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DA HYNES JOINS STATE LAWMAKERS IN FIGHT TO STOP THE ‘FRAUD TAX’
Elected Officials Call on Albany to Make No-Fault Reforms a Top Priority

ALBANY, NY May 3, 2011 – Kings County District Attorney Charles Hynes and the Fraud Costs NY coalition today joined forces with Senator James Seward, Senator Martin Golden and Assemblyman Joseph Morelle to urge the State Legislature to reform New York’s no-fault auto insurance laws.

New Yorkers now pay the fourth highest premiums in the nation for auto insurance, due in large part to an outdated system that is rife with fraud and abuse. In 2010, for the second consecutive year, auto accident fraud cost New Yorkers more than \$204 million - a cost that amounts to a ‘Fraud Tax’ which is absorbed by all drivers in the form of higher insurance premiums.

“The ‘fraud industry’ has ballooned into a multi-million dollar a year criminal enterprise. Auto accident fraud not only costs New Yorkers hundreds of millions of dollars annually, but it also poses a considerable threat to public safety,” said District Attorney Hynes. “Time and again, innocent bystanders are injured or killed as a result of staged auto accidents. This is simply unacceptable. We need real reforms that will finally stop the ‘fraud tax’ and allow law enforcement to prosecute these criminals to the fullest extent of the law and keep our streets safe.”

New York State is experiencing an insurance fraud crisis. In fact, by year-end, fraud is expected to have cost New York drivers nearly \$1 billion since 2005. Last month, Senator Seward and Assemblyman Morelle introduced legislation that would reduce fraud and abuse and help fix New York’s broken no-fault system.

“New York’s no-fault auto insurance system is broken and needs to be fixed now,” said Senator Seward, Chair of the Senate’s Insurance Committee. “Our bill (S-2186/A-6286) would bring fundamental change by cracking down on criminals who fleece the system for their own personal gain and leave New Yorkers to foot the bill by way of a ‘fraud tax.’ These are tough times for New York, but this is one tax we can all agree must get cut.”

Assemblyman Morelle, Chair of the Assembly’s Insurance Committee, said, “No-fault fraud is costing New Yorkers hundreds of millions of dollars at a time when they’re already paying the highest property taxes in the nation and facing economic uncertainty on so many levels. We have an opportunity to reform the no-fault system, punish those who abuse it, and in the process provide relief for our hard-working families. I urge all my colleagues to support this critical legislation.”

The proposed bill (S-2186/A-6286), which maintains strong protections for individuals involved



in car accidents, aims to reform a system that is not working as cost-effective and efficiently as its originators intended. The reform measures include:

- Implementing tougher penalties on criminals who cheat the no-fault system
- Modifying the “30-day rule” in order to allow for more thorough investigations of suspicious claims
- Combating excessive and unnecessary medical charges
- Decertifying medical providers who commit insurance fraud and
- Encouraging fast and fair settlements by requiring medical providers to submit disputed no-fault claims to an arbitrator.

“I strongly support the bipartisan efforts of Senator Seward and Assemblyman Morelle to reform New York’s broken and outdated no-fault auto insurance system,” said Senator Martin Golden, who praised his colleagues for their hard work and leadership. “For too long, criminals have routinely slipped through the loopholes in the state’s no-fault insurance system at the expense of New York’s drivers. We need comprehensive reforms that will not only cut the ‘fraud tax’ and punish individuals who defraud the system, but also maintain protections for New Yorkers who are seriously hurt in auto accidents.”

The New York State Business Council, which joined the Fraud Costs NY coalition last month, also encouraged Albany to pass reforms which it believes will make it easier for small business owners to make ends in this difficult economy.

Heather Briccetti, acting president of the New York State Business Council, said, “The State Legislature took an important step by cutting spending in the new budget, but now they must cut ‘funding’ for criminals by reforming the no-fault auto insurance laws. By reforming the no-fault system, Albany can cut the ‘fraud tax’ and reduce costs for small businesses across New York.”

“I applaud District Attorney Hynes, along with Senators Seward and Golden, and Assemblyman Morelle, for stepping up and calling for reforms which will increase penalties for those criminals and unscrupulous medical providers who rip off honest, hard working New Yorkers time and again,” said Kristina Baldwin, assistant vice president for Property Casualty Insurers Association of America. “It’s time Albany institutes reforms which provide insurance companies with sufficient time to investigate suspicious no-fault claims, require medical providers to submit claims to an arbitrator and ensure that health care providers submit sufficient evidence that all services billed were performed and were medically necessary. Senator Seward and Assemblyman Morelle’s bill (S-2186/A-6286) will do just that and I encourage their colleagues in Albany to act swiftly. Stop the ‘fraud tax’ and stop it now.”

Fraud Costs NY is a coalition of community groups, small businesses, elected officials and law enforcement committed to reforming the State’s no-fault auto insurance system and stopping insurance fraud and lawsuit abuses that drive up costs for consumers.

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