

## Your auto insurance may pay for someone's \$10,000 massage therapy

By: Ed Leefeldt, MoneyWatch

For American motorists, it's the worst scenario to be in -- other than an actual accident. A clunker of a car with a driver and three passengers pulls into your lane right in front of you. Then, suddenly and for no reason, the driver slams on the brakes. Even if you're able to stop in time to avoid a collision, it won't make a difference.

An old wreck behind you, now visible in your rear-view mirror, and also transporting a driver and three passengers, hits you, ramming your car into the one in front of you and initiating a three-way accident.

No one got hurt in this bumper thumper, or did they? All eight occupants of these two cars emerge and proceed to hold their necks while rolling around on the ground. The police officer who appears on the scene and writes up the accident report is suspicious but is required to record their "injuries," even though none of them appear to speak English.

Then everyone gets back in their cars. You drive to a repair shop and, if you're lucky, only get an increase in your auto insurance premium.

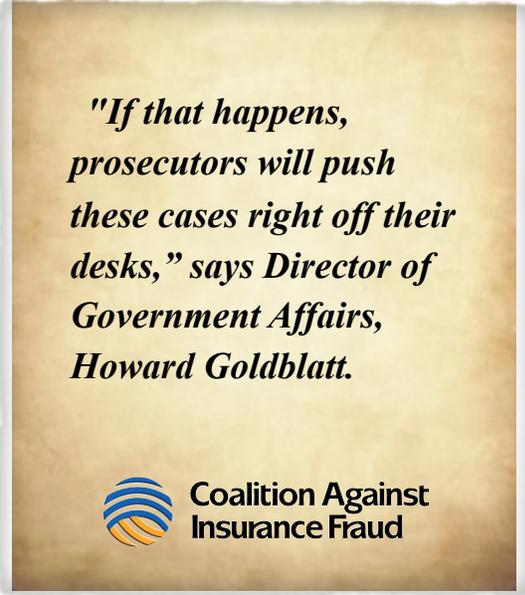
But unknown to you, that's not all that happens -- particularly if you live in one of the 12 "no-fault" insurance states such as Florida and New York. While you're on your way to have your car repaired, the alleged "victims" of this so-called accident are on their way to either a chiropractor, massage therapist or X-ray clinic for treatments that may cost as much as \$10,000, or may, as happens in Michigan, be unlimited.

Welcome to the insurance game of no-fault -- where everyone gets paid for their injuries, even if no one got hurt.

No-fault fraud is "huge" nationally, according to Howard Goldblatt, director of government affairs for the Coalition Against Insurance Fraud. One "epic crash ring" in New York City, run by Russian immigrants, swindled insurers out of \$279 million in a whiplash spree that included unethical doctors and fake MRI clinics.

While it's unclear just how much no-fault fraud costs nationally, the coalition estimates that it could be close to \$8 billion, and that 18 percent of PIP cases had "the appearance of fraud."

While insurers unhappily pay these bills, they pass along the cost to those who buy auto insurance, which is required in every state except New Hampshire. "They spread the cost among the



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honest policyholders," said Goldblatt. Estimates of fraud in some states cost the public as much as \$600 per year per policy.

"Dumping no fault is not like turning on a light switch," said Goldblatt. "Unless you have something to replace it with, you're going back to the old system, which needed replacing in the first place." Still, 38 states don't have no-fault, including California, which also has a large immigrant population.

If Florida is successful in negotiating the no-fault maze and getting rid of it or replacing it, other states may follow. Michigan legislators are looking to change their no-fault system, which allows someone who is injured -- or faking it -- to collect benefits for life. Michigan also lacks an anti-fraud agency to protect against "swoop and squat," which is why the problem is so severe in places like Detroit, according to Goldblatt.

"If that happens," predicted Goldblatt, "prosecutors will push these cases right off their desks."