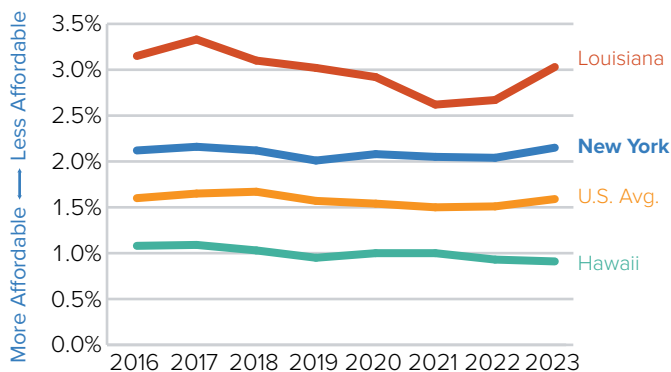


Addressing New York's Auto Insurance Affordability Challenges

New York is one of the most expensive states for auto insurance, with costs driven by medical severity, claims handling expenses, and litigation — factors closely tied to the no-fault system. The chart below — comparing affordability, measured as insurance expenditures as a percentage of median household income — shows how New York personal auto insurance affordability ranks against the least affordable (Louisiana), the most affordable (Hawaii), and the national average.

Personal Auto Insurance Affordability Compared



Source: Insurance Research Council

Litigation, fraud drive costs

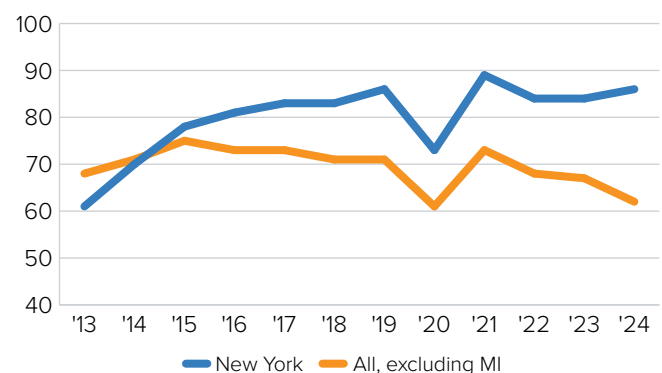
Several factors account for New York's problem. As one of only 12 no-fault states, New York requires insurers to pay Personal Injury Protection (PIP) benefits, regardless of fault (generally up to \$50,000, with higher limits for taxis and for-hire vehicles). While intended to speed medical payments, the system has produced high claim volumes and disputes, particularly around medical necessity and fee schedules.

Litigation and fraud are major cost drivers. State regulators and insurers report that no-fault claims account for most health-care insurance fraud in New York. Large insurer lawsuits filed in 2024–2025 allege widespread, organized overbilling and unnecessary treatment under no-fault rules.

To more granularly quantify the trend, Triple-I compared New York's direct incurred loss plus defense cost and containment (DCC) expenses as a percentage of earned premium with the same ratio for the other no-fault states, excluding Michigan. DCC refers to costs an insurer incurs when investigating, defending, or settling a specific claim. Such costs include fees for outside legal counsel, litigation expenses, expert witness testimonies, and mediation and arbitration costs. Before reforms that became effective in 2019, Michigan had an unlimited no-fault system. Since the reforms, policyholders have been slowly migrating to limited PIP coverage, making the state's historical data not comparable with that of other no-fault states.

As shown in the chart below, New York's loss + DCC ratio/earned premium has exceeded the other 10 active no-fault states every year for the past 10 years. As those states' experience has begun to trend down, New York's has been trending up. This means New York is becoming a more difficult environment for insurers to write this coverage in. Without some change, affordability will continue to suffer.

Direct Incurred Loss & DCC Ratio, 2013-2024



Source: S&P Global Market Intelligence

Bodily injury claims trends

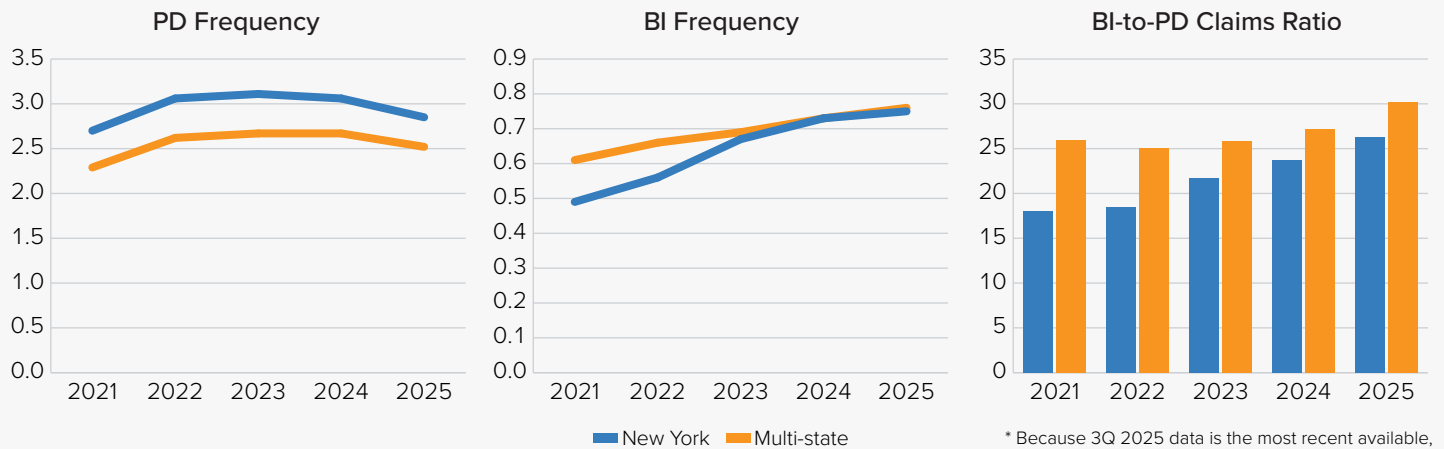
Another indicator of the forces underlying New York's affordability challenges is the trend in bodily injury (BI) and property damage (PD) liability claims frequency.

New York passengers and drivers are increasingly likely to file injury liability claims when involved in an accident. This tendency to file injury claims is a significant cost driver; it can be related to many factors, including legal system abuse. The injury claim propensity can be measured by the number of BI liability claims filed for every 100 PD liability claims filed, or the BI-to-PD ratio.

This ratio isolates the claiming propensity from the underlying accident rate. This ratio is generally lower in no-fault states, where tort thresholds are designed to keep less serious cases out of the liability system. Indeed, the BI-to-PD ratio is, to some degree, a measure of how effective such tort thresholds are.

Since 2021, the state's PD frequency has mirrored that of the United States broadly. Bodily injury claims, on the other hand, have been rising more quickly than in the rest of the country, as shown in the charts below.

New York Bodily Injury Claims on the Rise (2021-25, four-quarter average)*



Legislative efforts to rein in costs

States nationwide are taking steps to limit or reverse upward pressure on insurance rates – too often, however, in ways that would [do more harm](#) to consumers than good. New York's proposed fiscal 2027 executive budget includes several components that could help by reducing fraud and excessive litigation. They include:

Fighting Fraud

(Parts F & G – Public Protection legislation)

- Expands definition of “fraudulent insurance act” to include staging motor vehicle accidents, making organizers of staged accidents liable for the full loss amount.
- Lowers monetary thresholds for insurance fraud felonies, making prosecution easier.

Reducing Litigation Costs

(Part EE – Transportation legislation)

- Tightens definition of “serious injury” to reduce manipulation of the no-fault system.
- Bars uninsured motorists, impaired drivers, felons, and plaintiffs who are primarily at fault from collecting damages for pain and suffering.
- Eliminates the auto accident exception to joint and several liability limits, so defendants pay only in proportion to their fault.

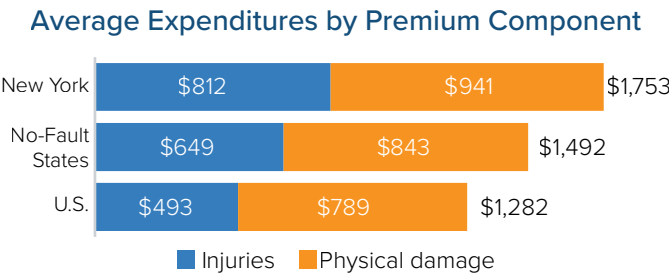
Strengthening Insurer Anti-Fraud Programs
(Part FF)

- Extends window for insurers to report suspected fraud to the Department of Financial Services from 30 to 60 days
- Clarifies that missing the 30-day payment deadline does not prevent an insurer from later denying a fraudulent claim.

Taken together, all of these measures would put downward pressure on claims costs – and, thereby, on premium rates – by attacking these costs at their root causes.

Potential impact

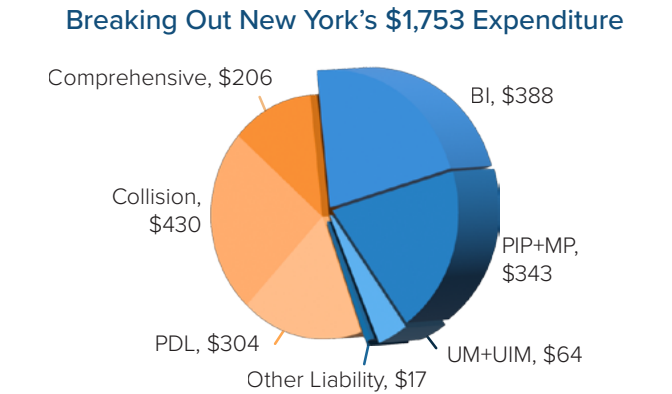
The charts below show (left) New York’s average auto insurance expenditures relative to the United States and to other no-fault states, and (right) the breakout of those expenditures by coverage components. The blue areas of the pie chart represent the cost components that would be most beneficially affected by reforms that reduce fraud and litigation.



Source: IRC estimates based on 2023 NAIC data

The proposed reforms could affect the three largest expenditure components as follows:

- **Bodily Injury (BI):** Tightening the definition of “serious injury,” barring certain plaintiffs from collecting pain and suffering damages, and eliminating joint and several liability exceptions would directly reduce the volume and value of BI claims, putting downward pressure on this expenditure component, New York’s largest, at \$388.
- **PIP/MP:** Expanding the definition of fraudulent insurance acts, lowering felony thresholds, and giving insurers more time to investigate and deny fraudulent claims would target the organized overbilling and unnecessary treatment schemes that drive up PIP costs, which, at \$343, reflect the strain of New York’s no-fault system.
- **UM/UIM:** Barring uninsured motorists from collecting pain and suffering damages could reduce the their incentives to file inflated claims, while broader fraud deterrence may reduce the staging of accidents that often generate UM/UIM claims. At \$64, this is the smallest of the three components and would likely experience the most modest impact.



Source: IRC estimates based on 2023 NAIC data