



Property Casualty Insurers
Association of America

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Fraud by Medical Providers Force New Yorkers to Pay Significantly Higher Auto Insurance Rates

ALBANY, N.Y. – Health care costs for automobile accident victims in New York increased 42 percent faster than overall medical care costs in the region over the last five years due in large part to rampant fraud by unscrupulous medical providers, according to an analysis of automobile insurance claim costs by the Fraud Costs New York Coalition and the Property Casualty Insurers Association of America (PCI).

Since the end of 2004, the average amount paid for medical claims related to automobile accidents in New York rose 60.4 percent, nearly 42 points faster than the 18.6 percent growth rate in the Consumer Price Index (CPI) cost of medical goods and services found in the region.

“One primary explanation for such a wide discrepancy is automobile insurance fraud committed by medical providers in New York, which remains on the upswing, forcing consumers to pay more for auto insurance,” said Kristina Baldwin, assistant vice president for PCI. “From 2008 to 2009, insurance costs for medical care have increased five percent or twice as fast as the CPI for medical services in the area. Unscrupulous medical providers are taking advantage of New York’s automobile insurance system by inflating charges, submitting bills for procedures that were never performed, billing for excessive or unnecessary treatments. Unless the state legislature overhauls the system to curb the fraud, costs will continue to escalate.”

The data highlighting the dramatic and growing gap between medical cost for automobile insurance claims and the CPI for medical services are supported by a report by the National Insurance Crime Bureau showing a surge in questionable insurance claims from staged accidents, which result in unnecessary or excessive medical treatment.

Recently Allstate and GEICO announced that they had filed lawsuits alleging fraudulent activity in New York totaling nearly \$12 million. In September the Attorney General’s office announced criminal charges against seven medical professionals and a clinic receptionist for their roles in a fraudulent scheme in which tens of thousands of dollars in phony claims were submitted to insurance carriers.

“These reports add new evidence that auto insurance fraud is stealing from each and every driver by increasing the cost of insurance,” said Baldwin. “In this economic environment factors that unnecessarily make insurance more expensive should be addressed. Insurance companies across the state are working with New York State Insurance Department’s (NYSID) Frauds Bureau, the National Insurance Crime Bureau and law enforcement agencies to curb fraud, but consumers, state lawmakers and regulators all have a role to play. We are urging the Legislature to make 2011 the year they stop these criminals by addressing insurance fraud.”

Fraud Costs New York is a coalition of consumers, insurance companies and insurance trade associations committed to reforming New York State’s no-fault automobile insurance system and stopping insurance fraud and lawsuit abuses that drive up costs for consumers.

PCI is composed of more than 1,000 member companies, representing the broadest cross-section of insurers of any national trade association. PCI members write over \$180 billion in annual premium, 37.4 percent of the nation’s property casualty insurance. Member companies write 44 percent of the U.S. automobile insurance market, 30.7 percent of the homeowners market, 35.1 percent of the commercial property and liability market, and 41.7 percent of the private workers compensation market.

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