

New York PIP Insurance Update:

Is New York's No-Fault Crisis Returning?

Insurance Information Institute



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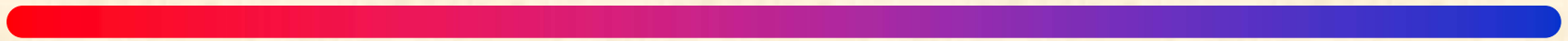


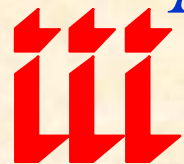
Summary of Findings: New York State's No-Fault Auto Insurance Problem

No-Fault (PIP) Costs Are Surging

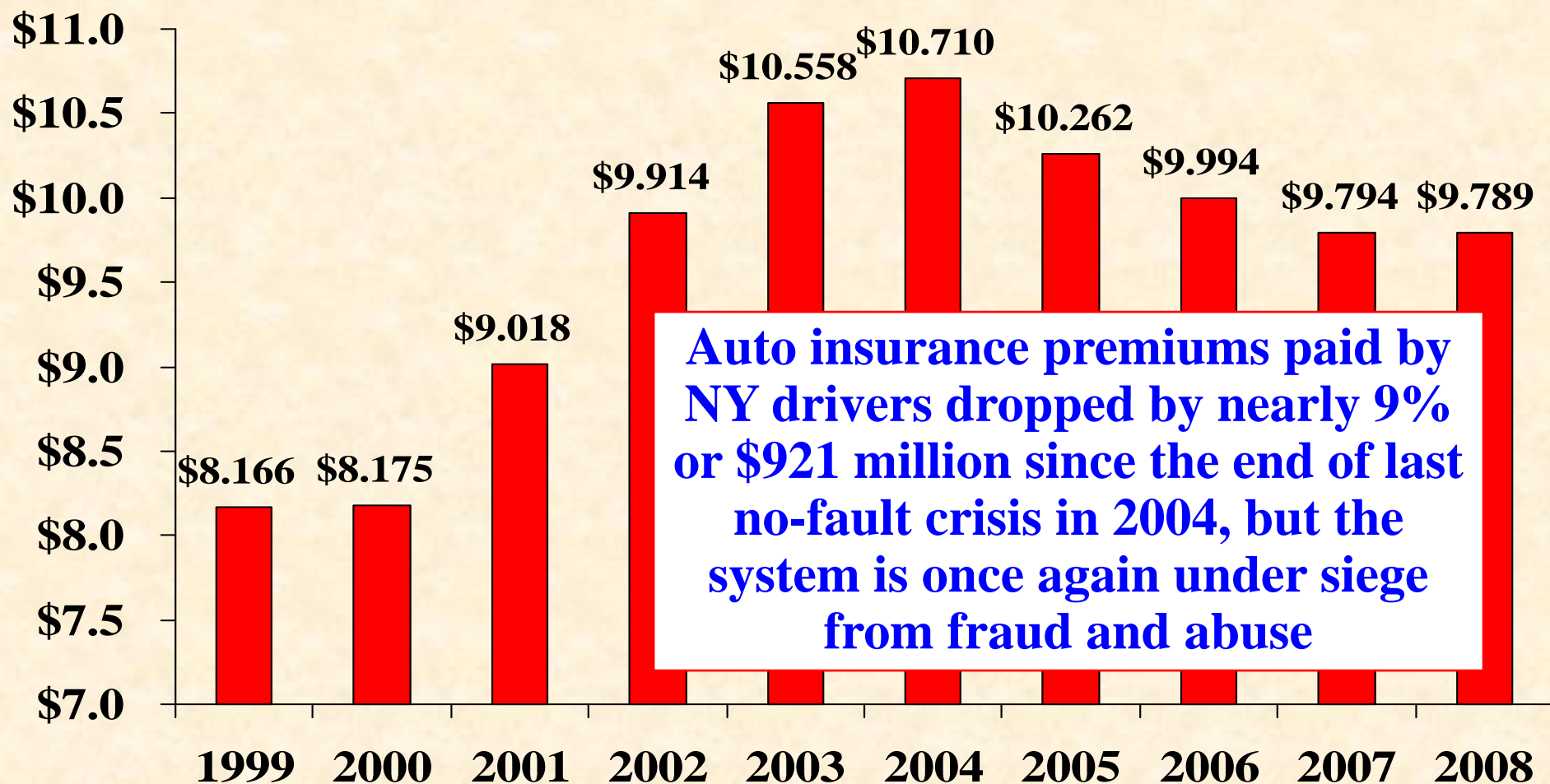
- **New York's no-fault (PIP) average claims costs—at \$8,748 per claim—are the second highest in the US (as of the 2nd quarter of 2009)**
- **The average cost per no-fault claim in New York is more than double (111%) that of the US median (\$4,152)**
- **The average cost of a no-fault claim has soared \$3,133 or 56% from \$5,615 at the end of 2004 to \$8,748 in the second quarter of 2009**
- **No-Fault claim costs as of Q2 of 2009 are the second highest in NY history, just 5% short of their all-time high of \$9,235 in the 1st quarter of 2002**

NY's Private Passenger Auto Insurance Market *Size and Marketshare*





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





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

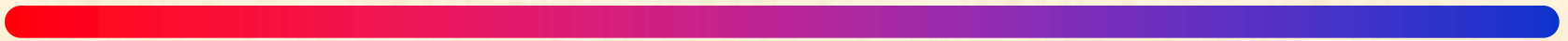
Source: Highline Data; Insurance Information Institute.

NY PIP UPDATE

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

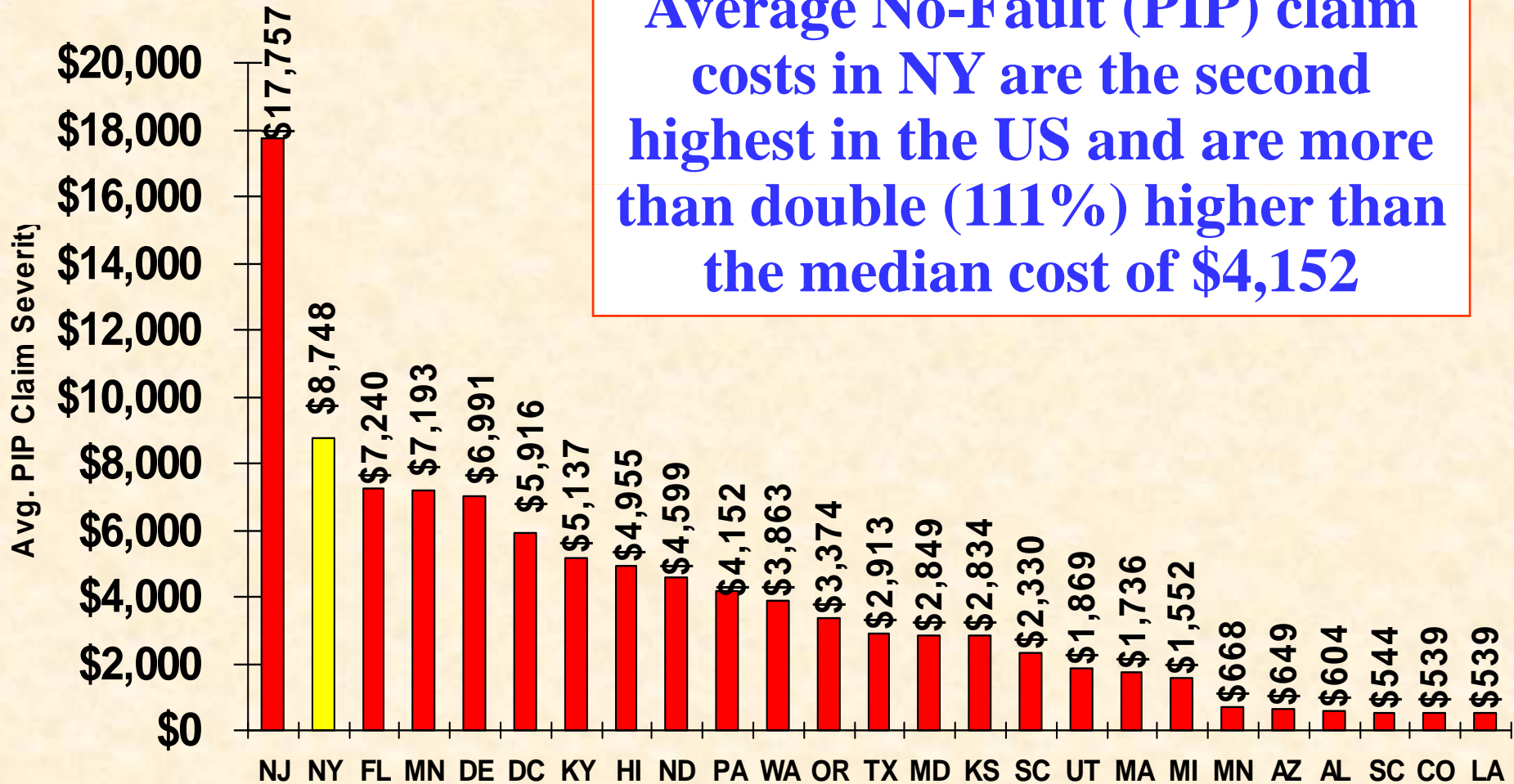


Again?



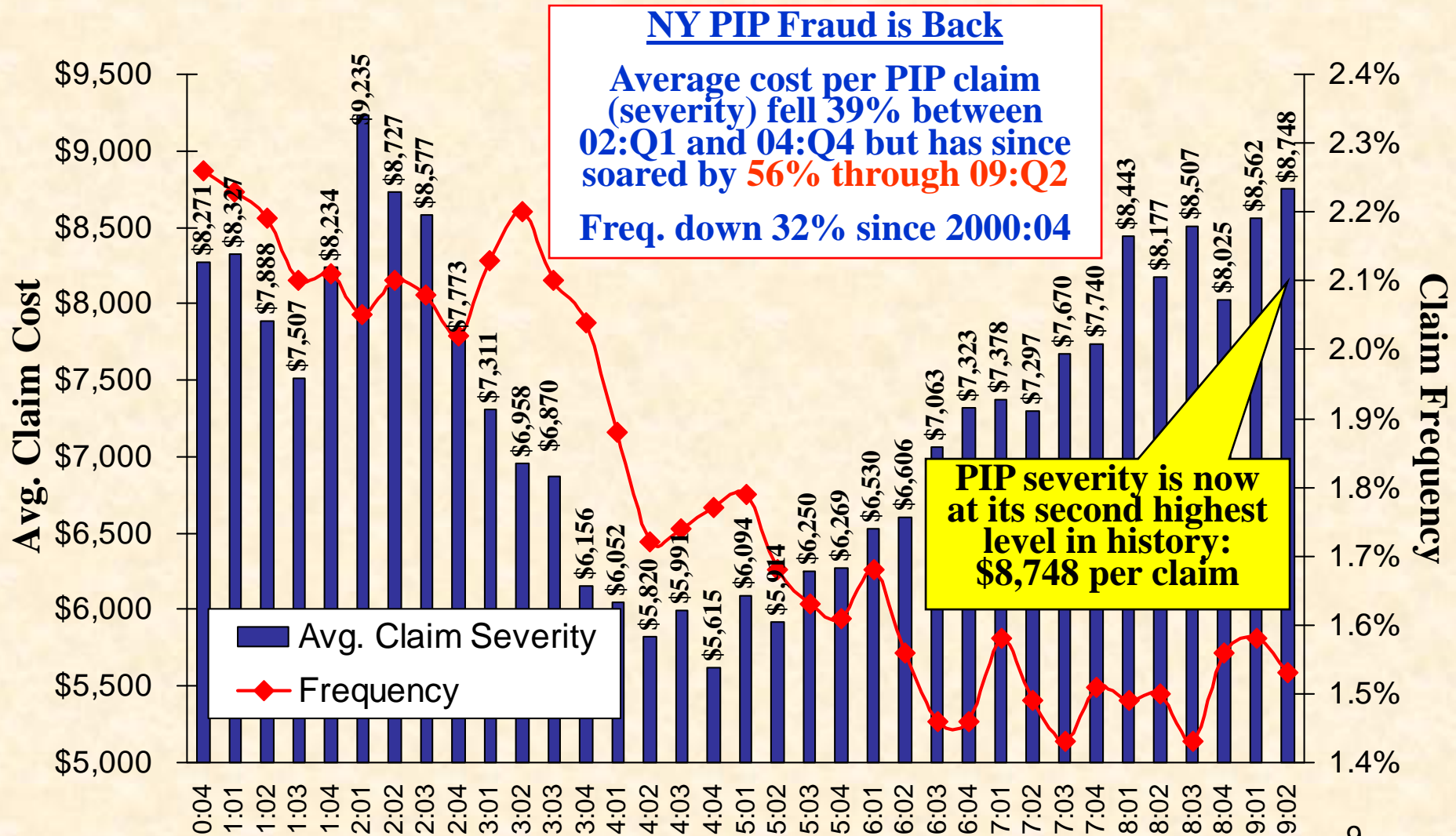


Average PIP (No-Fault) Claim Cost as of 2009:Q2





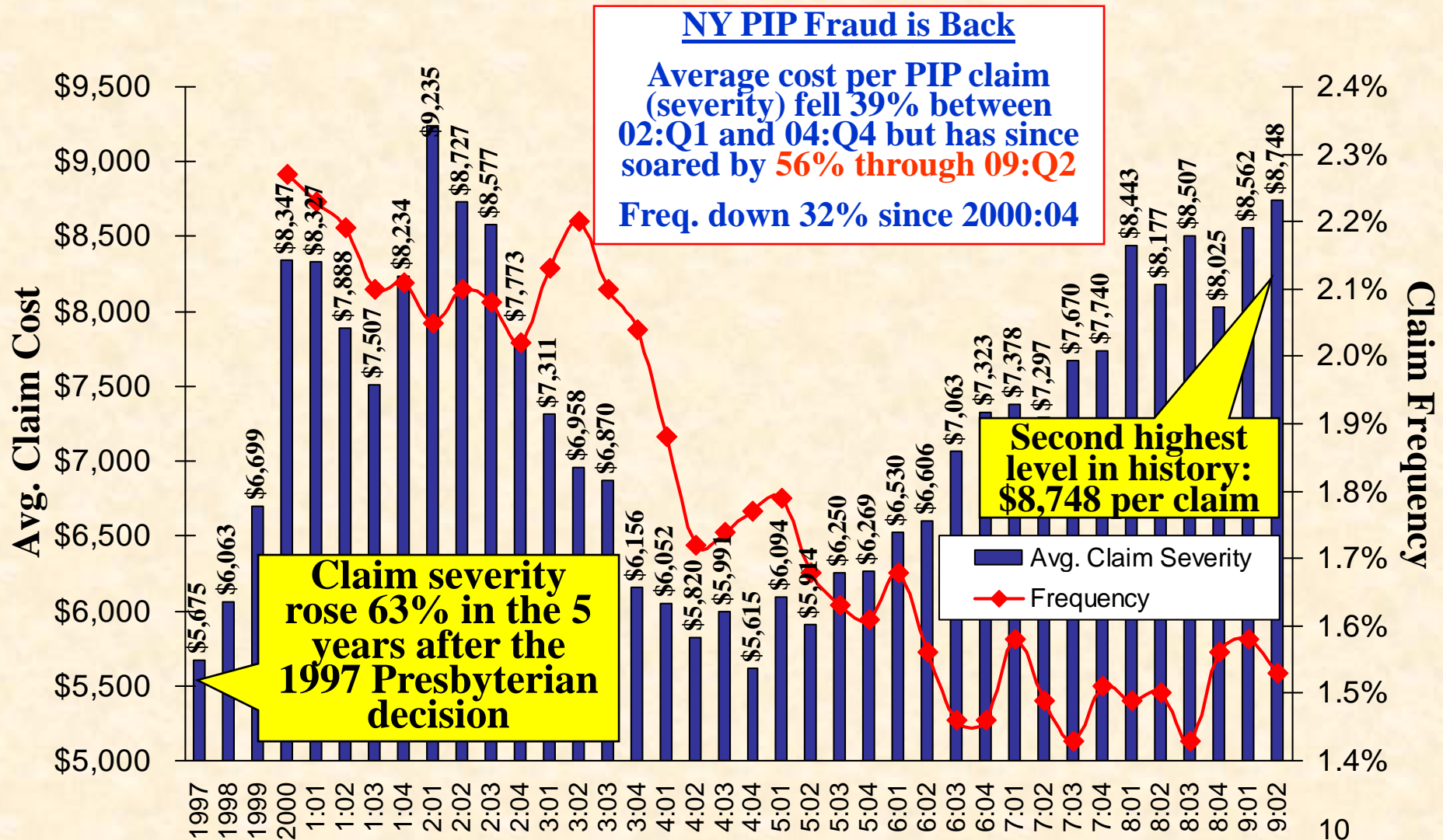
NY PIP Claim Frequency & Severity, (2000:04 – 2009:02)



Sources: Insurance Information Institute based on ISO Fast Track data.

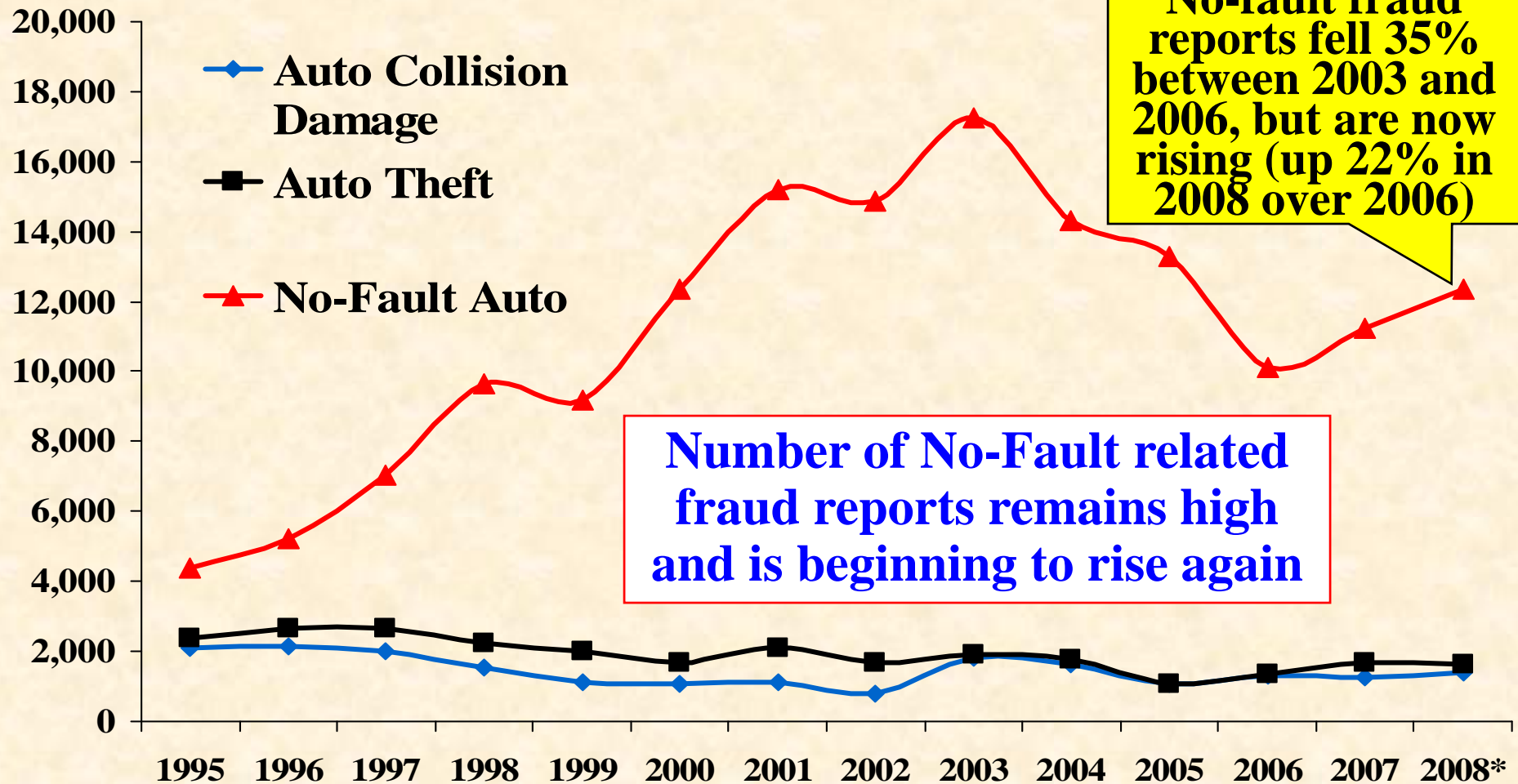


NY PIP Claim Frequency & Severity, (1997 – 2009:02)





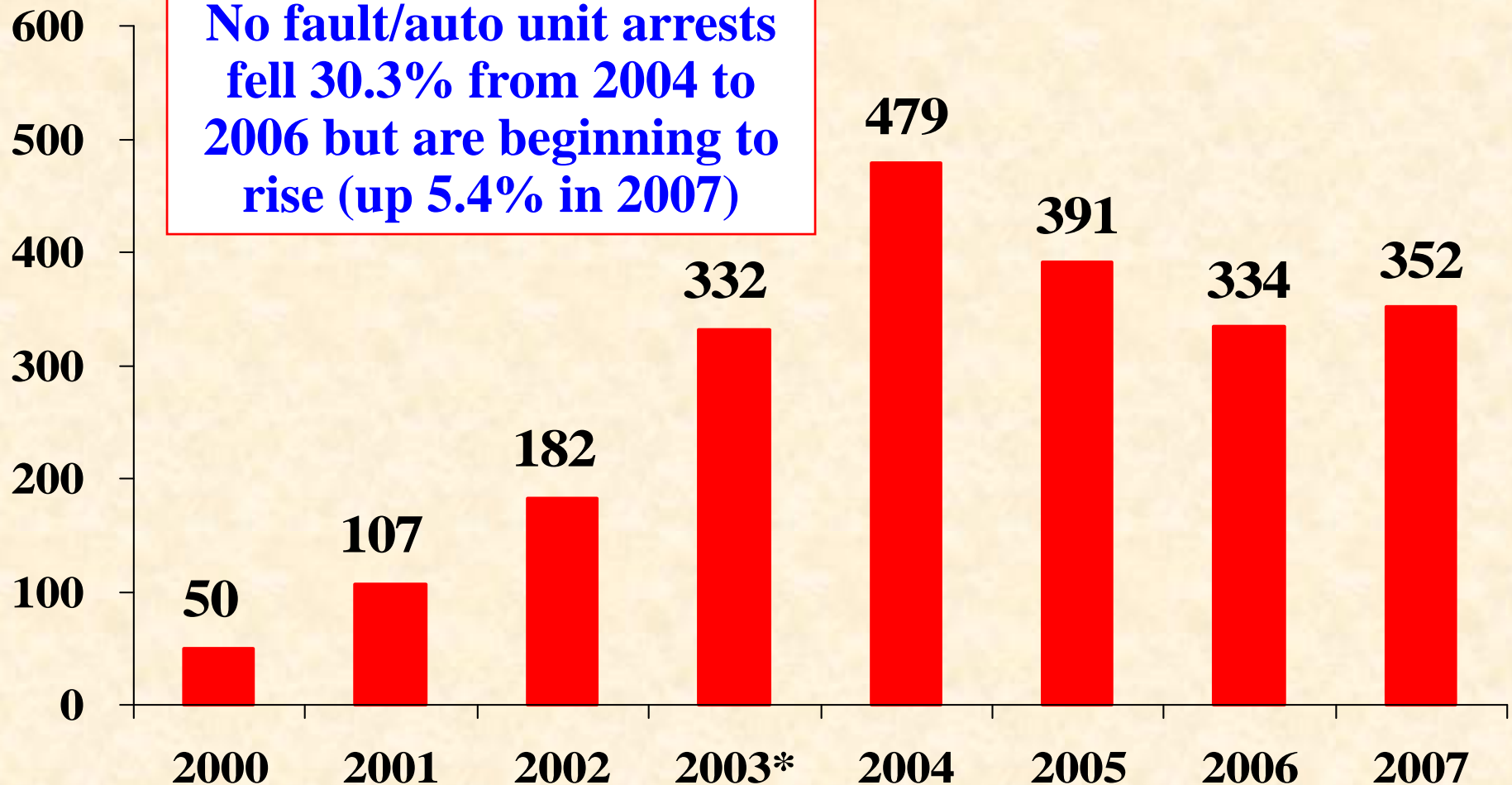
New York Insurance Fraud Reports, 1995 – 2008





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

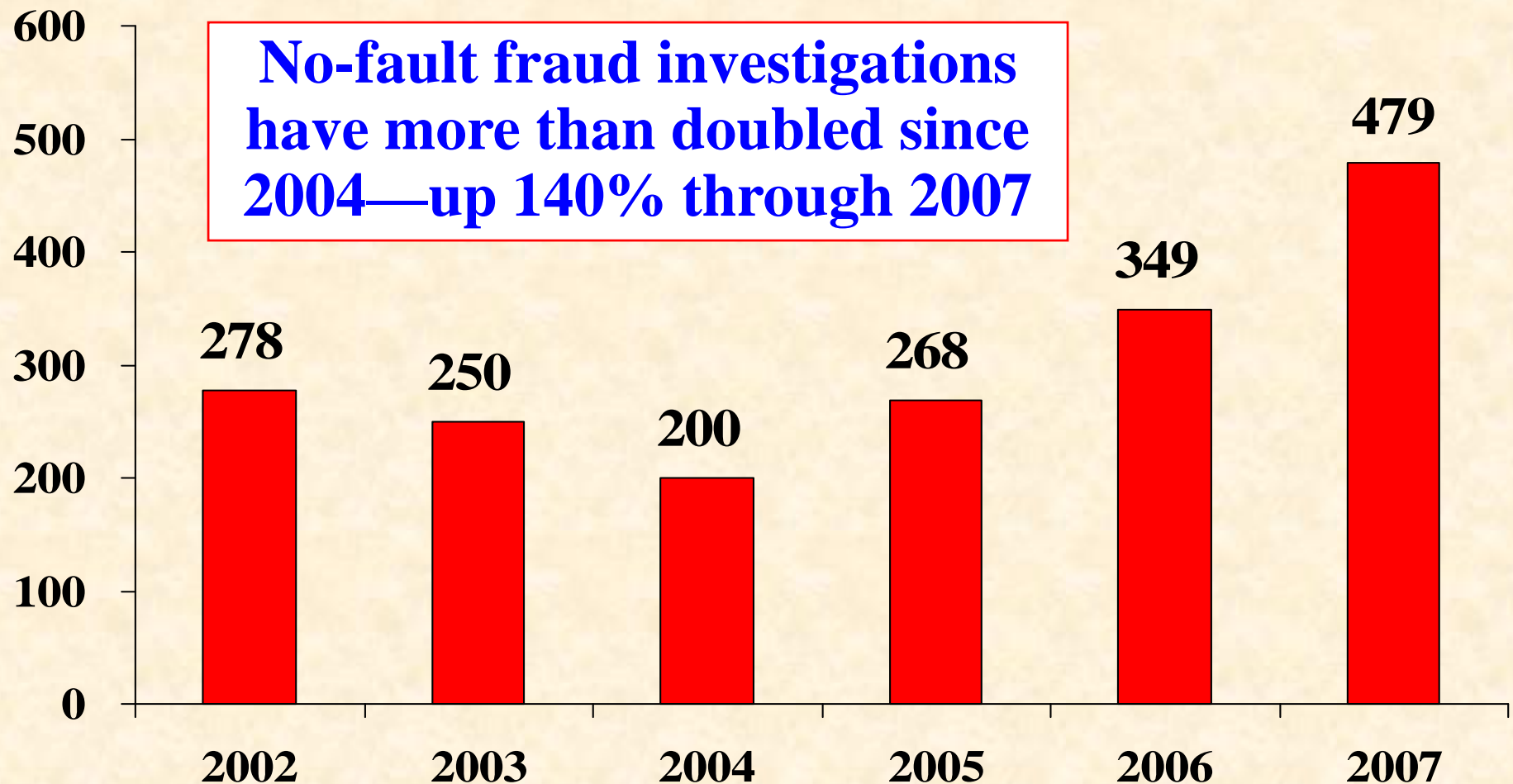
**No fault/auto unit arrests
fell 30.3% from 2004 to
2006 but are beginning to
rise (up 5.4% in 2007)**



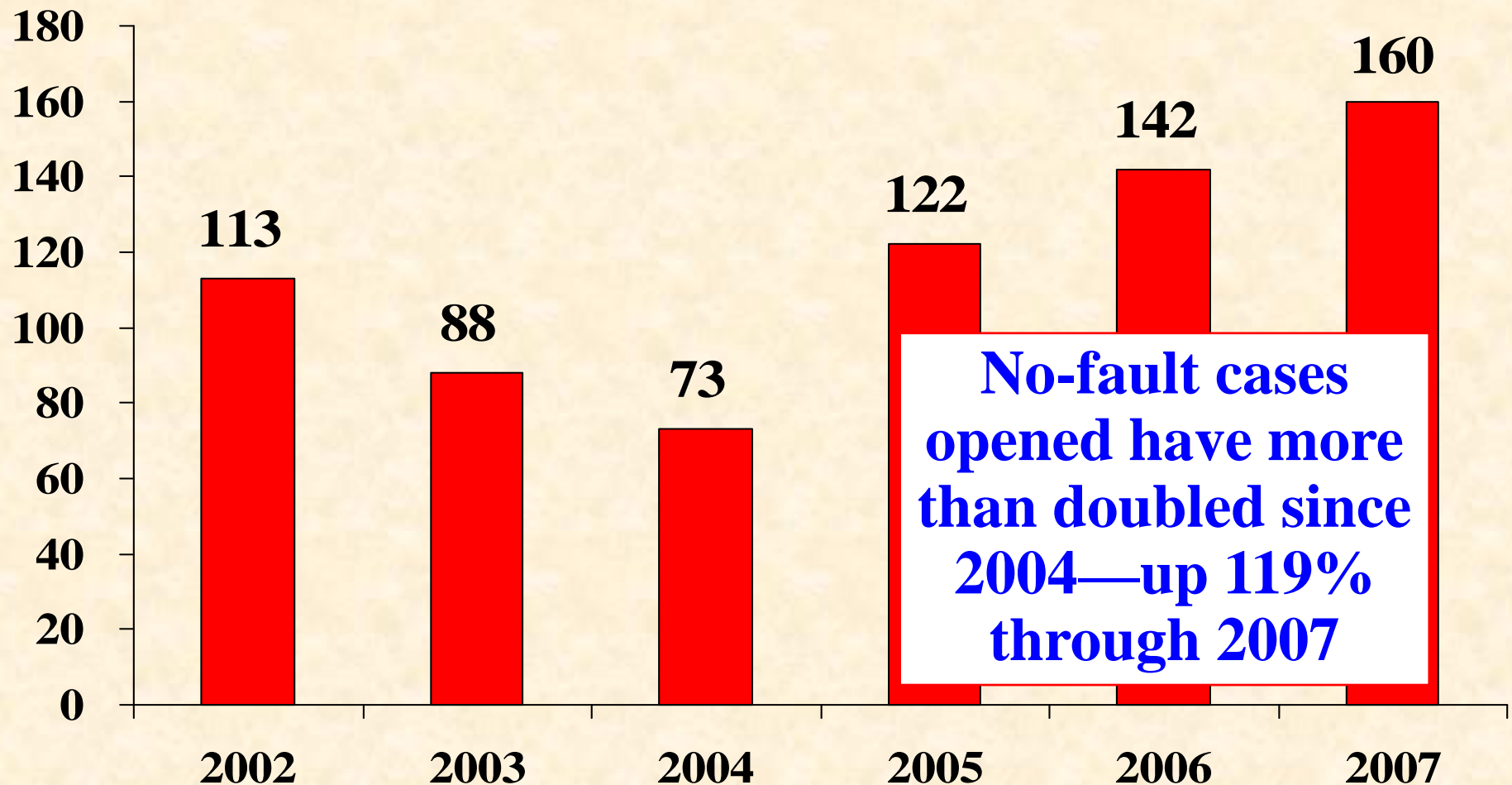
*In August 2003 the no-fault unit was merged with auto unit. Data beginning in 2003 include no-fault auto unit arrests.

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





What Needs to be Done?

Solutions to Reduce Costs in NY's No-Fault System

- **Institute Medical Protocols/Utilization Reviews**
 - Guidelines for medical care for specific auto accident-related injuries to reduce cost of over-treatment and unnecessary treatment
 - Note: NY's no-fault system may be the last major payor for medical treatments that does not mandate protocols or utilization reviews. This virtual "blank check" drives up system costs dramatically.
- **Require Disputes Be Resolved via Arbitration**
 - Avoids costs and uncertainty of trial for all parties
 - Expedites resolution of claim
 - Unclogs overburdened court system
- **Increase Penalties for Runners**
 - Upgrading to felony from misdemeanor as deterrent



What Needs to be Done? (cont'd)

Solutions to Reduce Costs in NY's No-Fault System

- **Streamline Process for Adjudicating No-Fault Claims**
 - For small no-fault disputes (under \$5,000), permit parties to submit proof based on sworn affidavit from their doctor rather requiring that the doctor appear in person
 - Note: New York City courts are inundated with no-fault cases (approx. 1/3 of cases are no-fault and in 2009 courts were setting 2011 dates to hear cases)
- **Implement Fair Burden of Proof Requirements**
 - Presently, health service providers are required only to submit proof that a bill was received by the insurer to establish entitlement to receive amounts billed (irrespective of suspicions of fraud/abuse)
 - Insurers burden is much higher—required to produce both a witness to testify under oath that the claim was handled in accordance with regulations and a medical expert to testify on the “lack of medical necessity”
 - **Solution**: Require that in order to establish the right to no-fault benefits, the plaintiff be required to produce a witness with personal knowledge of the facts alleged in a complaint. Furthermore, there should be no presumption medical necessity based on documents submitted by non-medical plaintiffs and/or witnesses who do not have personal knowledge of such necessity



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