

New York No-Fault Claim Payouts Continue to Rise; NYIA and NICB Co-Sponsoring New York Insurance Fraud Summit

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EAST ELMHURST, NY, April 21, 2010 ? Fraud and abuse in New York?s no-fault auto insurance system equate to about 20 percent of every no-fault claim paid, according to Dr. Steven Weisbart, chief economist at the Insurance Information Institute (I.I.I.).

This ?fraud tax? works out to about \$1,561 per claim, a figure which spread out statewide totaled nearly \$230 million in 2009 alone, an I.I.I. analysis found.

Since 2005, New York no-fault fraud and abuse has cost the state?s consumers and insurers more than \$600 million, Dr. Weisbart estimated, in remarks here today to the New York Insurance Fraud Summit, pointing out that the average cost of a no-fault auto insurance claim in New York State soared 58 percent between 2004 and 2009 as dishonest medical providers submitted inflated and sometimes bogus bills for services rendered to insurers.

?The scale of fraud and abuse in New York State?s no-fault auto insurance system is so severe that claims payouts are at their second-highest level since we started tracking this issue in the late 1990s,? Dr. Weisbart stated. ?For too long, the cost of auto insurance in this state has been driven upward by unethical medical providers who have partnered with equally unscrupulous lawyers to sue the auto insurers who dare challenge their bogus claims. This stand-off has clogged New York?s court system, too.?

If auto insurers are paying out more than they should in no-fault claims, their policyholders are paying out more in premiums, Dr. Weisbart observed. This ?fraud tax?, namely what New York?s insurers are billed by medical providers versus what other pricing benchmarks indicate they should be charged, totaled nearly

\$1,600 *per claim* in 2009, an unacceptable surcharge medical providers are extracting from the system for every single accident.

The average cost of a no-fault auto insurance claim skyrocketed to \$8,862 in the fourth quarter of 2009, up \$3,247, or 58 percent, from \$5,615, the average cost of a no-fault claim in the third quarter of 2004. Only Michigan and New Jersey auto insurers, which also operate in deeply troubled no-fault states, paid higher average no-fault claims as of year-end 2009, according to an I.I.I. analysis.

While the cost drivers influencing the price of auto insurance in New York are similar to those in other states in most respects, there is one glaring exception—its \$50,000 threshold for no-fault auto insurance claims is the highest dollar threshold in the United States. It should come as no surprise that the richest benefits in the country come with the highest costs,” Dr. Weisbart said.

Recognizing the generosity of this state’s \$50,000 cap, and the absence in New York of safeguards such as medical treatment guidelines or utilization reviews and controls, Dr. Weisbart noted that the cost of the average no-fault Personal Injury Protection (PIP) claim rose at a rate more than twice that of overall medical cost growth (47 percent, as compared to 21 percent, between 2004 and 2009). PIP is the portion of an auto insurance policy that covers the treatment of injuries to the driver and passengers of the policyholder’s car.

Solutions for containing New York’s emerging crisis must necessarily focus on no-fault’s cost drivers,” Dr. Weisbart concluded. “But because New York State has the highest no-fault dollar threshold in the country, it remains attractive to those who perpetrate fraud based on the perception that the insurers who pay the bills are a “deep pocket.”

The New York Insurance Association (NYIA) and the National Insurance Crime Bureau (NICB) co-sponsored today’s New York Insurance Fraud Summit at the La Guardia Marriot Hotel, which drew hundreds of attendees.

For more information, go to [No-Fault Auto Insurance](#).

The I.I.I. is a nonprofit, communications organization supported by the insurance industry.

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