



NEW YORK STATE SENATOR

Charles J. Fuschillo Jr.

## Senator Fuschillo Announces Senate Passage of New Auto Insurance Fraud Measures

CHARLES J. FUSCHILLO JR. March 28, 2012

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Senator Charles J. Fuschillo, Jr. (R-Merrick) announced that the New York State Senate recently passed legislation to combat auto insurance fraud which costs New Yorkers more than \$1 billion a year. The legislation would create stronger penalties for individuals who commit insurance fraud and stage auto accidents.

“Auto insurance fraud costs New Yorkers over \$1 billion every year, driving our already expensive auto insurance premiums even higher. Stronger penalties are needed to combat auto insurance fraud and protect law-abiding drivers from criminals who steal from our pockets and jeopardize our safety,” said Senator Fuschillo, who supported the legislation in the Senate.

Investigations have uncovered many auto-insurance crime rings which committed widespread fraud and used New York's no-fault insurance program as their own giant state-sponsored, ATM machine. 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.

The legislation would:

**\* Allow insurance companies to retroactively cancel policies taken out by individuals who commit auto fraud (S4507B).**

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 legislation 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.

The proposed law would remove any incentives for staged accidents. New York is one of just eight other states that do not allow for retroactive cancellation.

**\* Create the new felony-level crime of staging a motor vehicle accident (S1685).**

Drivers who intentionally cause a collision with intent to commit insurance fraud would face class D felony charges punishable by up to seven years in prison.

Women and elderly drivers are often targeted for these accidents because they are less likely to be confrontational after an accident, thereby making it easier for criminals to engage in this activity. This legislation would impose tough penalties on those who stage accidents, thereby deterring individuals from engaging in this dangerous crime.

**\* Make the use of “runners”, someone who receives money for obtaining clients or patients to participate in insurance fraud, illegal in New York State (S2004).**

Individuals who act as runners or hire someone to act as a runner would face class E felony charges punishable by up to four years in prison.

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 legislation has been sent to the Assembly for consideration.