

## Spring Brings New Crop of Fraud Laws in Northeast



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Coalition Against Insurance Fraud

Fraud bills are blooming like azalea bushes around the East this spring, and statehouses are rife with upside potential for substantive new fraud laws in 2010.

This counters the recent logic that many state lawmakers are too busy trying to balance debt-saturated budgets to deal with fraud bills, especially substantive measures that might require extensive effort to pass. The renewed focus on fraud legislation is encouraging, but most legislation faces myriad tripwires on the road to becoming law, if they even get that far. The economy's diverting impact, should never be underestimated. For now, 2010 remains a promising legislative session for expanding the dragnet of fraud laws against insurance cheaters.

For instance, in New Jersey, which has some of the nation's highest auto premiums, some drivers shave costs by illegally registering their vehicles in local counties or other states with lower auto rates. An Assembly bill would make such evasive tactics a specific crime.

Additionally, lawmakers are also asking fraud fighters for concrete ideas that could translate into significant auto-fraud reform bills this year. That opening gives fraud fighters a chance to help shape a substantive auto-reform agenda in New Jersey.

In Pennsylvania, a House bill has been introduced to increase jail time and fines for operating as a claims adjuster without a license. Crooked adjusters inflate repair estimates and their own fees, especially after fires, flooding or other disasters. Consumers can be rattled after their homes are damaged. Homeowners may not even be checking for an adjuster's license at this moment. They just want someone to help resolve their insurance claims and get their home repaired.

A stiff law confronting unlicensed adjusters can act as a deterrent, or give prosecutors a useful courtroom tool when deterrence doesn't work.

New York long has been quicksand for much-needed PIP-fraud reforms. Despite having some of America's largest problems with staged-crash rings that are looting the Empire State's hard-pressed PIP system, Albany has passed few meaningful PIP reforms in recent years.

But welcome signs of life have surfaced this year. The Senate held hearings on PIP fraud this winter. A Senate bill making it a specific crime to

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stage accidents also has been introduced. It's called Alice's Law, named after Alice Ross, a grandmother who was killed after being maneuvered into a staged accident in Queens several years ago.

More movement comes from bills raising standards for clinics to receive payments from no-fraud insurers, and giving the insurance department authority to decertify clinics that milk auto insurers with dishonest claims.

New York also needs a law making it a specific crime to act as a runner — or recruiter and general street boss — for staged-crash rings. A bill hasn't been introduced, but such a law belongs on the books.

Some caveats apply to the renewed interest in PIP fraud reforms: Albany has a history of stalled PIP legislation, and legislators are spending much of their time balancing the troubled state budget.

Yet another bill would target construction firms that misclassify workers to avoid paying full workers' comp premiums.

The Senate measure would consider all construction workers as employees unless they pass three tests for being defined as independent contractors. In a widespread problem, shady construction firms dodge expensive comp premiums by hiding employees in shell companies then lying to their comp insurer that the workers are independent contractors.

And in Rhode Island, a state House bill broadens and clarifies the definition of insurance fraud. Among other things, this would make it easier to prosecute insiders who embezzle from insurers. Example: An insurer's claims staffer cuts insurer checks to his friends by adding losses to existing homeowner claim files or simply inventing claim files from whole cloth and splitting the proceeds.