Seward, Senate Bills To Crack Down On Auto Insurance Fraud

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ALBANY, 05/08/13 - The New York State Senate today passed legislation to crack down on auto insurance fraud which has led to injuries - even death - for innocent victims and costs hundreds of millions of dollars a year in higher premiums when New Yorkers already pay some of the highest auto insurance rates in the country.

The three bills approved today would significantly cut down on auto insurance scams by increasing penalties for those who commit or assist in the fraud and by giving more flexibility to insurance companies to prevent criminals from getting policies and continuing to commit auto fraud.

"Auto fraud is a very serious problem that costs lives, and costs New Yorkers millions of dollars," Senate Republican Conference Leader Dean G. Skelos said. "The Senate has been passing bills to combat auto insurance for more than a decade, yet, the Assembly has not acted on them while the problem has only grown worse. It's time the Assembly pass these bills so they can be signed into law."

According to the National Insurance Crime Bureau (NICB), New York ranks among the top five states for fraudulent auto insurance claims.

Earlier this year, the New York City Council held a public hearing on auto insurance fraud. At the hearing, Brooklyn Assistant District Attorney Jeff Ferguson said 36 percent of insurance claims are either fraudulent or inflated and added that, "Some 22 percent of those

claims were entirely bogus, while another 14 percent included inflated injuries and unnecessary treatments to gouge money from insurance companies."

" New York is awash in a tsunami of insurance fraud. It is very encouraging to see the Senate take action on an issue that impacts so many New York State residents. The passage of these measures are critically necessary to stem the rampant fraud in the automobile no-fault system," said John A. Corlett, Legislative Committee Chairman for AAA New York State, an association serving 2.7 million drivers in the state.

Senate action on the bills this year came shortly after the 10th anniversary of the tragic death of Alice Ross, a 71-year-old wife and grandmother who was killed as the result of a fraud-related, staged auto accident in Queens. One of the criminals drove into her car, causing her to lose control of her vehicle, strike a tree and die.

The Senate's Anti-Auto Fraud Legislative Package includes the following:

> Bill (S3547), sponsored by Senator James Seward (R,C,I- Oneonta): makes it a crime to stage a motor vehicle accident with intent to commit insurance fraud. This felony crime would be punishable by up to seven years in prison.

"Staged accidents hike auto insurance rates for all and pose a serious public safety risk as well," Senator Seward, Chairman of the Insurance Committee, said. "Women and elderly drivers are in particular danger. They are often targeted because they are less likely to be confrontational after an accident, making it easier for criminals to take advantage of them. The Senate has recognized the need for change for some time and the Assembly needs to join the effort so we can put these criminal enterprises out of business for good."

According to the NICB, insurers across the country reported a 102-percent increase in suspected cases of staged auto accidents between 2008 and 2011.

> Bill (S3033), sponsored by Senator Skelos (R, Rockville Centre): makes it illegal to act as a "runner" who steers accident victims towards crooked doctors who bill Medicaid for unnecessary medical treatments. Runners are key members of auto fraud rings. Under this

bill, they could get four years in prison. (A.4597, sponsored by Assemblyman J.Gary Pretlow, D-Westchester.

"Runners and other street-level criminals that participate in these enterprises steal from all of us in the form of higher insurance premiums and fake medical billing," Senator Skelos said. "We need to enact tough penalties that keep runners and other complicit individuals from taking advantage of New York's no-fault system and profiting from their auto fraud-related crimes."

> Bill (S1959A), sponsored by Senator Martin Golden (R-C, Brooklyn): allows insurance companies to retroactively cancel policies taken out by people who commit auto fraud. These criminals often take out policies and pay for them with bad checks or stolen credit cards just before they stage accidents. Under current law, insurance companies cannot cancel the policy and policyholders wind up paying for it through higher premiums. This bill would take that burden off honest consumers. (A3774A, sponsored by Assemblyman Carl Heastie, D-Bronx)

"Auto insurance fraud is costing New Yorkers millions of dollars, and it's time that fair and honest members of our community stop paying for the crimes of others," stated Senator Golden. "This legislation will give insurance companies the right to revoke insurance policies for those who try to game the system."

This measure would bring New York in line with the other large no-fault states and remove any incentives for staged accidents. In fact, only seven other states (AZ, CO, KS, ME, MD, NC and SD) do not allow for retroactive cancellation. Innocent victims of uninsured drivers would be covered under their own policy or the Motor Vehicle Accident Indemnification Corporation.

Last year, the longest-running auto insurance rip-off scam in history was busted by federal and New York City authorities. Three dozen people, including doctors, lawyers and patients coached to fake injuries, are accused of stealing more than $279 million in accident benefits over five years. The ring allegedly exploited the state's "no-fault" auto insurance law as their own giant state-sponsored ATM machine. In New York, vehicles registered in the state are required to carry insurance that lets drivers and passengers obtain up to $50,000 for accident injuries, regardless of fault.

The bills have been sent to the Assembly.

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