

New York PIP Insurance Update:

Is New York's No-Fault Crisis Returning?

Insurance Information Institute
January 7, 2010



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Summary of New York State's Resurgent No-Fault Auto Insurance Problem

No-Fault (PIP) Costs Are Surging

- **New York's no-fault (PIP) average claims costs—at \$8,690 per claim—are the third highest in the US (as of the 3rd quarter of 2009), behind Michigan and NJ**
- **The average cost per no-fault claim in New York is more than double (104%) that of the US median (\$4,268)**
- **The average cost of a no-fault claim has soared \$3,075 or 55% from \$5,615 at the end of 2004 to \$8,690 in the third quarter of 2009**
- **No-Fault claim costs as of Q3 of 2009 are near the highest in NY's history, just 5.9% short of their all-time high of \$9,235 in the 1st quarter of 2002**

DÉJÀ VU, ANYONE?

*Previous Effort to Get Message
Out and Drive Down Costs Was
a Big Success*





No-Fault Fraud Was Front Page News in 2001-2002

DAILY NEWS
NEW YORK'S HOMETOWN NEWSPAPER
Sunday, July 22, 2001
\$1.00 www.nydailynews.com

SPECIAL REPORT

HIGHWAY ROBBERY

Increase in fraud is driving car insurance rates up dramatically

SEE STORIES PAGES 6-7

Minor accidents like this one could wind up costing drivers a lot more.

MARC HERMANN

DAILY NEWS
THURSDAY, MARCH 29, 2001
PAGE 2 OF 2

SPECIAL REPORT

FRAUD IS DRIVING AUTO INSURANCE SKY-HIGH

Firms say medical scams squeeze city motorists

By WILLIAM SHERMAN
Daily News Staff Writer

Better than a doctor, a state insurance official would make in the nation's medical mills. Insurers charge doctors, psychologists and other medical professionals with fraud, according to law enforcement officials, said a state insurance official.

Crooked doctors working through mob-backed medical mills are costing New York drivers \$1 billion a year in insurance premiums and spiking no-fault rates to the highest in the nation.

Consumer automobile insurance rates are soon expected to surpass New Jersey's, as accident scams and fraudulent medical bills deliver ever increasing payoffs, according to law enforcement officials, said a state insurance official.

Brooklyn has the highest fraudulent claim rate, with the Bronx second, Queens third and Manhattan fourth, according to studies by the institute.

Because of the fraud, Brooklyn drivers pay the highest overall premiums in the city, according to Hartwig.

As of March 1, a 'clean' adult state between \$75 and \$115 a year, according to Rob Hartwig, an economist for the Insurance Information Institute.

Under state law, physicians must prescribe tests and treatment and own the clinics. But medical mills involved in the scams are owned by criminals who pay off doctors for their services.

And for two years was involved in three separate accidents with a dozen accident victims," said Tom Sullivan, chief of state's special investigations unit. "In another case, we found a woman who had run up thousands of dollars of claims because of an accident, and she told us she was never in any accident and had never been to the clinic in question."

Once the policy numbers are

Fraud soaking drivers

Doc scams have state insurance rates on road to No. 1

By WILLIAM SHERMAN
Daily News Staff Writer

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Once the policy numbers are

DAILY NEWS
THURSDAY, MARCH 29, 2001
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N.Y. INSURANCE FRAUD REPORTS

| Year | Rate per 100 cars |
|------|-------------------|
| 1995 | 4.30 |
| 1996 | 4.30 |
| 1997 | 4.30 |
| 1998 | 4.30 |
| 1999 | 4.30 |
| 2000 | 4.30 |
| 2001 | 12.37 |

CLAIM FREQUENCIES

| Rate per 100 cars |
|-------------------|
| Brooklyn: 4.27 |
| Queens: 3.55 |
| Manhattan: 2.88 |
| Bronx: 5.03 |

GROWTH IN CLAIMS COSTS*

| Rate |
|-------------------|
| New York: 12.37 |
| Florida: 10.8% |
| Illinois: 10.8% |
| California: 10.8% |
| New Jersey: 10.8% |

* Change in "state premium"



Sparking Interest in Action

DAILY NEWS
FRIDAY, MARCH 30, 2001
PAGE 46

Slam brakes on auto scams

As reported yesterday in the Daily News' front-page story, "Highway Robbery," auto insurance scams are adding \$1 billion a year to drivers' premiums in New York. That's an extra \$75 to \$115 on every auto policy in the state — no matter how good, and honest, a motorist you are. Unless there is legislative reform, these bogus claims will drive rates even higher. The state Senate has acted. Now it's up to the Assembly.

Last year, New York's claim costs jumped by 32%. In New Jersey — long the butt of bad-driver jokes — they *dropped* by 12%, primarily because Trenton passed auto insurance reforms in 1998. Who's laughing now? While Jersey limits claims for certain exotic "medical" treatments, claimants in New York can milk insurance companies for such suspect treatments as aromatherapy and biofeedback. Because of this, the average bodily injury accident claim in New York is an astonishing 64% higher than in any other state.

The Brooklyn district attorney's office says Russian mobsters are behind many of the scams, setting up phony accidents and medical mills that rip off insurers. The gangs employ "runners" who recruit people to pose as crash "victims." Under a bill sponsored by state

NEW YORK POST
THURSDAY, MARCH 29, 2001
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Driving NYers Mad

Auto insurance is about to drive New Yorkers crazy.

Or, maybe, out of state.

As The Post's Kenneth Lovett reported this week, New Yorkers are about to get socked with rate hikes as high as 26 percent.

Already, the Empire State boasts the second-highest rates in the nation. But Albany, it seems, won't be happy until New York is No. 1.

Why? Because lawmakers refuse to clamp down on the abuses that drive up rates in the first place.

As Manhattan Institute Senior Fellow Steve Malanga outlines in detail on the previous page, an entire industry of scam artists — con men, disreputable doctors, unscrupulous lawyers — thrives in New York, bilking insurance carriers with fraudulent claims.

Insurers who pay those claims pass their costs right back to — you guessed it — New York motorists.

Which sends premiums soaring.

And this kind of fraud is higher here

than in other states, thanks largely to New York's no-fault insurance laws.

And, of course, to lawmakers who prefer not to fix those laws, which would risk the loss of political donations from the doctors and lawyers who milk the system and would be put out of business were it fixed.

Indeed, reform would be a cinch, were lawmakers inclined to act.

For example:

■ They could reduce the number of days claimants have to file claims, which now stands at an easily abused 180 days.

THE ECONOMIST
JANUARY 27th, 2001
PAGE 73

The scent of a scam

NEW YORK

DRIVING in New York is war, casualties frequent. What better recovery for a car accident's unfortunate victim than to lie in a darkened room, inhaling the sweet smells of pungent lotions? And what better still than to get somebody else to pay for it?

In recent months, the claims department at a large property-casualty company has been getting a growing stream of claims for these services, known as aromatherapy. "It is a new, creative out-

letly those around the neck, are notoriously hard to diagnose and repair with any precision. With great gaps in knowledge still remaining, medicine remains part-art. Do insurance companies really know where to draw the line between scam and need?

Suffice to say that they would like to try. What angers the insurers about the legal status of treatment in New York is that many claims must be paid, no questions asked. Far from being pre-approved, bills



Urging Albany to Action

NEW YORK POST
THURSDAY, FEBRUARY 28, 2001
PAGE 31

POSTOPINION

Coming To N.Y.: America's Costliest Car Insurance

NEW York car owners are facing a stiff hike in insurance premiums because of soaring fraud and a surge in payments in accident cases. With other states enacting reforms to restrain the growth of lawsuits and cut down on insurance scams, New York drivers will almost certainly soon be paying the highest premiums in the country. And they've got lawyers, rip-off artists and legislators to thank for that.

Here's why. The state's no-fault law requires a driver's insurance company to pay the first \$50,000 in medical bills for an accident, regardless of who's at fault. But it's virtually impossible for insurers to investigate fraudulent claims — because the law lets drivers wait up to six months after an accident to file medical claims.

Scam artists are having a field day with fake accidents, and payments from accident claims are going through the roof in the state. Fake auto-insurance claims uncovered by regulators nearly tripled in New York to 12,372 last year, from 4,393

tute recently warned that New York is on the verge of surpassing New Jersey as the state with the nation's highest average auto-insurance premium. In 1998, the Garden State passed reforms that studies estimate have cut the average annual cost of a premium by more than \$200, to below \$1,000. New York's average rate, meanwhile, was about \$1,110 in 1999, the last full year for which data are available, but is now clearly heading upward.

In the Empire State, insurers can raise rates

up to 7 percent without asking permission from the state Insurance Department, a that could mean increases of more than \$100 on premiums this year, especially in New York City, where the average p

mium is already close to \$2,000 a year.

The Insurance Department has tried to put the breaks on fraud by adopting regulations to shorten the time required to file a medical claim, but trial lawyers successfully defeated the measure in court. They

NEW YORK POST
THURSDAY, MARCH 29, 2001
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Albany's War on Drivers

Fraud's making car insurance soar — but the Legislature won't crack down



STEVEN MALANGA

THANKS to an epidemic of fraud, auto-insurance prices are soaring statewide. Prosecutors, regulators and insurance investigators say they know how to stop this fraud — but they need the help of Albany legislators in the form of tougher laws. And Albany isn't

is probably responsible for a tidal wave of personal-injury claims — especially in the five boroughs of New York City.

Nationally, personal-injury costs have risen 33 percent in five years — but in the Empire State costs rose by nearly double that rate.

When they have to pay out more in claims, insurers must raise premiums (or abandon the New York market altogether). Rates have been climbing for several years now, and will soar this year.

within 45 days of an accident that they have begun medical treatments and intend to seek reimbursement for the care.

Present law lets those making a claim wait 180 days, and many scam artists use the law to dump months of bills all at once on an insurer. Since the company must pay up within 30 days, that gives it little time to sort through and investigate a mountain of bills received all at once.

"If an insurance company can make a credible case that a claim is suspicious, then it should be

NEW YORK POST
THURSDAY, MARCH 29, 2001
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No-fault drives up rates

By KENNETH LOVETT
Post Correspondent

ALBANY — New York's no-fault insurance system — considered the state's major factor behind the state's saw payments for accidents jump a nation-leading 18 percent last year, the Post

companies paid out \$1.9 billion in no-fault medical claims, \$19 in 1999, according to a data set to be released tomorrow by the Information Institute, a group.

percent above the average nationally, said the institute's chief.

The state's no-fault system pays up to \$50,000 for medical bills and lost wages due to automobile accidents, regardless of who is at fault.

The frequency of claims and the number of no-fault fraud reports received by the state also were on the rise last year, according to the new numbers.

State officials and industry experts blame widespread and organized no-fault fraud and abuse as a major reason New York's overall auto insurance rates are the second highest in the nation, after New Jersey, and rising.

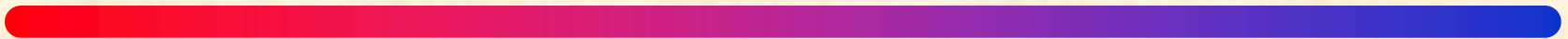
The Post reported earlier this week that rates for the 500,000 in the state assigned risk program are about to jump 18 percent.

NY PIP UPDATE

*Is New York's No-Fault
System Out of Control—*

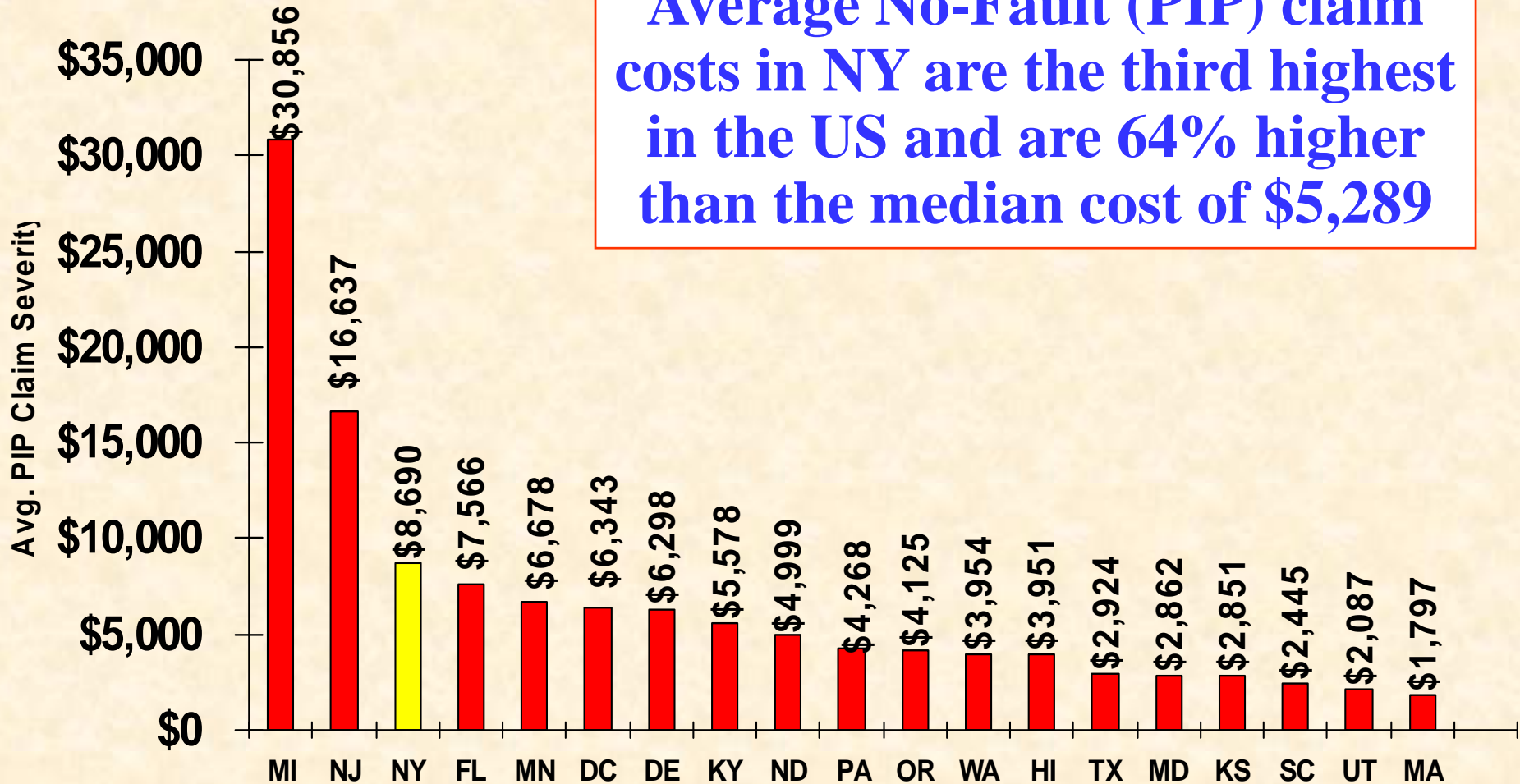


Again?



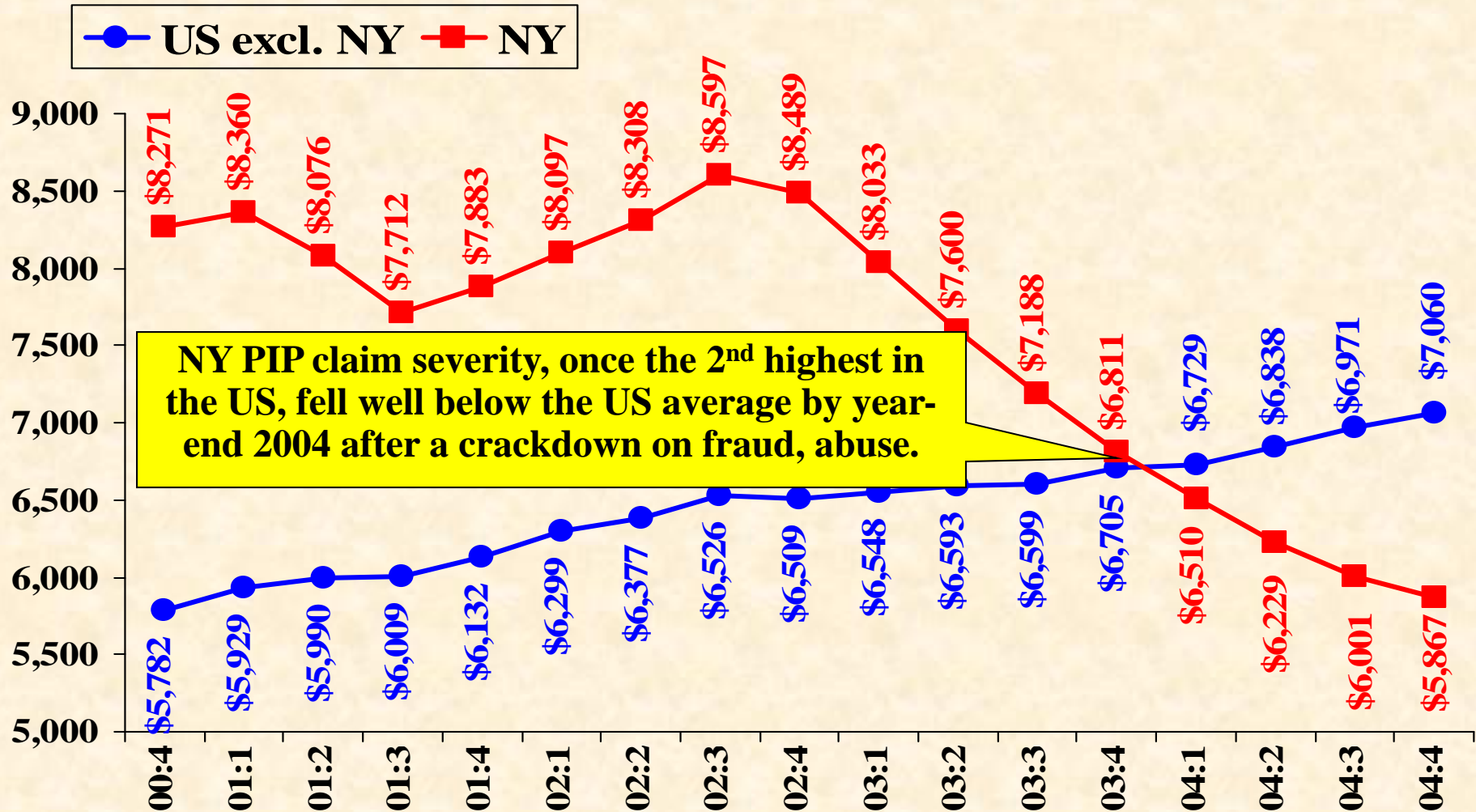


*Average PIP (No-Fault) Claim Cost as of 2009:Q3**





Last Campaign Was a Success: PIP Average Claim Severity Plunged

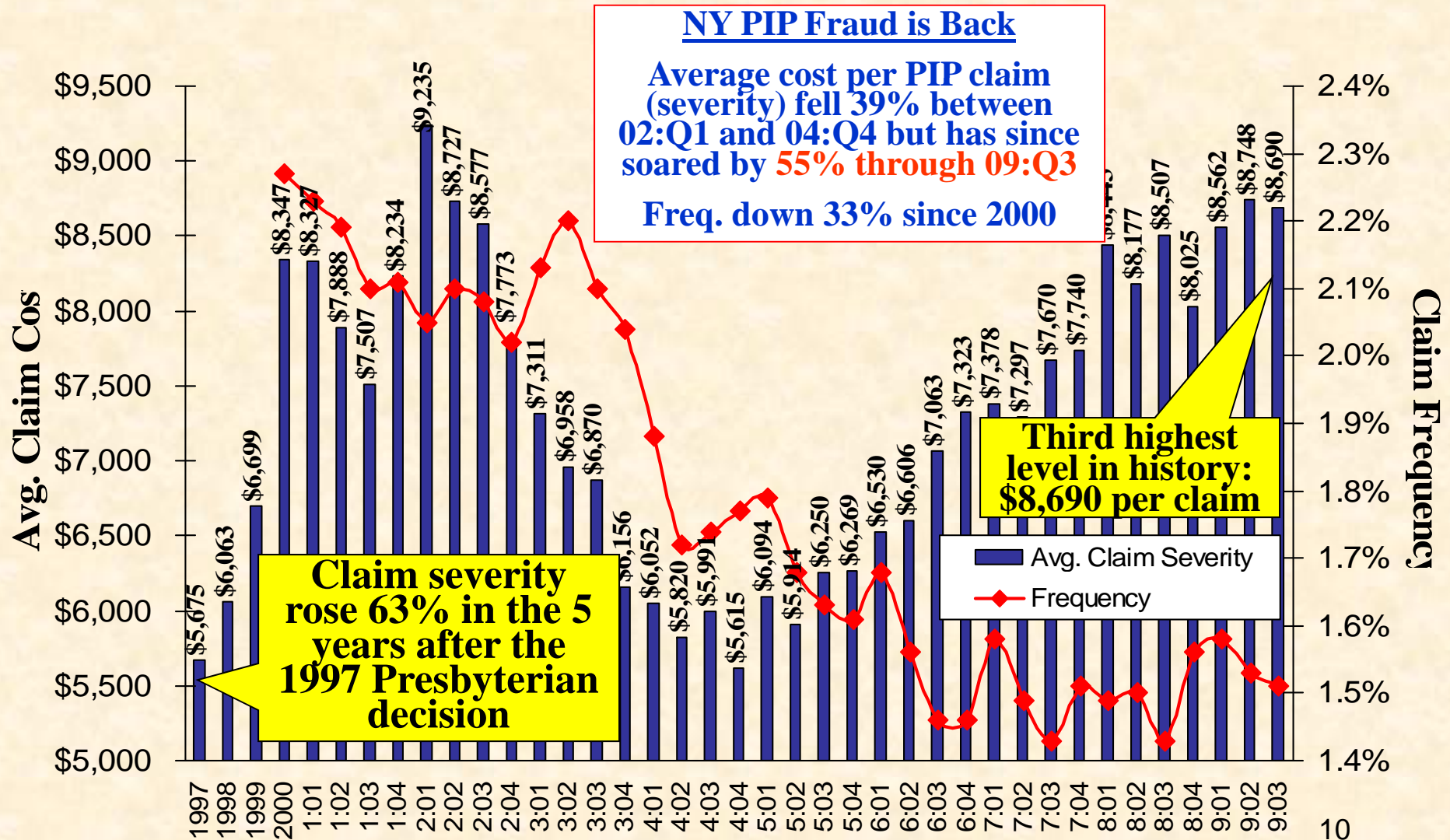


*ISO Fast Track PIP data as of 2004:Q4 include the following states: FL, HI, KY, KS, MA, MI, MN, NY, ND, SC and UT.

Source: Insurance Information Institute calculations based on ISO/PCI *Fast Track* Data.

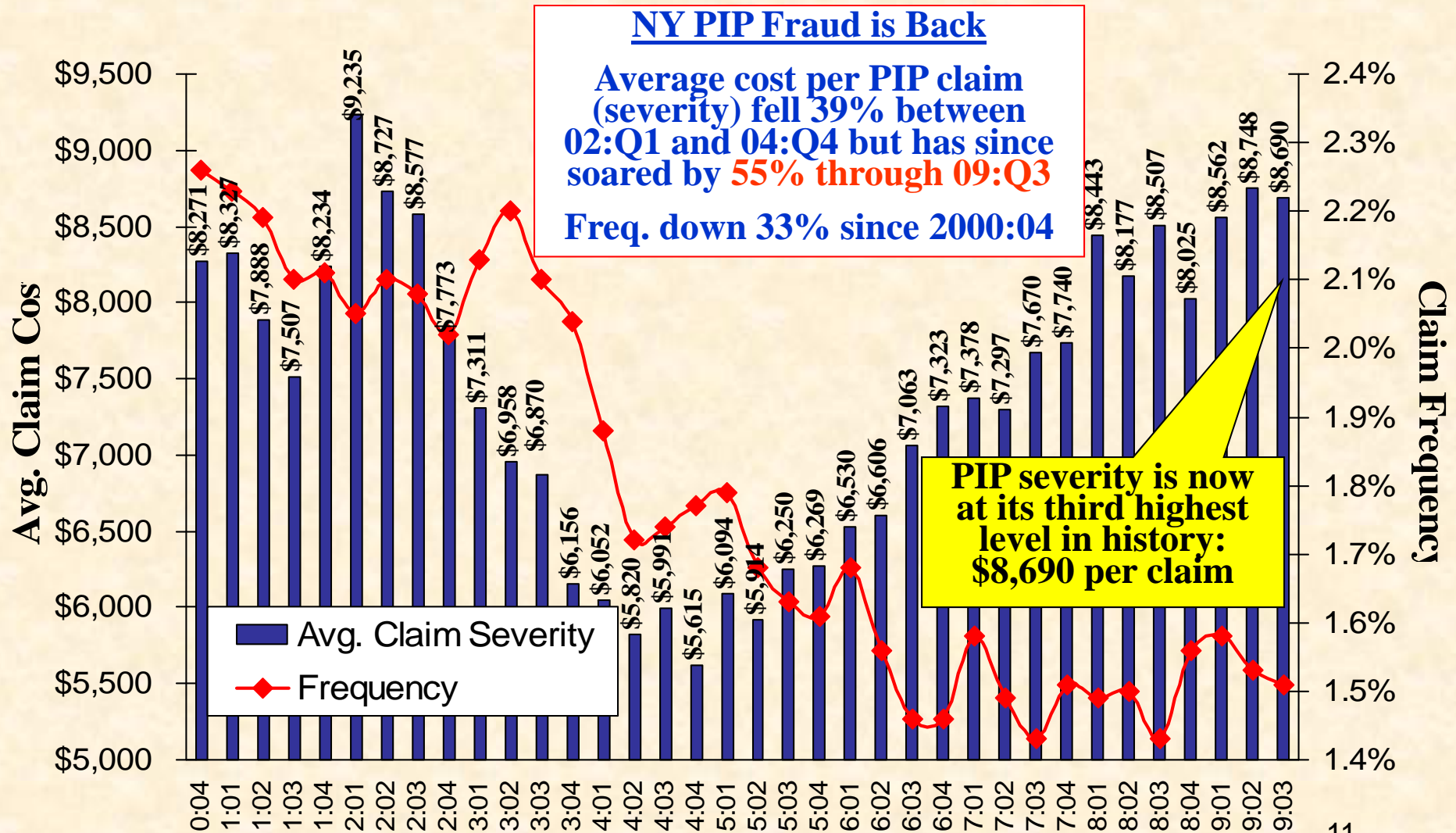


NY PIP Claim Frequency & Severity, (1997 – 2009:03)



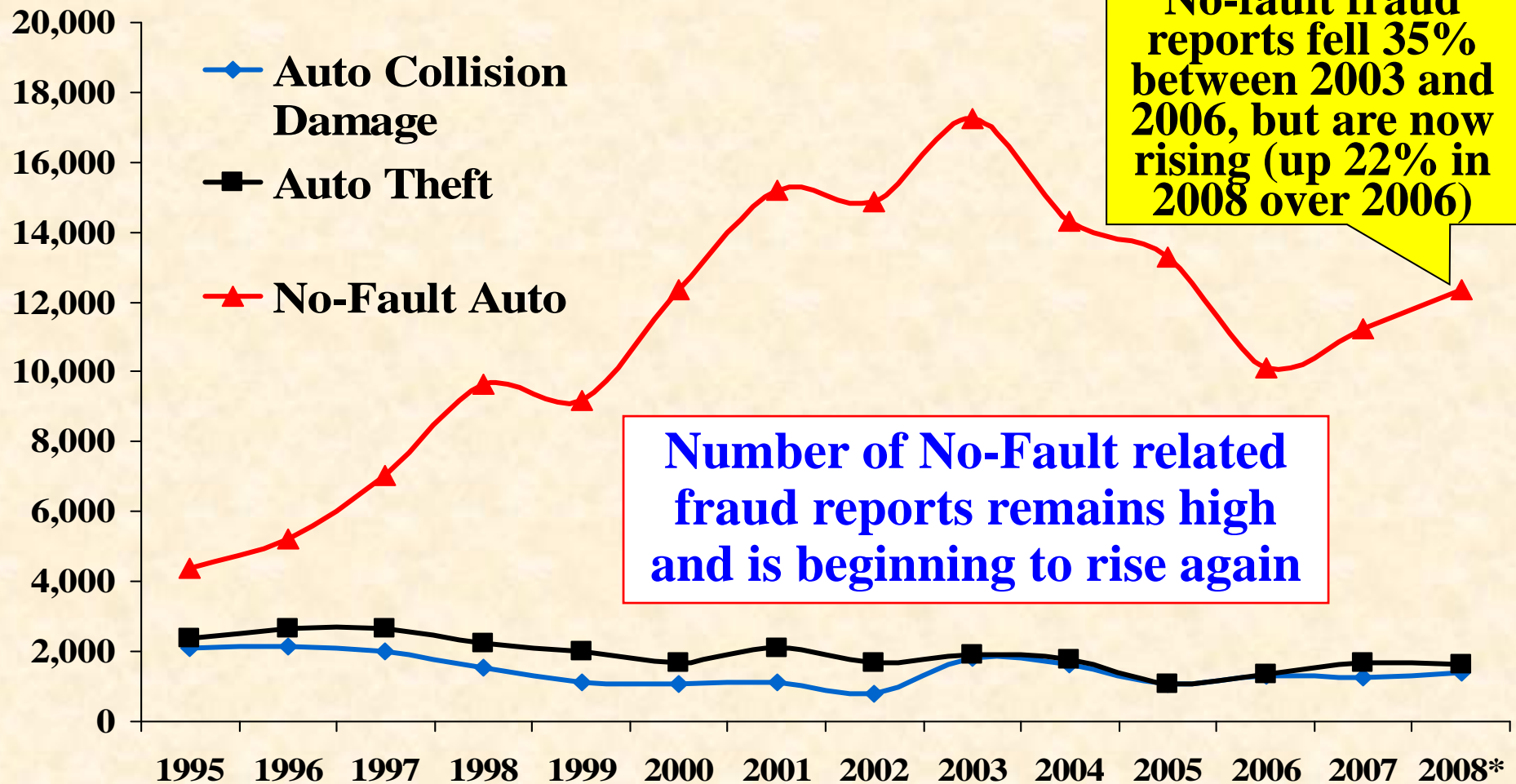


NY PIP Claim Frequency & Severity, (2000:04 – 2009:03)





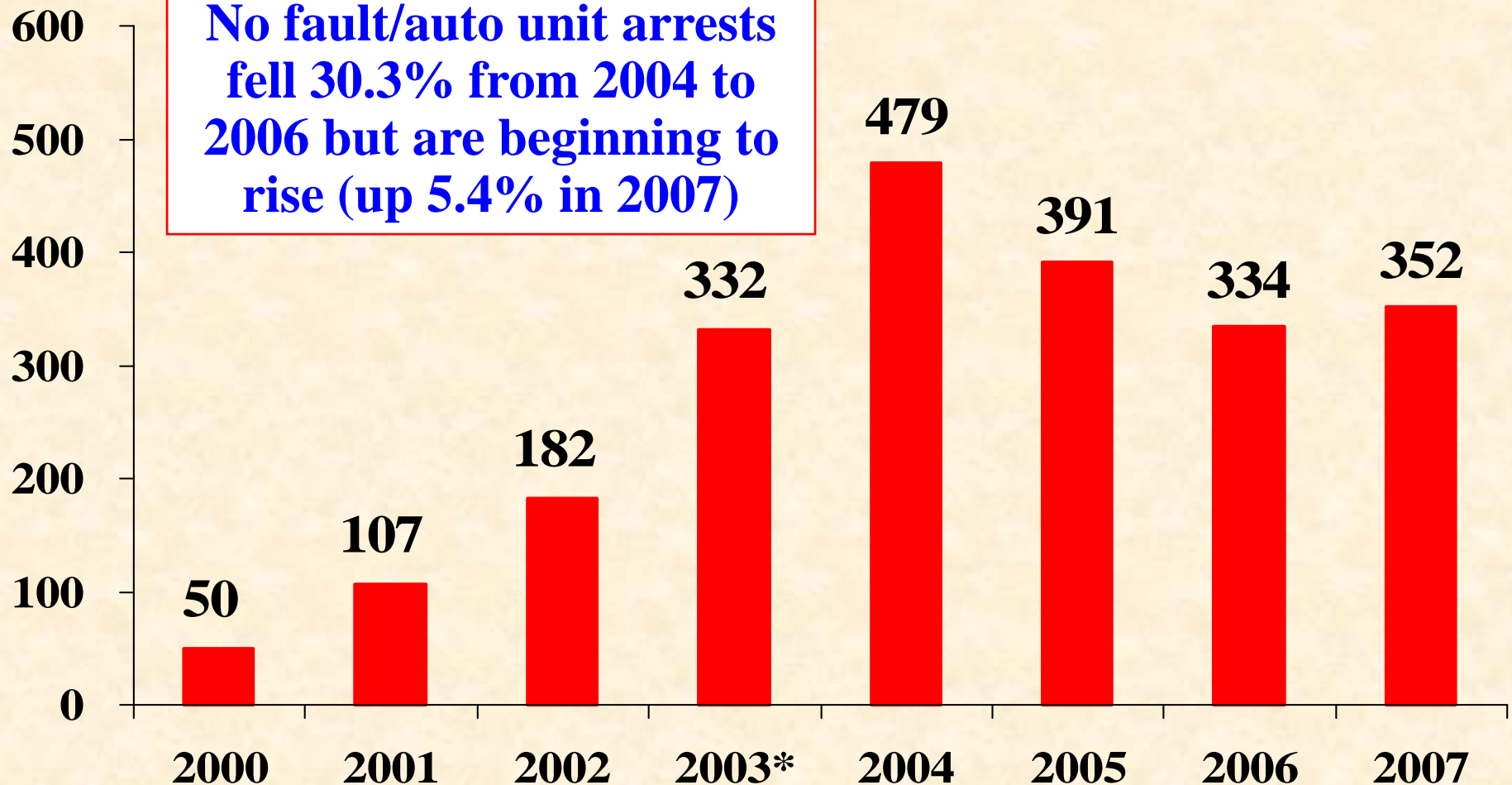
New York Insurance Fraud Reports, 1995 – 2008





No-Fault/Auto Unit Arrests by NY Insurance Fraud Bureau

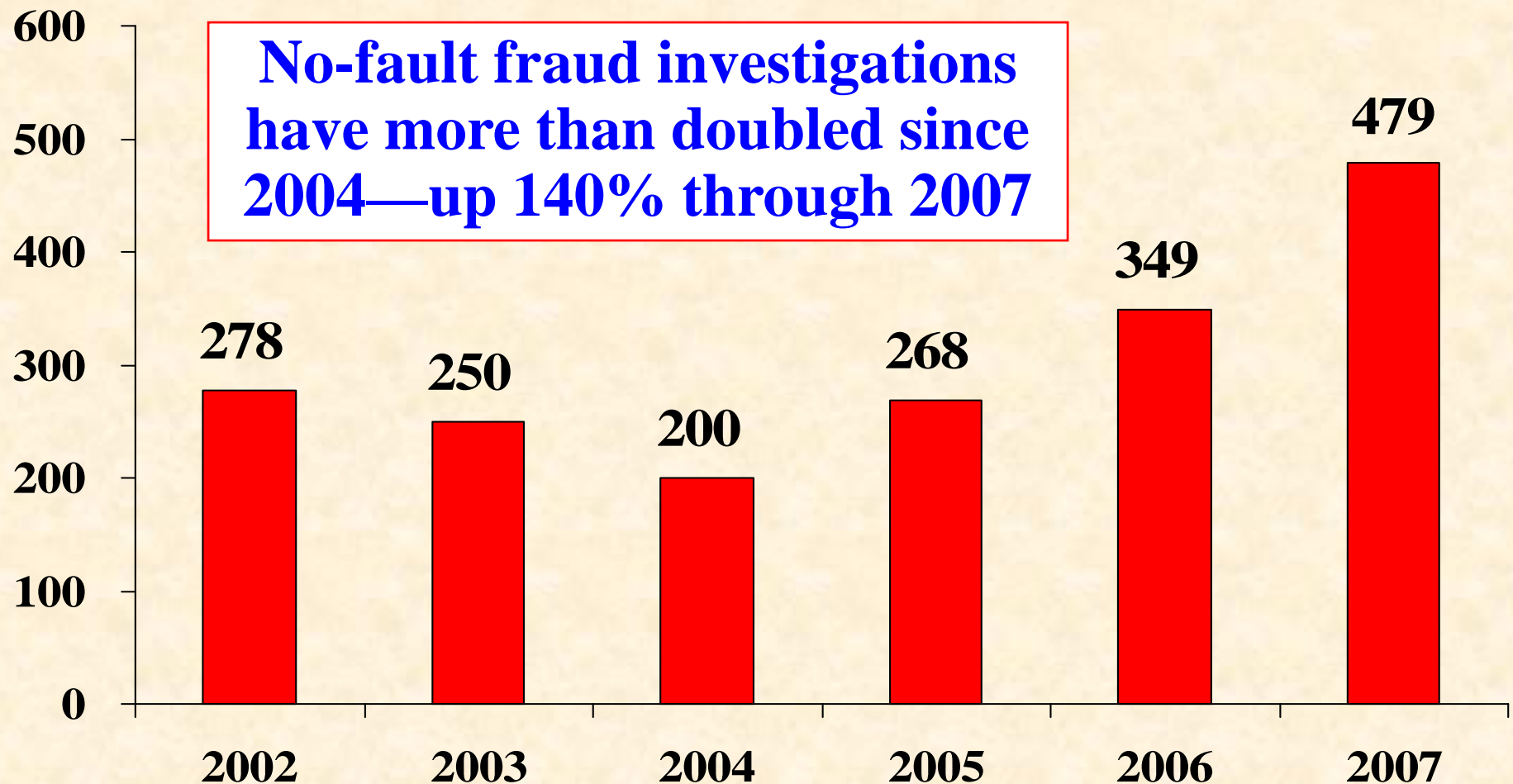
**No fault/auto unit arrests
fell 30.3% from 2004 to
2006 but are beginning to
rise (up 5.4% in 2007)**



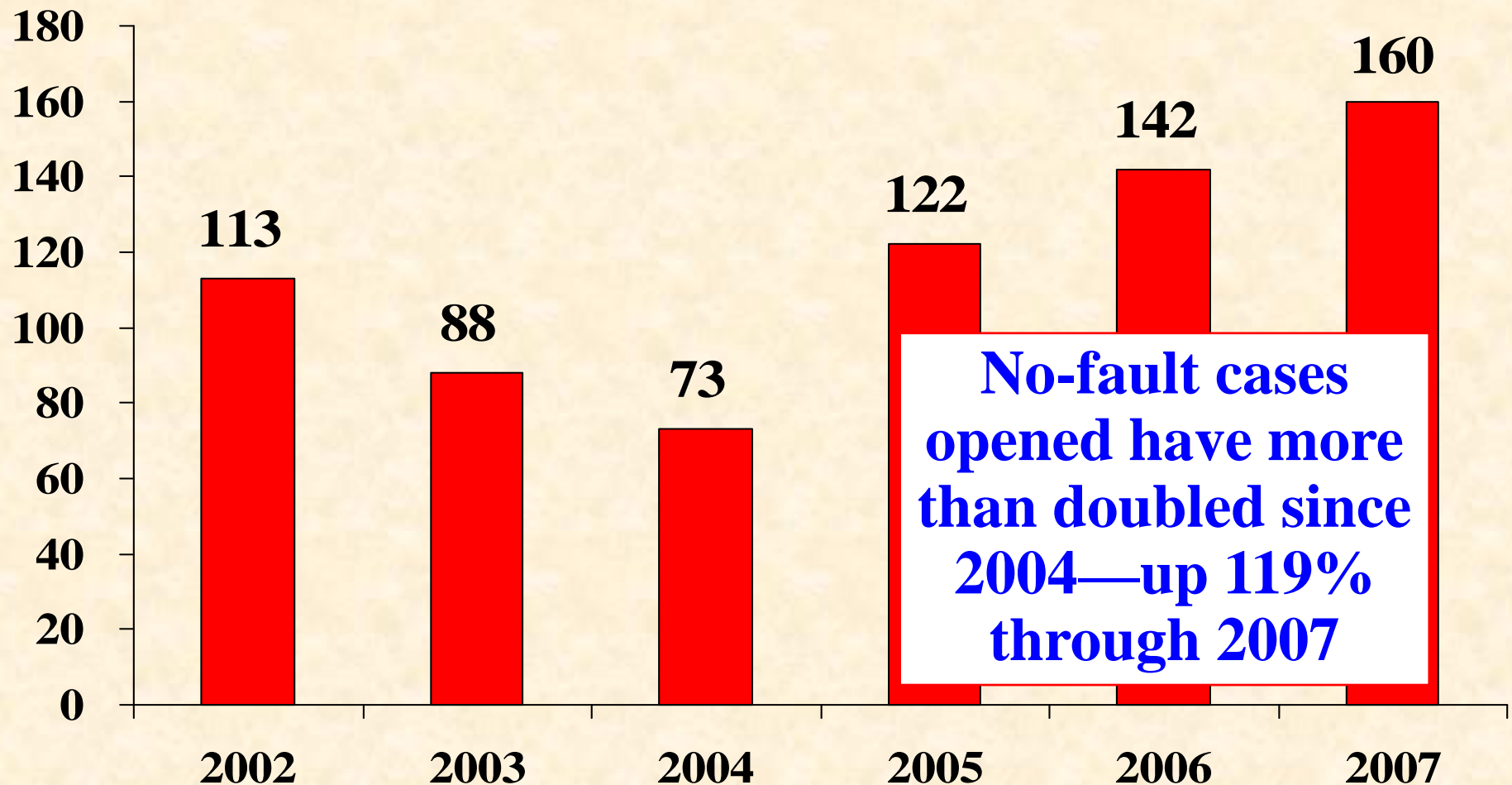
*In August 2003 the no-fault unit was merged with auto unit. Data beginning in 2003 include no-fault auto unit arrests.

Source: New York Department of Insurance, Insurance Frauds Bureau Annual Report; Insurance Info. Institute.

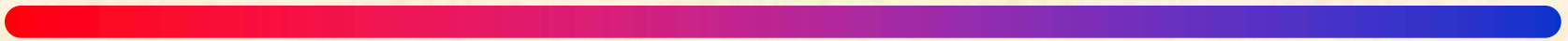
No-Fault Auto Unit Investigations by NY Insurance Fraud Bureau



No-Fault Auto Unit Cases Opened by NY Insurance Fraud Bureau

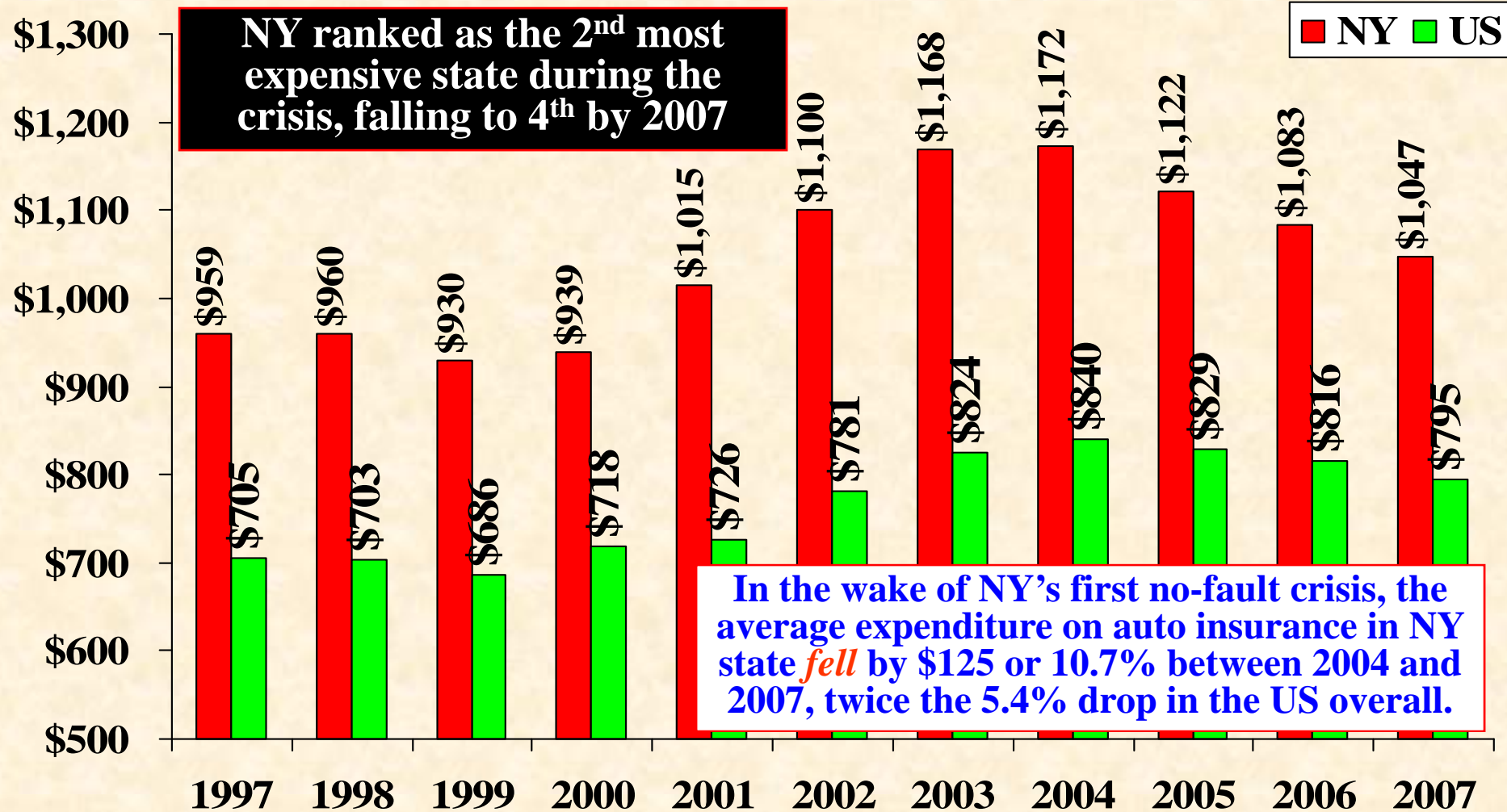


NY's Private Passenger Auto Insurance Market *Improvements at Risk*

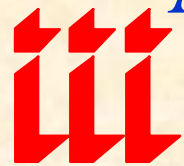




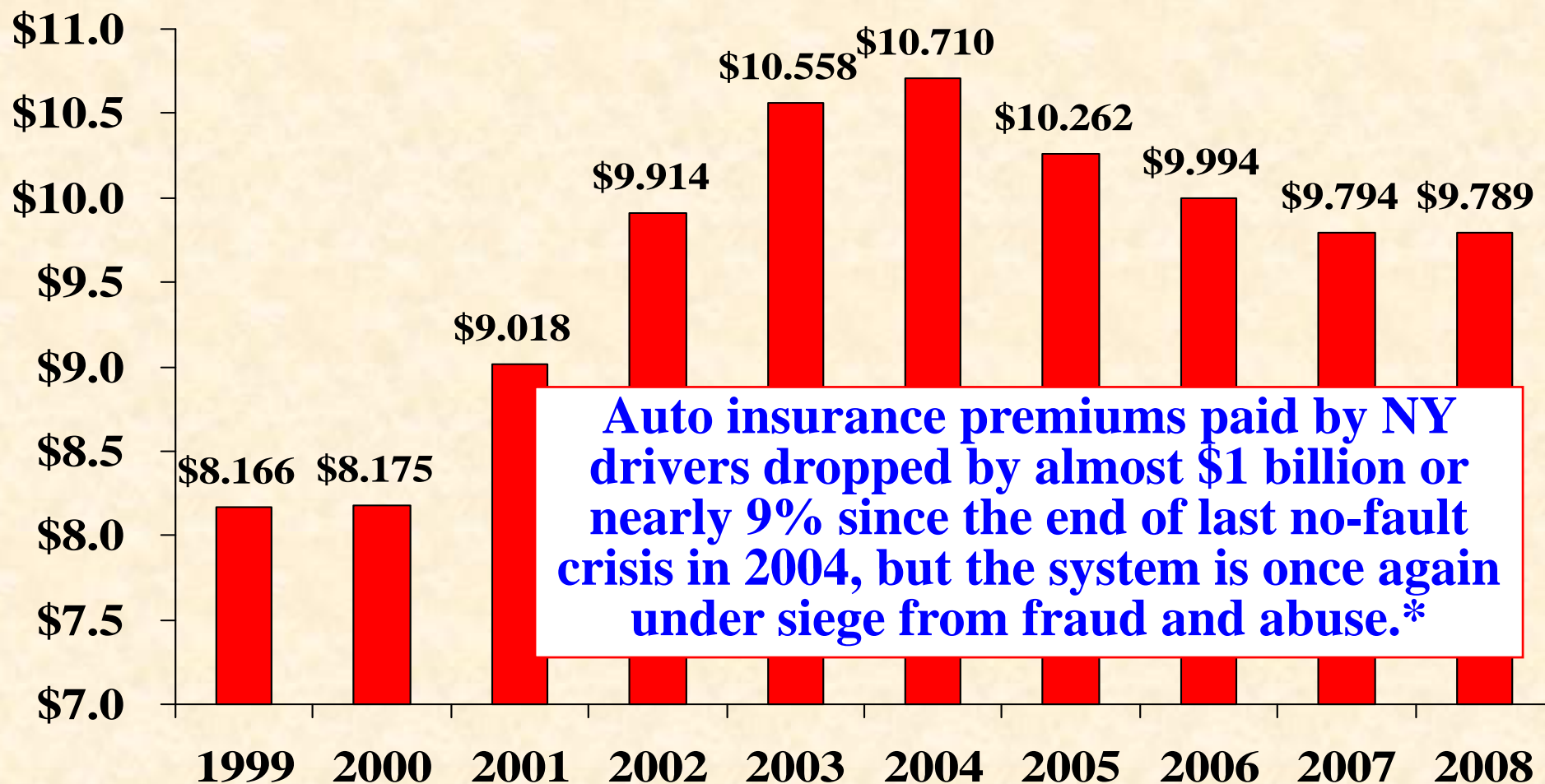
Average Expenditure on Auto Insurance, NY State vs. US: 1997-2007*



*Latest available as of December 2009.
Source: NAIC; Insurance Information Institute.



New York State Direct Pvt. Passenger Auto Premiums Written: 1999-2008



*Exact decline between 2004 and 2008 was \$921 million.
Source: Highline Data; Insurance Information Institute.



Private Passenger Auto Insurers in New York State, 2008 (1-25)

| <u>Rank</u> | <u>Company</u> | <u>Group</u> | <u>Direct Premiums Written</u> | <u>Mkt. Share (%)</u> |
|-------------|--------------------------------------|---------------------------------|--------------------------------|-----------------------|
| 1. | Geico | BERKSHIRE HATHAWAY GRP | 2,250,603,467 | 23.0 |
| 2. | Allstate Insurance Co Group | ALLSTATE INSURANCE GROUP | 1,844,794,441 | 18.8 |
| 3. | State Farm Mutual Group | STATE FARM GRP | 1,060,333,783 | 10.8 |
| 4. | Progressive Casualty Group | PROGRESSIVE GRP | 641,957,648 | 6.6 |
| 5 | Liberty Mutual Group | LIBERTY MUTUAL INSURANCE GROUP | 559,129,362 | 5.7 |
| .6. | Travelers Cos & Affil | TRAVELERS GRP | 538,882,826 | 5.5 |
| 7. | Nationwide Group | NATIONWIDE CORP GRP | 286,052,407 | 2.9 |
| 8. | New York Central Mut Fire Ins Co | CENTRAL SERV GRP | 269,489,658 | 2.8 |
| 9. | Metropolitan P&C Ins Co & Affiliates | METROPOLITAN GROUP | 253,168,898 | 2.6 |
| 10. | Hartford Fire Group | HARTFORD FIRE & CASUALTY GROUP | 222,681,116 | 2.3 |
| 11. | American International Group | AMERICAN INTL GRP | 208,727,125 | 2.1 |
| 12. | United Services Automobile ASN Group | UNITED SERV AUTOMOBILE ASSN GRP | 191,513,078 | 2.0 |
| 13. | Unitrin Prop & Cas Ins Grp | UNITRIN GRP | 134,559,311 | 1.4 |
| 14. | Motors Insurance Corp Group | GMAC INS HOLDING GRP | 104,591,800 | 1.1 |
| 15. | Adirondack Ins Exch | N/A | 98,818,395 | 1.0 |
| 16. | Onebeacon Ins Grp | WHITE MOUNTAIN GROUP | 91,412,435 | 0.9 |
| 17. | Amica Mutual Group | AMICA MUTUAL GRP | 86,573,149 | 0.9 |
| 18. | Combined Federal Ins Co & Affiliates | CHUBB & SON INC GRP | 81,495,932 | 0.8 |
| 19. | Hanover Insurance Co Group | THE HANOVER INS GRP | 81,413,362 | 0.8 |
| 20. | Countrywide Insurance Co | N/A | 77,264,817 | 0.8 |
| 21. | Erie Insurance Exchange Group | ERIE INS GRP | 61,404,626 | 0.6 |
| 22. | Esurance Ins Co and Affiliate | WHITE MOUNTAIN GROUP | 60,874,361 | 0.6 |
| 23. | Ngm Ins Co | MAIN STREET AMER GRP | 56,858,636 | 0.6 |
| 24. | Farmers Insurance Group | ZURICH INS GRP | 55,162,750 | 0.6 |
| 25. | Preferred Mutual Insurance Co | N/A | 50,892,503 | 0.5 |



Top Private Passenger Auto Insurers in New York State, 2008 (26-50)

| <u>Rank</u> | <u>Company</u> | <u>Group</u> | <u>Direct Written Premiums</u> | <u>Mkt. Share (%)</u> |
|-------------|--------------------------------------|-----------------------------|--------------------------------|-----------------------|
| 26. | Preferred Mutual Insurance Co | N/A | 50,892,503 | 0.5 |
| 26. | Lincoln General Insurance Co | KINGSWAY GRP | 48,762,542 | 0.5 |
| 27. | Response Ins Grp | RESPONSE INSURANCE GROUP | 39,068,213 | 0.4 |
| 28. | Commerce Group Inc | COMMERCE INC GRP | 33,329,594 | 0.3 |
| 29. | Utica National Insurance Group | UTICA GRP | 29,739,636 | 0.3 |
| 30. | Mercury Casualty Group | MERCURY GENERAL GRP | 28,114,418 | 0.3 |
| 31. | QBE The Americas | QBE INS GRP | 26,518,443 | 0.3 |
| 32. | Amer Natl Prop & Cas Co & Affiliates | AMERICAN NATL FIN GRP | 24,434,340 | 0.2 |
| 33. | IDS Property Casualty Group | AMERIPRISE FIN GRP | 22,034,901 | 0.2 |
| 34. | Firemans Fund Insurance Group | ALLIANZ INSURANCE GROUP | 17,792,523 | 0.2 |
| 35. | Tri-State Consumer Insurance Co | N/A | 17,755,332 | 0.2 |
| 36. | Electric Insurance Company | ELECTRIC INS GRP | 12,395,453 | 0.1 |
| 37. | American Modern Home Group INC | MUNICH RE GRP | 12,310,466 | 0.1 |
| 38. | Balboa Casualty Grp | BANKAMERICA CORP GRP | 12,275,118 | 0.1 |
| 39. | Eveready Insurance Co | N/A | 12,002,501 | 0.1 |
| 40. | Merchants Mutual Group | MERCHANTS MUT GRP | 11,354,814 | 0.1 |
| 41. | Long Island Ins Co | N/A | 8,412,317 | 0.1 |
| 42. | Interboro Mutual Indemnity Ins Co | N/A | 7,793,341 | 0.1 |
| 43. | California State Automobile Assoc | CALIFORNIA STATE AUTO GRP | 5,796,218 | 0.1 |
| 44. | Harleysville Mutual Insurance Co Grp | HARLEYSVILLE GRP | 5,655,744 | 0.1 |
| 45. | Assurant Group | ASSURANT INC GRP | 5,588,944 | 0.1 |
| 46. | Ocean Harbor Casualty Insurance Co | OCEAN HARBOR GRP | 4,943,255 | 0.1 |
| 47. | Infinity Prop & Cas Cos | INFINITY PROP & CAS INS GRP | 4,553,098 | 0 |
| 48. | Central Mutual of OH Group | CENTRAL MUT INS CO GRP | 4,516,397 | 0 |
| 49. | United Farm Family Mut Ins Co & Affi | INDIANA FARM BUREAU GRP | 4,061,793 | 0 |
| 50. | Sentry Insurance A Mutual Co Group | SENTRY INSURANCE GROUP | 3,950,514 | 0 |

Source: Highline Data; Insurance Information Institute.



Insurance Information Institute On-Line

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