

Auto insurance fraud is not a crime ... yet

By: Patricia L. Harman

So what are the chances that a vehicle tagged and insured in Iowa is actually owned and driven in New York? Actually, they're pretty good if the driver doesn't mind committing a little rate evasion fraud. And apparently there are quite a few drivers who are willing to take the chance to lower their car insurance rates.

The practice involves owners registering their cars out of state to obtain lower insurance rates, but actually living in and driving their vehicles in places where rates could be anywhere from a few hundred dollars more to almost double the rate. For instance, a driver living in Long Beach, N.Y., would pay an average of \$2,269 according to CarInsurance.com's rate calculator. If he says he lives in Toms River, N.J., he can almost cut his rate in half where the average would be \$1,169.

For a closer comparison, drivers living in Attleboro, Mass., which is only about eight miles away from Pawtucket, R.I., would pay half as much for their insurance using the same rate calculations, \$1,113 versus \$2,290.

As more and more drivers are willing to lie on their insurance applications about where their vehicles are garaged, New Jersey is considering a bill that will impose stiff penalties for fraudsters who participate in "phantom garaging."

Howard Goldblatt, director of government affairs for the **Coalition Against Insurance Fraud**, testified before the Senate Commerce Committee this week in favor of A2281/S 1727, telling legislators that "passage would send a strong message in New Jersey and throughout the nation that insurance fraud of any kind should not be tolerated."

Goldblatt explained that point-of-sale fraud is a growing concern in New Jersey and other states. "It is not unusual to drive through congested areas seeing autos with out-of-state license plates on the road, parked by homes and in driveways," he told the committee.

While rate evasion impacts many different kinds of insurance, it seems to be most prevalent in the automobile sector. "Current fraud laws in New Jersey do little to deter rate evasion and do not encourage prosecution. The proposed legislation would help insurers and law enforcement combat this crime," he added.

While the bill primarily addresses motor vehicle fraud, it does apply to other types of fraud such as health insurance fraud. If passed, it will make motor vehicle fraud a second-, third- or fourth-degree offense and gives the Attorney General authority to develop insurance fraud prosecution guidelines, which must be disseminated to all county prosecutors within 180 days of the law's effective date.

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