No-fault auto insurance fraud driving up premiums, industry officials say

By: Luke Moretti, News 4 Reporter

No-fault auto insurance was designed to pay promptly, regardless of who is at fault.

It's been around since the 1970's, serving a valuable purpose; speed up the payment of medical treatment and lost wages to people injured in accidents.

But some are taking advantage of a good thing, and costing New Yorkers hundreds of millions of dollars a year because of fraud, according to the insurance industry

"It is more prevalent downstate. There's a concentration of medical mills downstate, but this problem is creeping upstate. It's in all the upstate cities including Buffalo," said Ellen Melchionni, president of the New York Insurance Association.

Melchionni and others say that cost is being passed onto honest people.

"Fraud is a clear contributor to higher premiums," said Jim Quiggle, director of communications with the Coalition Against Insurance Fraud, based in Washington, D.C.

"Buffalo does have a problem with staged crash rings. No question about it," he said.

One example involves staged crashes where people are recruited off the street and packed into cars as fake passengers. Investigators say they'll conduct low-speed crashes, pretend their injured and receive phony or inflated treatment, and then file a claim with the insurance company.

"Tens of thousands of dollars. Millions of dollars are pouring in to these rings. It adds up to hundreds of millions of dollars in fake claims a year in New York," said Quiggle.

"Your honest drivers who especially live in these areas where fraud is prevalent, they pay in higher premiums," he added.

Industry officials say New York City is the epicenter of this type of fraud because of its sheer size and mass of people that can be recruited.

"It does affect all the consumers within New York State," said Kevin Gallagher of the National Insurance Crime Bureau's northeast office.

The agency investigates suspicious claims referred by insurers across the state.

According to NICB data, the agency received 9,149 total questionable referrals statewide for 2017. No-fault made up 2,062 of those referrals.

"A lot of people have the misconception that the insurance companies have deep pockets, they're paying for this. It's getting passed on to all of us through the higher premiums," Gallagher said.

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Coalition Against Insurance Fraud

Erie County, for example, had 315 total referrals to NICB in 2017; 54 involved no-fault claims.

State Senator Chris Jacobs, R- 60th District, thinks the no-fault system is broken.

"This is very serious, very egregious. It's really happened for a long time. It's really time for it to be resolved," said Jacobs.

Legislation that would toughen the law has been introduced in Albany, but Jacobs, a member of the Insurance Committee in the state senate, says there's no guarantee lawmakers will move on it.

"Does not seem to be any will up in Albany or elsewhere to try to take action and to mitigate this," he said.

"I think this fraud thing is something that we could deal with, and I don't think it would necessarily end no-fault at all. I think no-fault could still work. I will say I think we do need to take a look at no-fault because I think there's problems there in terms of the way it's designed," Jacobs added.

New York is among 12 states with no-fault. It's designed to get people medical and lost wage compensation quickly, regardless of who's at

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