coverage despite the fraud. This bill would allow an insurance company to retroactively cancel an automobile insurance policy in the first sixty days if the initial premium payment is not honored by a bank due to insufficient funds, non-existence of a bank account, or unauthorized use of a bank account.

"We must make every effort to prevent incidents of auto insurance fraud, the effects of which are being felt by all New Yorkers as the cost of insurance premiums continue to rise," Senator LaValle said. "The bills passed today create a framework to allow for the protection of legitimate insurance customers and enhances penalties so that law enforcement can prosecute those breaking the law."

This measure would bring New York in line with the other large no-fault states and remove any incentives for staged accidents. In fact, only seven other states (AZ, CO, KS, ME, MD, NC and SD) do not allow for retroactive cancellation. Innocent victims of uninsured drivers would be covered under their own policy or the Motor Vehicle Accident Indemnification Corporation.

### **NEW, TOUGHER PENALTIES FOR STAGING AUTO ACCIDENTS**

The Senate also passed a bill (S.1685) that would establish a new felony-level crime of staging a motor vehicle accident. A person who operates a car and intentionally causes a collision with intent to commit insurance fraud would now face the charge of staging a motor vehicle accident. It would be a class D felony, punishable by up to seven years in prison.

### **MAKING USE OF INSURANCE FRAUD "RUNNERS" ILLEGAL**

The Senate also passed legislation that would make the use of "runners" illegal in New York. A "runner" is a person who receives money for obtaining clients or patients to participate in insurance fraud. The bill (S.2004) is another measure designed to cut down on insurance

fraud.

Runners are commonly used in the New York City metropolitan area to steer accident victims towards unnecessary medical treatments. Insurance companies have to pay the fraudulent claims and must make up the cost through higher auto insurance premiums. Medical mills submit fraudulent medical claims for unnecessary tests for phony accident victims. Under the state's no-fault insurance law, accident victims can build up \$50,000 worth of medical bills that must be paid by insurance companies. Sometimes clinics steal identities and policy numbers to commit fraud, even using information of people who are deceased.

The bills have been sent to the Assembly.