



# Insurance Fraud: Are Policyholders the Only Victims?

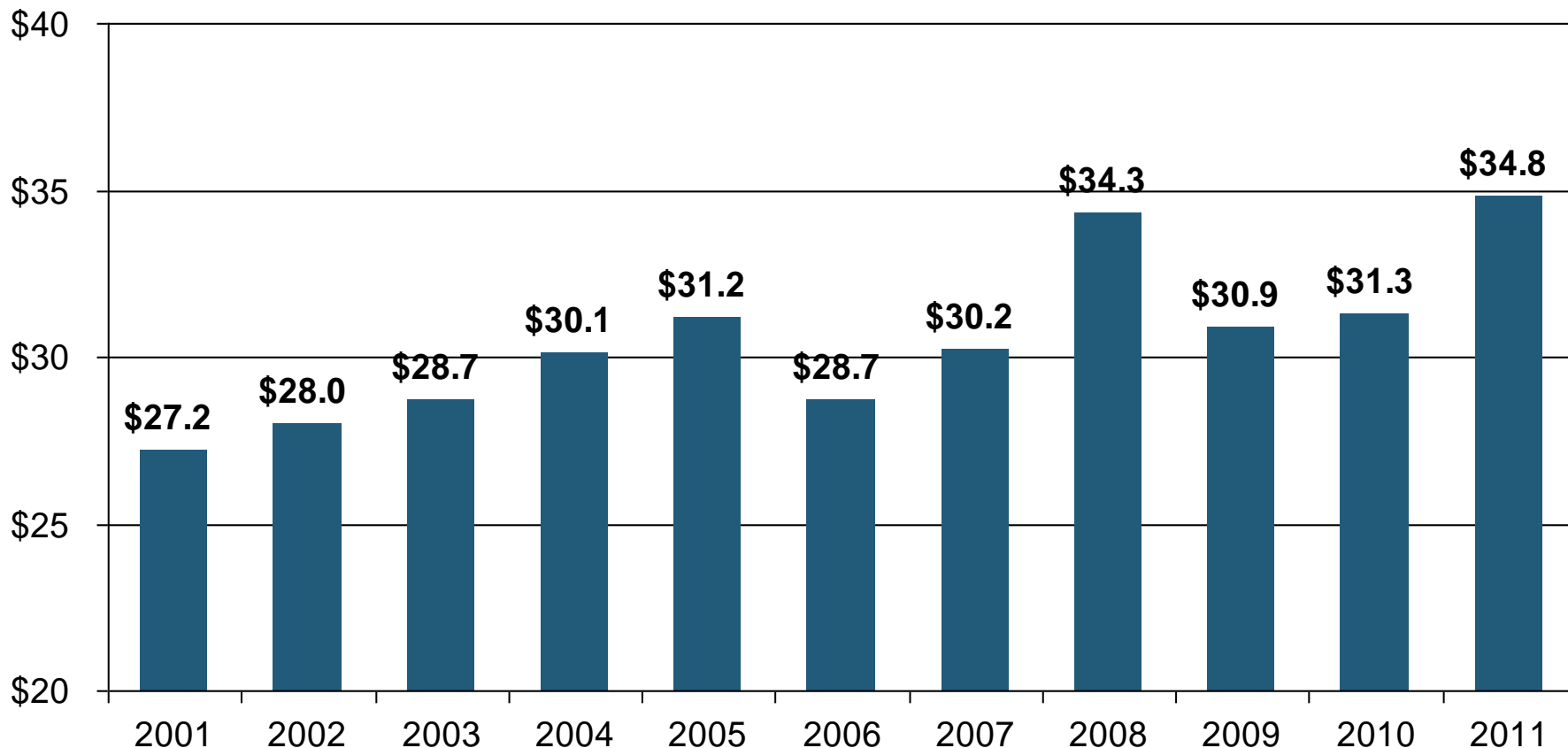
Conference of State Governments, Eastern Region  
Annual Meeting  
Atlantic City, NJ  
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**Beyond the Ones We Catch,  
From an Economic Viewpoint,  
What is the Scope of the  
Fraud Problem?**

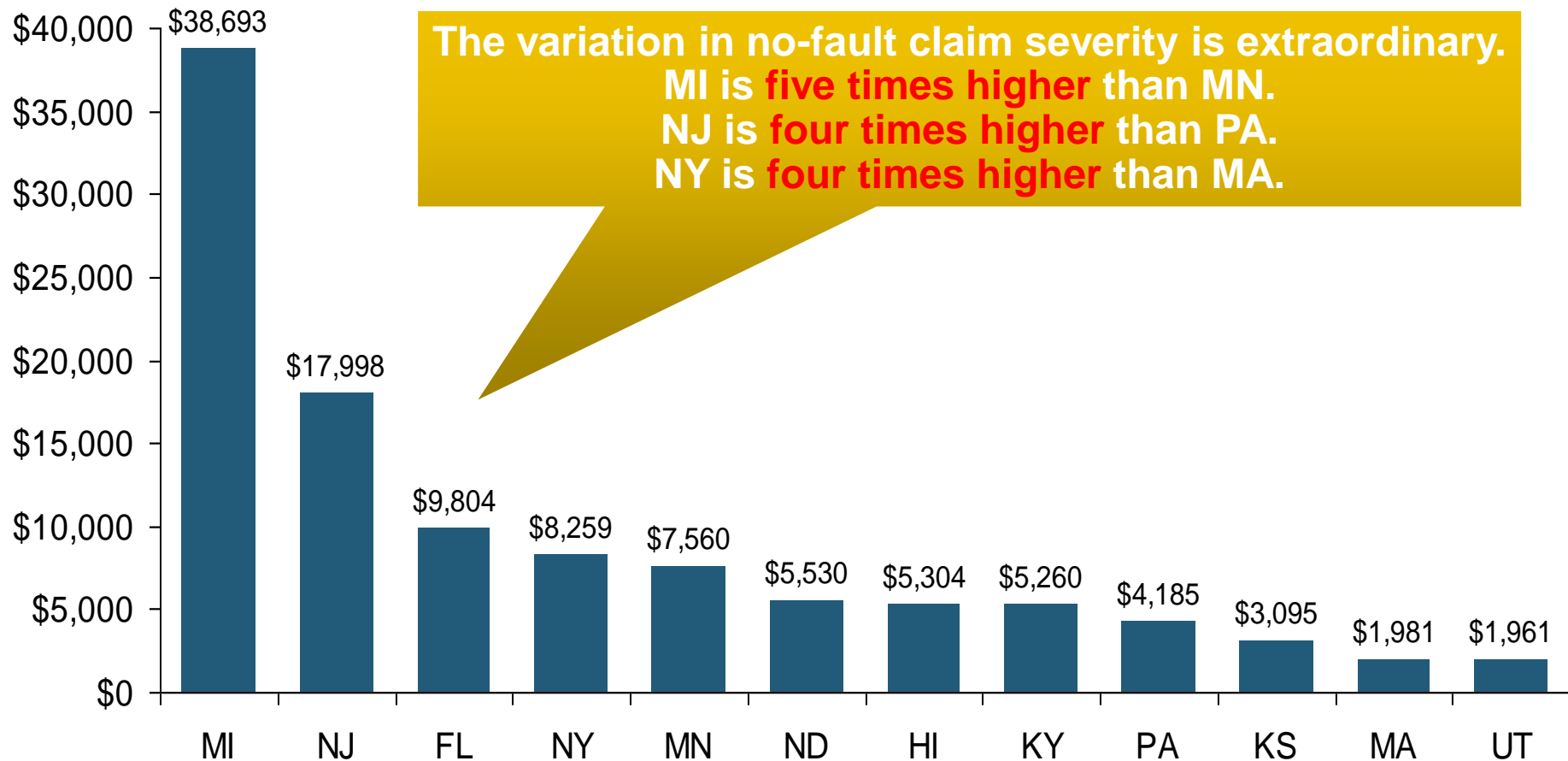
# Estimate of Annual Fraud, Assuming 10% of P/C Claim Expense, 2000-2011

\$ Billions



**The cumulative total of assumed fraud over this 11-year period is \$335.4 billion; the average yearly amount was \$30.5 billion.**

# Average No-Fault (PIP) Claim Severity, 2012\*

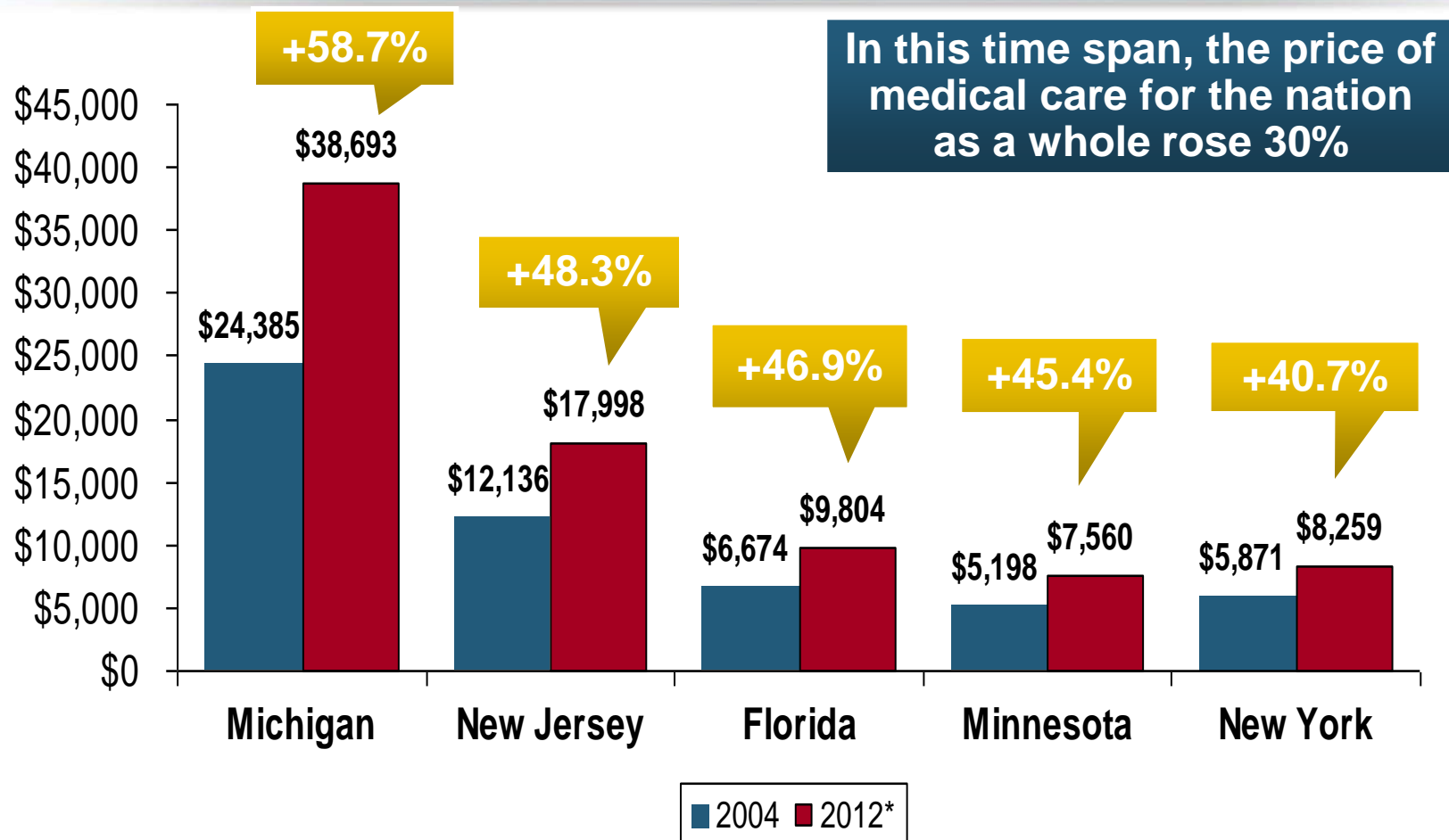


**MI, NJ, FL, NY, and MN appear to have severe and growing problems with rampant fraud and abuse in their No-Fault Systems.**

\*Average of the four quarters ending 2012:Q1.

Source: ISO/PCI *Fast Track* data; Insurance Information Institute.

# Increase in No-Fault Claim Severity: Selected States, 2004-2012\*

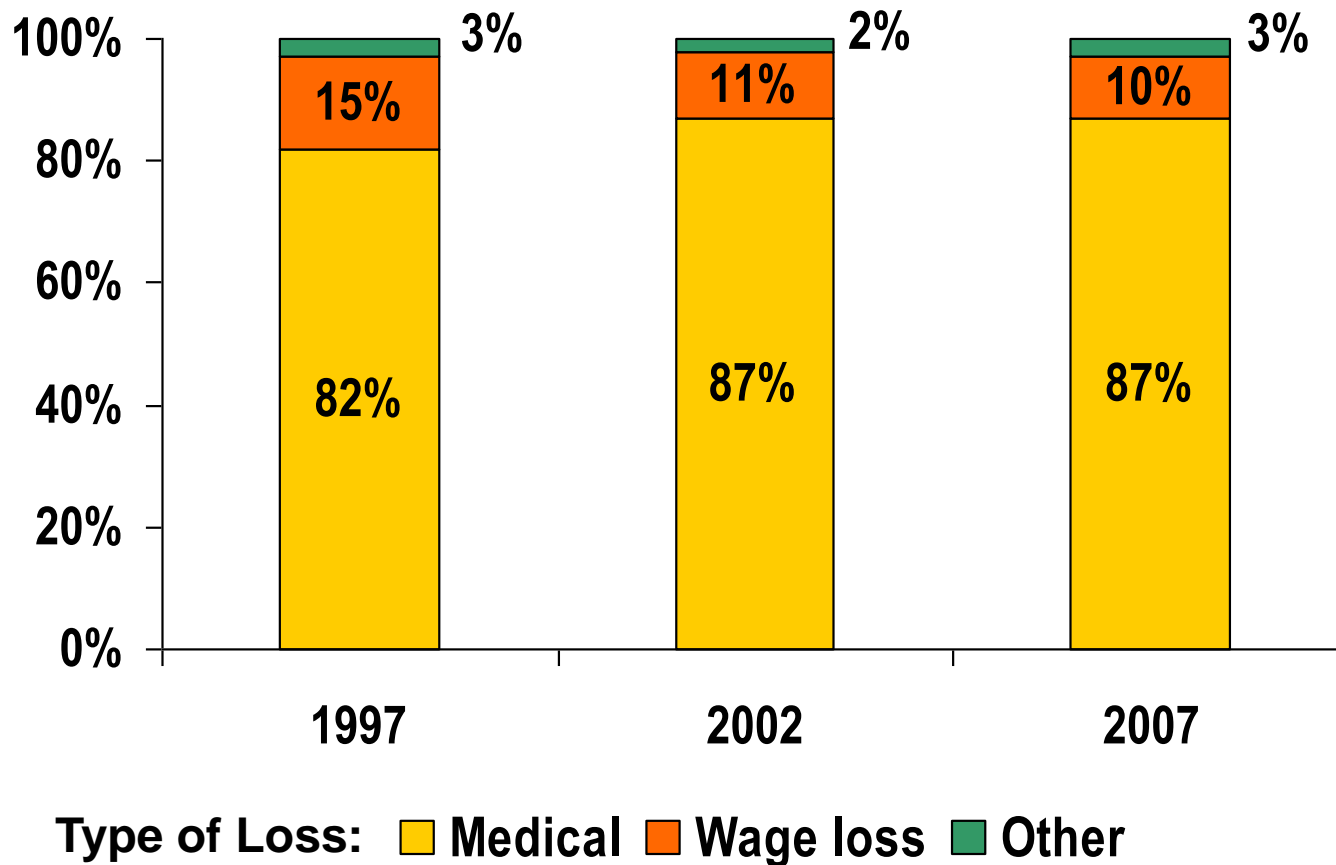


**The no-fault systems in MI, NJ, NY, FL, and MN are under stress due to fraud and abuse, which leads to higher premiums for honest drivers.**

\*2012 claim severity figures are for the 4 quarters ending 2012:Q1.

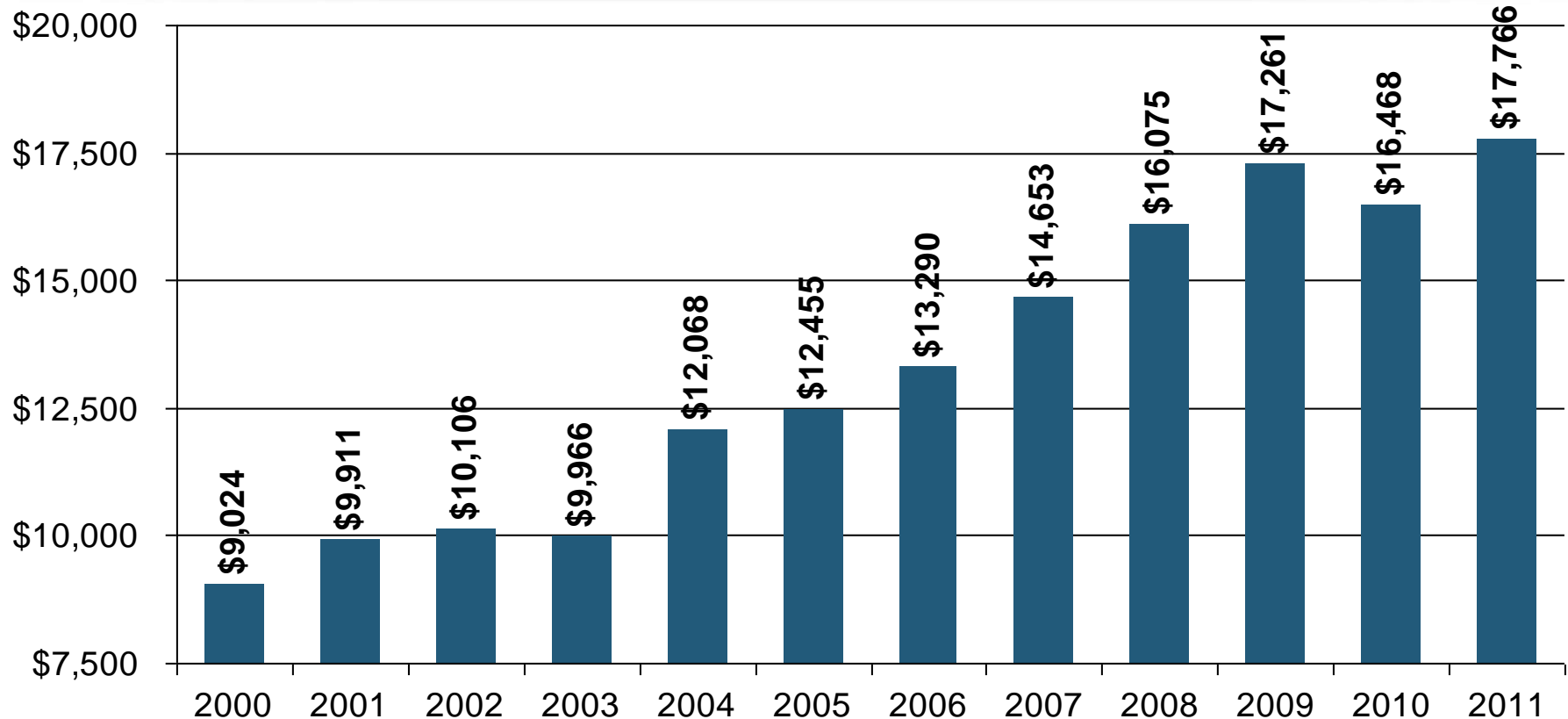
Sources: Insurance Information Institute research from ISO/PCI *Fast Track* data.

# We Focus on Medical Costs in PIP Because They Dominate PIP Claims\*



\*data for Minnesota  
Source: IRC

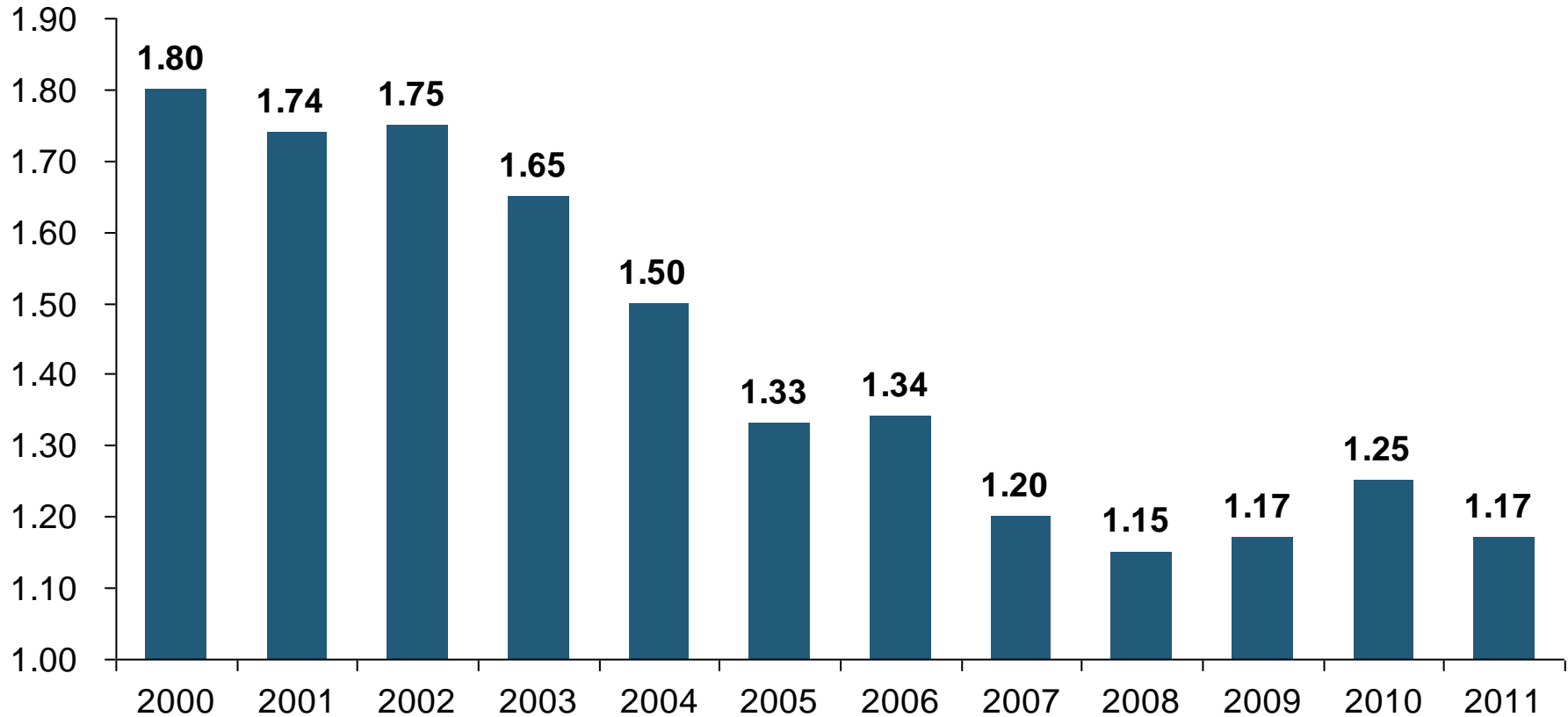
# NJ No-Fault (PIP) Average Claim Severity Has Trended Up Sharply Upward, 2000-2011



No-Fault claim severity (average cost per claim) rose 7.9% in 2011

**The average amount of a PIP claim in New Jersey nearly doubled from 2000 to 2011**

# NJ No-Fault (PIP) Claim Frequency Fell but Since 2007 Levelled Off, 2000-2011



**Rising PIP claim costs in NJ are no longer being offset  
by declining claim frequencies**

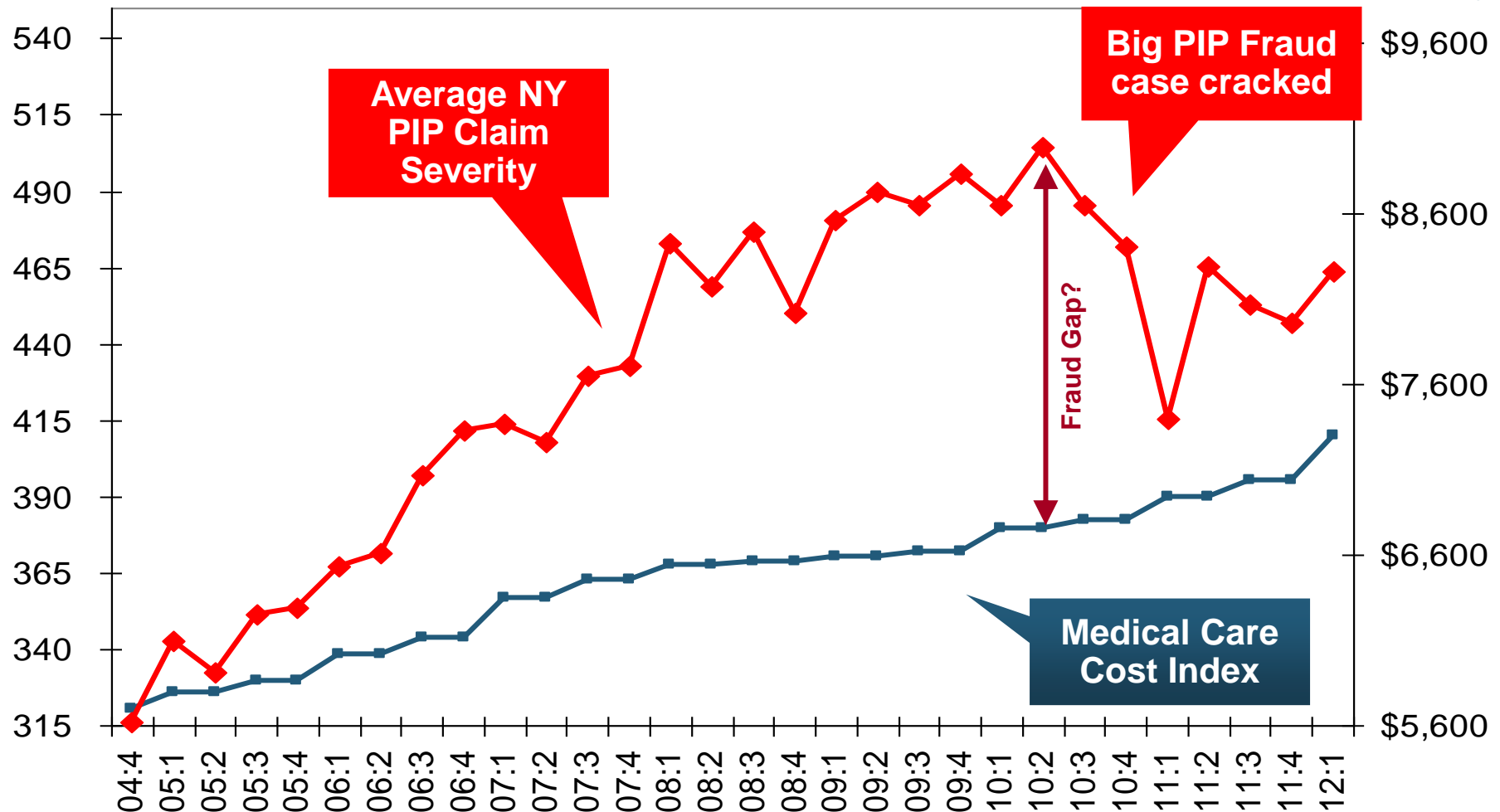


# Why Did NY PIP (Auto No-Fault) Claim Severity Growth Outpace NY Medical Care Cost Growth? **Fraud Growth**

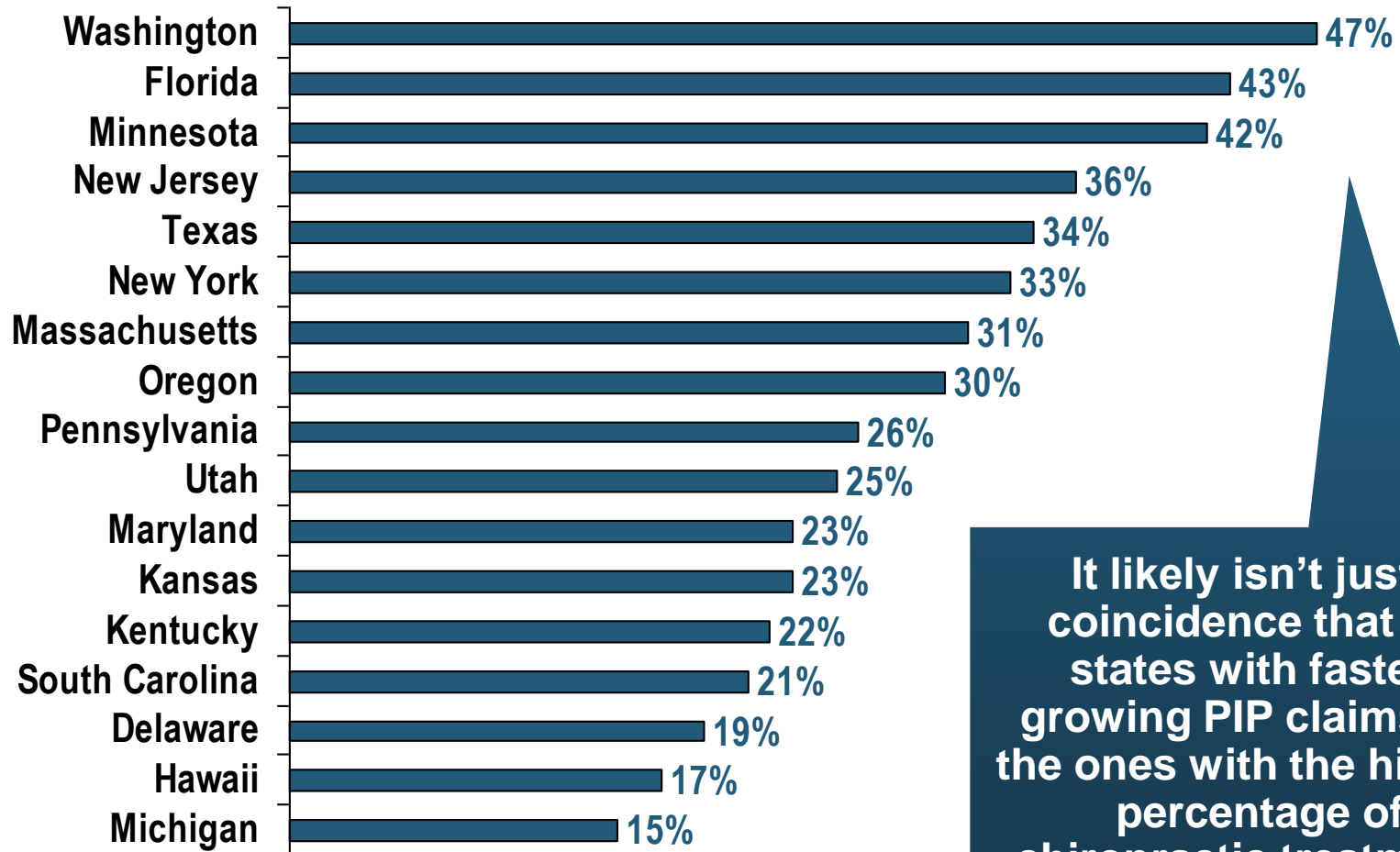
Medical Care  
Cost Index

Medical care index NY

NY PIP Avg.  
Claim Severity



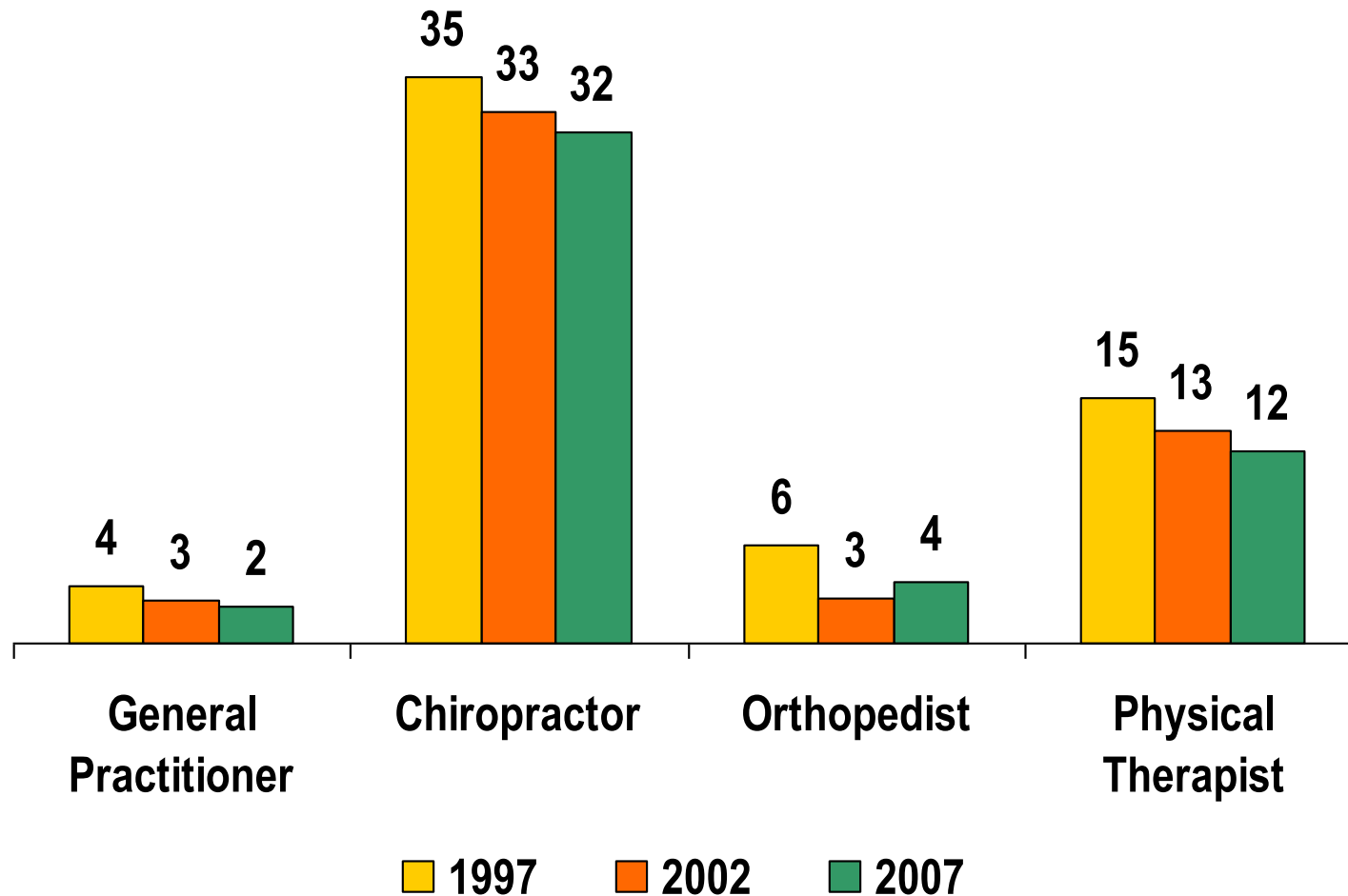
# Percentage of PIP Claimants Who Have Chiropractic Treatment



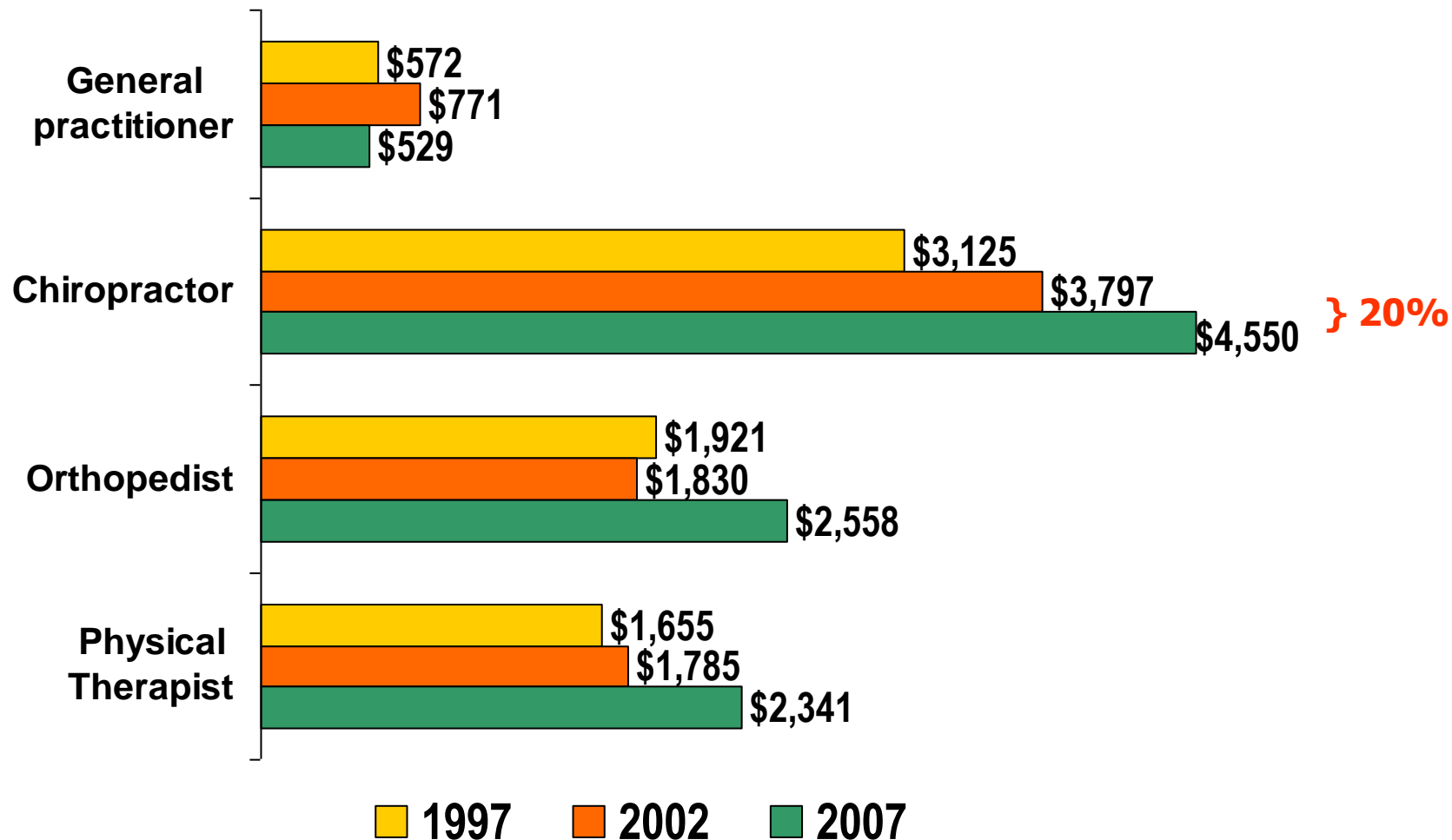
**It likely isn't just a coincidence that the states with fastest growing PIP claims are the ones with the highest percentage of chiropractic treatments**

Note: data are from states with at least 100 PIP claims in the IRC sample.  
Source: IRC study

# Average Number of Visits per Minnesota PIP Claimant Receiving Treatment

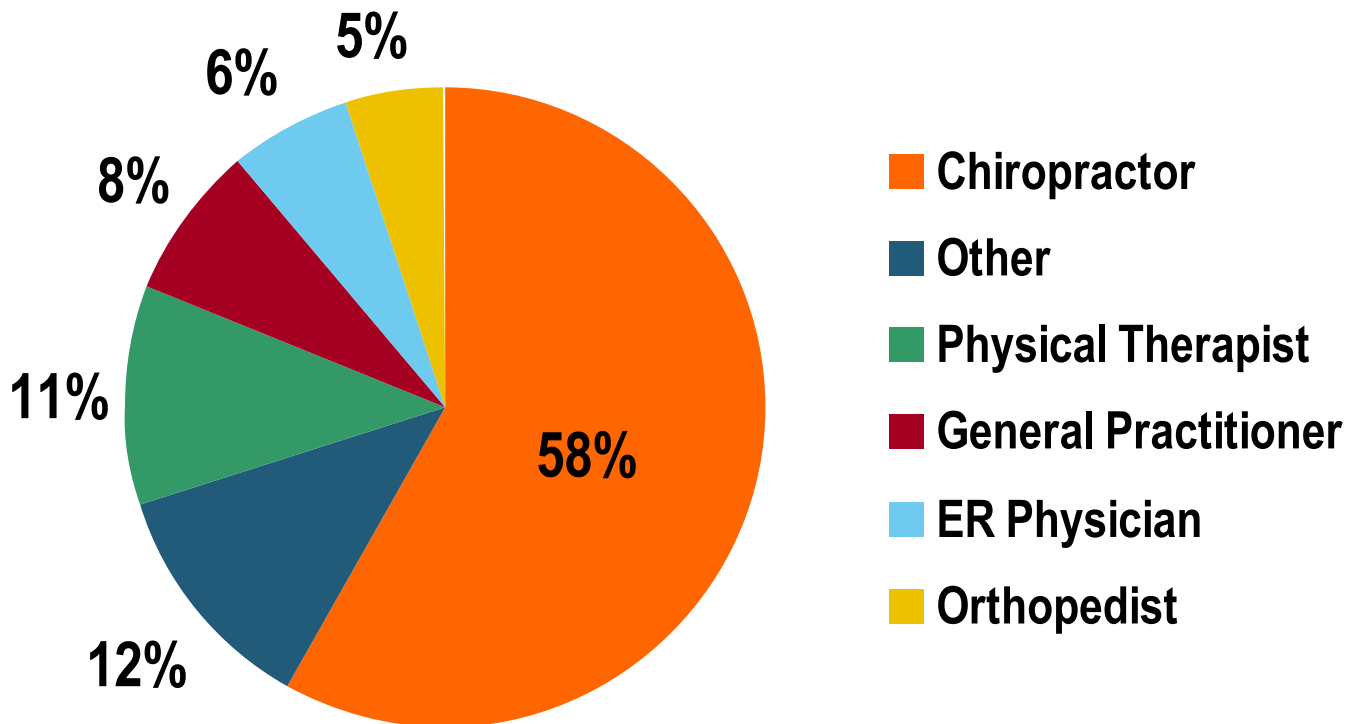


# Average Total Charges by Provider Type, Minnesota PIP Claims

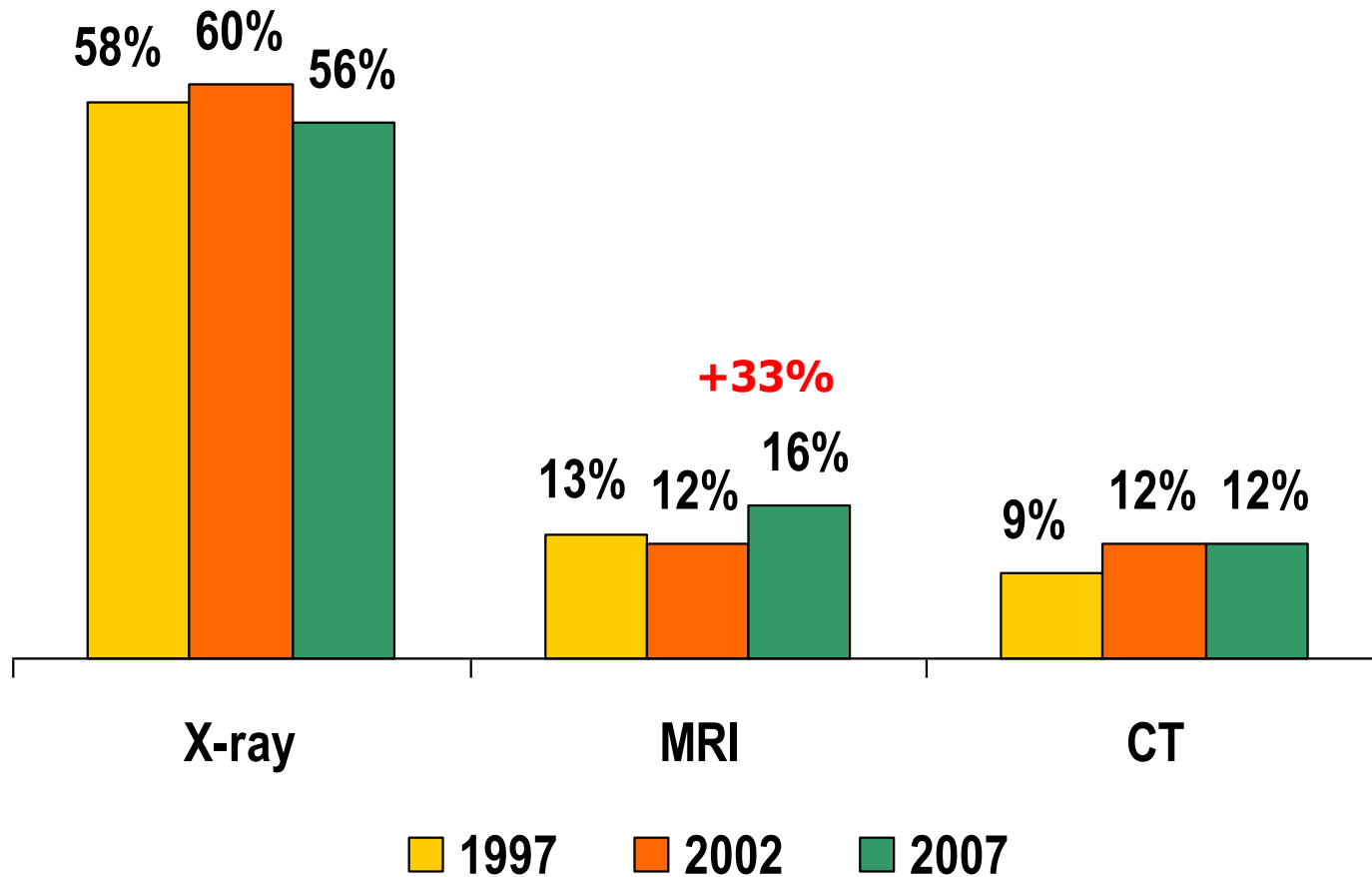


Source: IRC

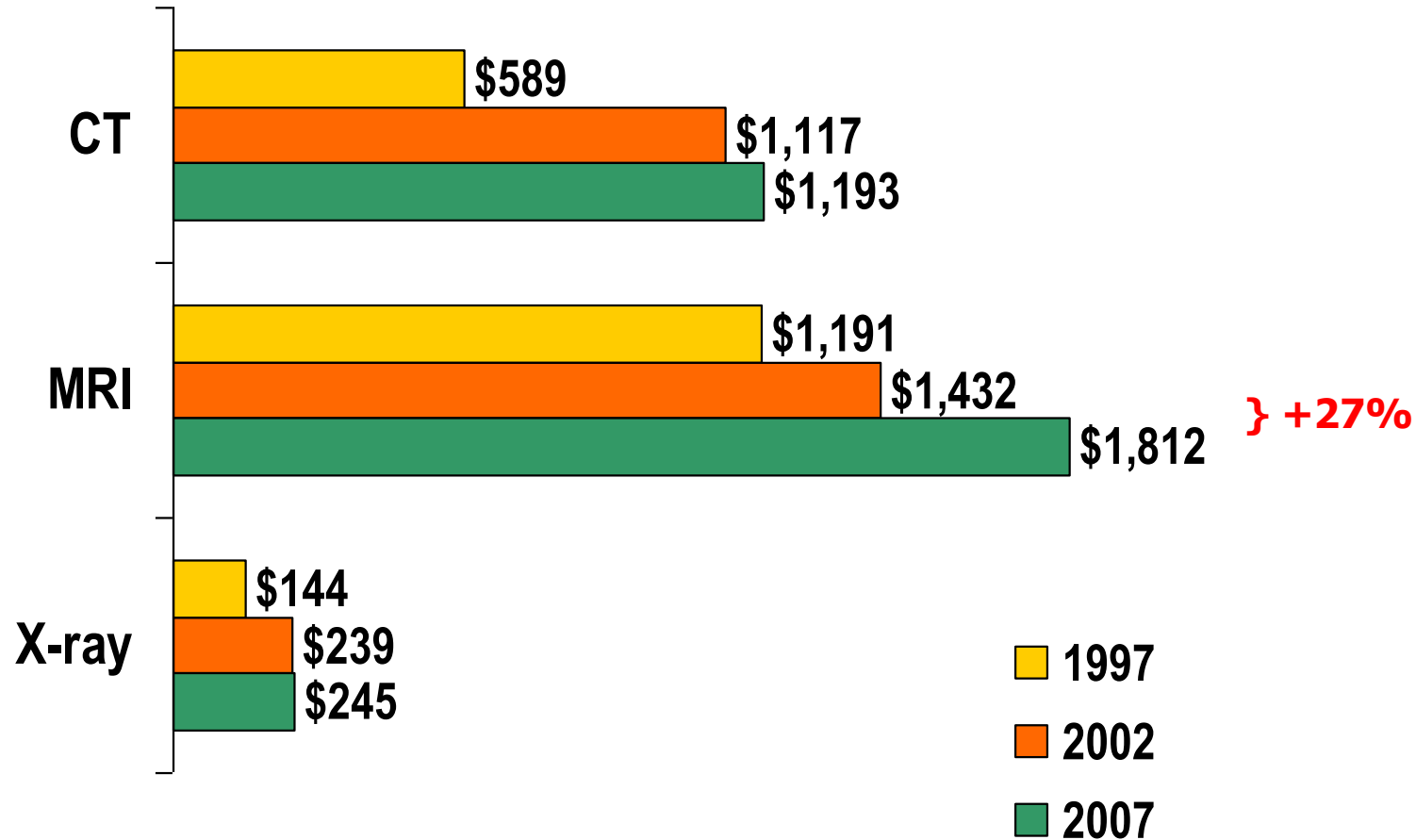
# Distribution of Total Provider Charges by Type of Provider, Minnesota PIP Claims, 2007



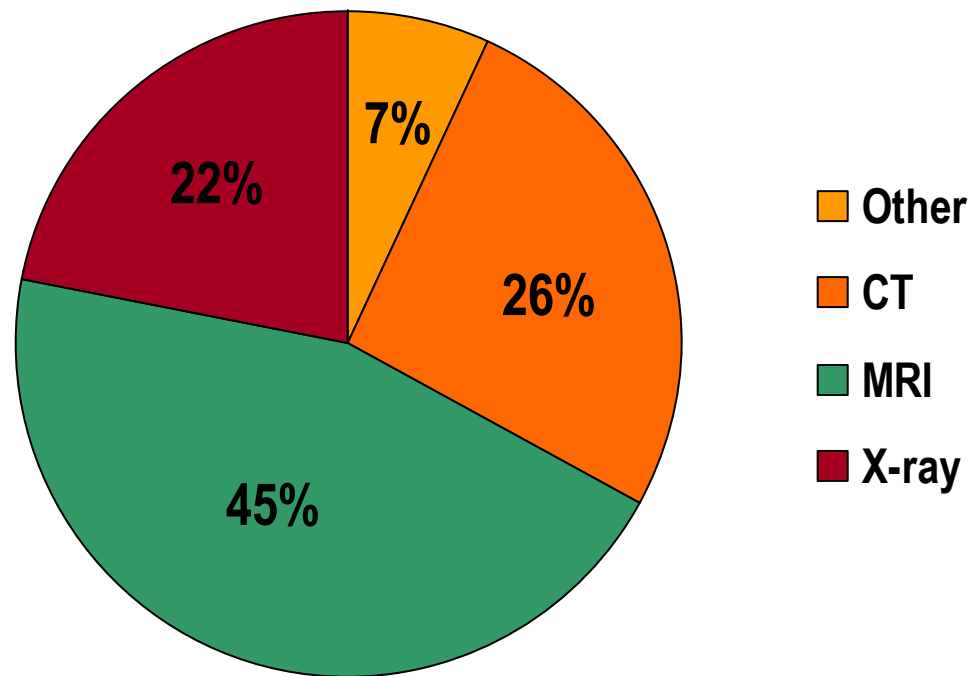
# Percentage of Minnesota PIP Claimants With Each Type of Diagnostic Procedure



# Average Charge per Diagnostic Procedure, Minnesota PIP Claimants



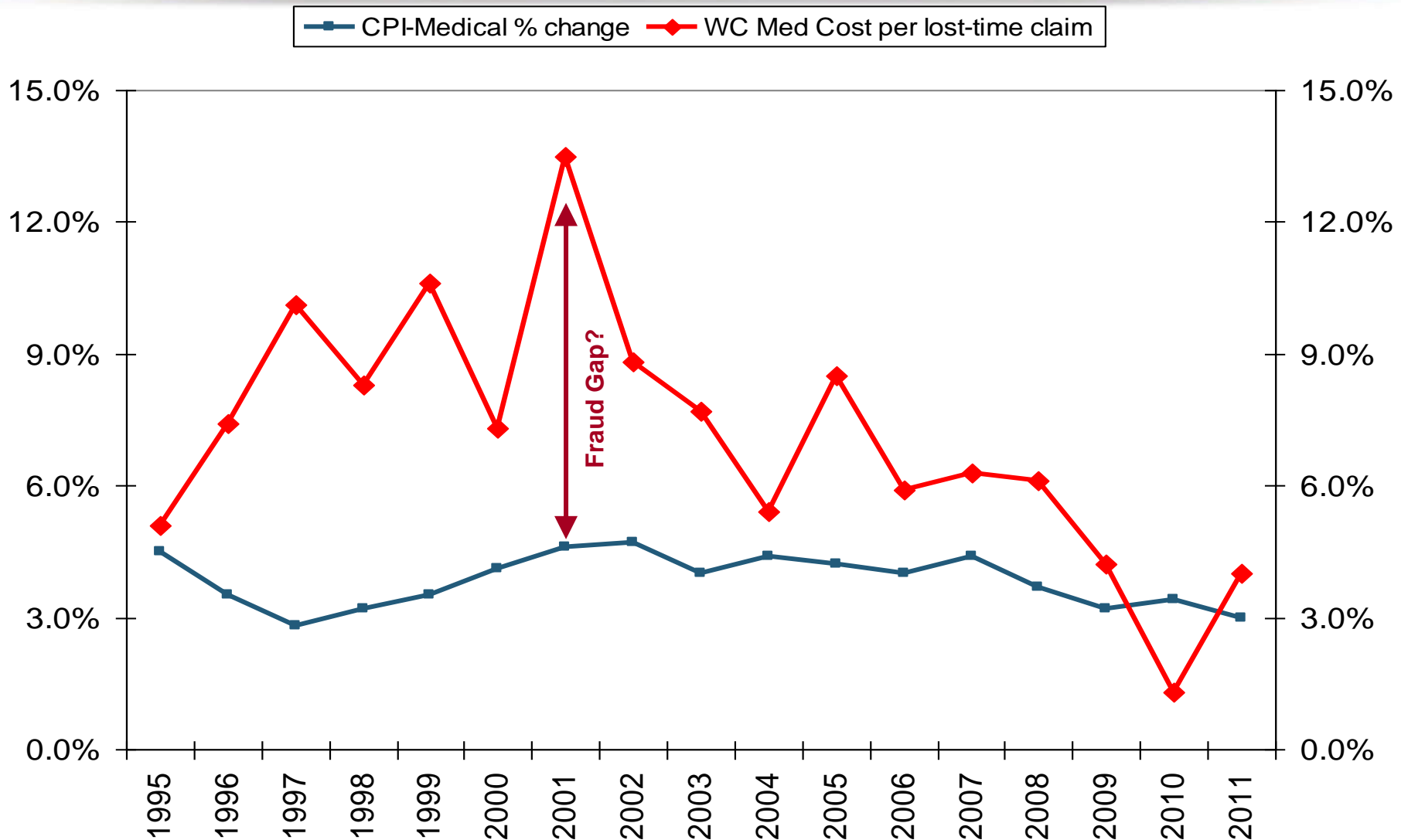
# Distribution of Total Diagnostic Charges by Type of Procedure, Minnesota PIP Claims in 2007





**Commercial Lines,  
such as Workers Comp,  
are also affected**

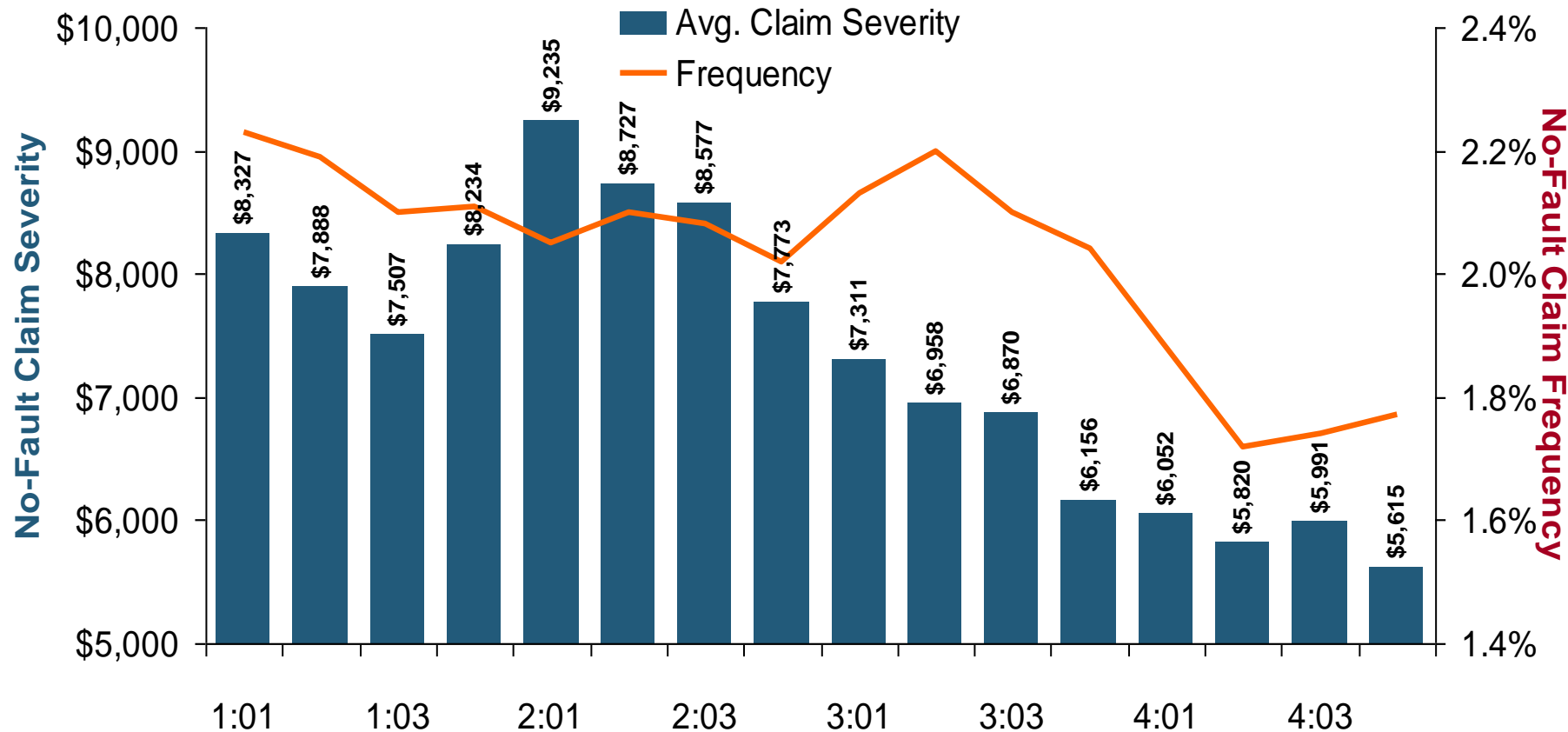
# Workers Comp Medical Severity Growth vs. Medical Care Cost Growth? **Fraud Growth?**





# Legislation Can Change the Fraud Outlook...

# New York State No-Fault Auto Claim Severity, 2001:Q1–2004:Q4

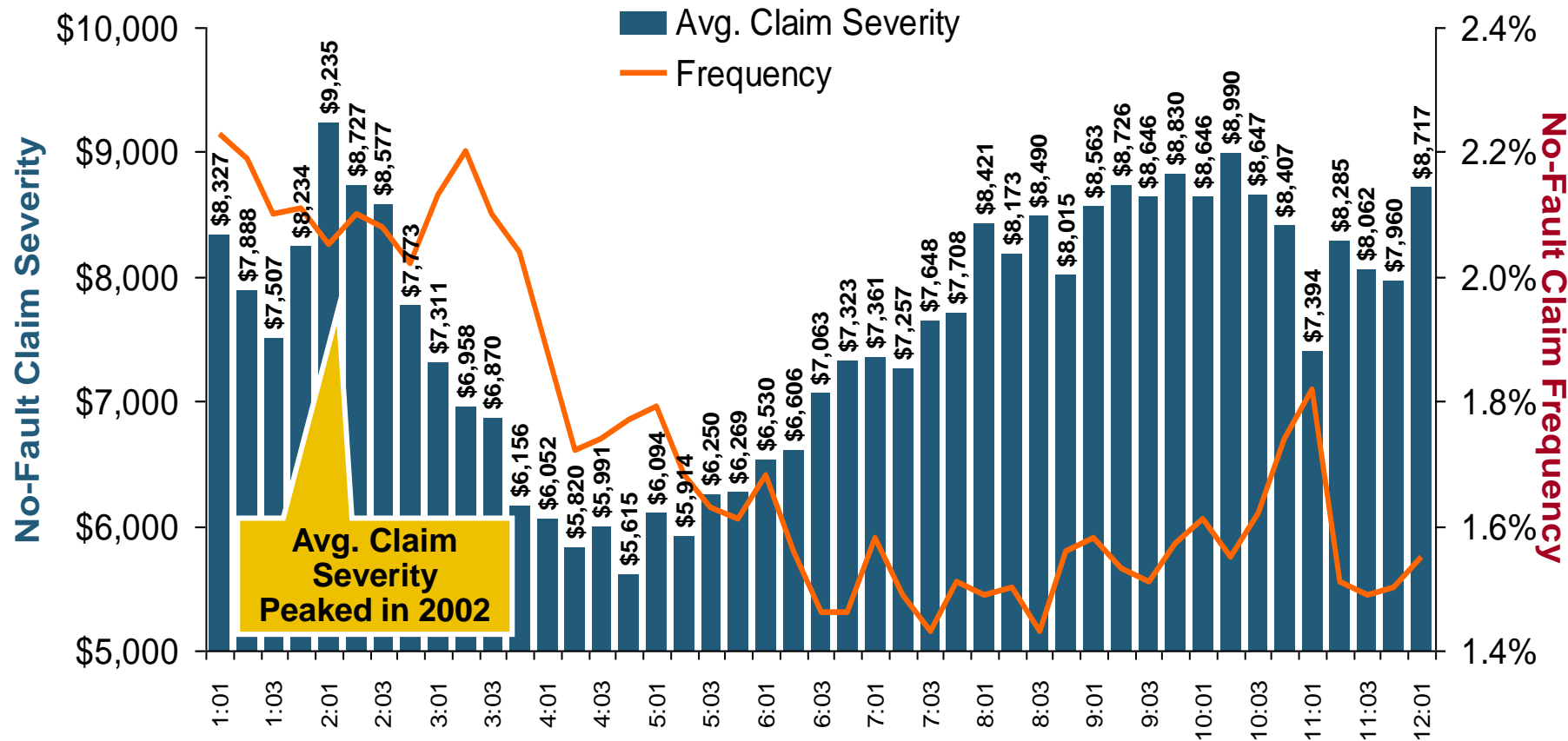


**Following Legislation in 2001, From 2002:Q1 to 2004:Q4, NY No-Fault Claim Costs Fell to Roughly Half of What They Were**



**...But The “Bad Guys”  
Can Change, too**

# New York State No-Fault Auto Claim Severity, 2001:Q1–2011:Q4



**Average PIP Claim Costs Are Now Nearly Back to their 2002 peak.**

## ■ Insurance Fraud Victimizes...

- ◆ **Policyholders, both Personal and Commercial**
- ◆ **Customers of, and Investors in, Victimized Businesses**
- ◆ **Investors in Insurance Companies**
- ◆ **Taxpayers (lower insurer profits => lower tax payments)**

**Insurance Information Institute Online:**

**[www.iii.org](http://www.iii.org)**

***Thank you for your time  
and your attention!***

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