

Fraudulent out-of-state car insurance drives up rates

By: Brian O'Connell

New York State has had enough of in-state drivers who insure their cars in other states. That's fraud as far as the New York State Insurance Department and the state legislature see it.

"This is no little white lie," state Sen. Diane Savino says. "If you live here, but register your car out of state, you're not only committing fraud, you're also making things more expensive for your neighbors."

Money a big motivator

New York officials say residents who register their cars in neighboring states like Pennsylvania are looking for – and finding – cheaper car insurance premiums over the border. Cars are supposed to be registered and insured where the driver lives.

New York State has higher minimum liability coverage (25/50/10) than Pennsylvania (15/30/5) and New Jersey (15/30/5). Translation: New York requires \$25,000 (25) worth of bodily injury coverage per person injured, with a maximum of \$50,000 (50) per accident, and \$10,000 (10) in property damage liability insurance.

But in nearby Pennsylvania and New Jersey, the requirements are lower:

\$15,000 worth of bodily injury coverage.

\$30,000 maximum coverage per accident.

\$5,000 worth of property damage liability insurance.

"There is a fair amount of auto insurance rate evasion," says Jim Quiggle, a spokesman for the **Coalition Against Insurance Fraud**. "That's especially true in states with high auto premiums like New York. Residents often register in states like Pennsylvania, where they tiptoe in to save money – because insurance rates are lower. In this economy, that's a powerful motivation."

Quiggle says this is not only a problem on a state-to-state basis, but on a county-by-county basis within states.

"New York drivers might register their cars in another county as well, where they have friends and family willing to act as owners," Quiggle says. "Often, different in-state counties differ in insurance rates. It costs more to register a car in New York City than it does out in western New York."

Taking a toll

Certainly, the rate evasion trend is taking its toll on states that have higher car insurance rates. The New York State Independent Democratic Conference released a study in February 2011 that

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Fraud



**Coalition Against
Insurance Fraud**

concludes car insurance rate evasion is a major problem:

Car insurance companies experienced a 20 percent to 50 percent spike in insurance evasion cases in 2009. "This increase is compounded by the loss of millions of dollars in registration fees and related revenues that is rightfully owed to the state," the study says.

New York loses at least \$1 million a year in revenue from license plate fees, title certificates and vehicle registration fees in New York City alone.

In 2010, New York City lost \$72.7 million from unpaid parking tickets issued to drivers of out-of-state registered cars, a "major indicator of insurance rate evasion."

New tools on the way?

State regulators are so worried about rate evaders that New York lawmakers are considering legislation that would toughen up the state's car insurance fraud laws.

For now, though, state regulators are finding it difficult to fight rate evasion. Commercial rate evasion is a crime under state law, but personal rate evasion isn't (unless a consumer lies on an insurance form, which does constitute fraud and can be prosecuted).