

Update on New York's No-Fault Fraud & Abuse Problem

New York Alliance Against Insurance Fraud
Insurance Fraud Briefing
Albany, NY
March 25, 2003

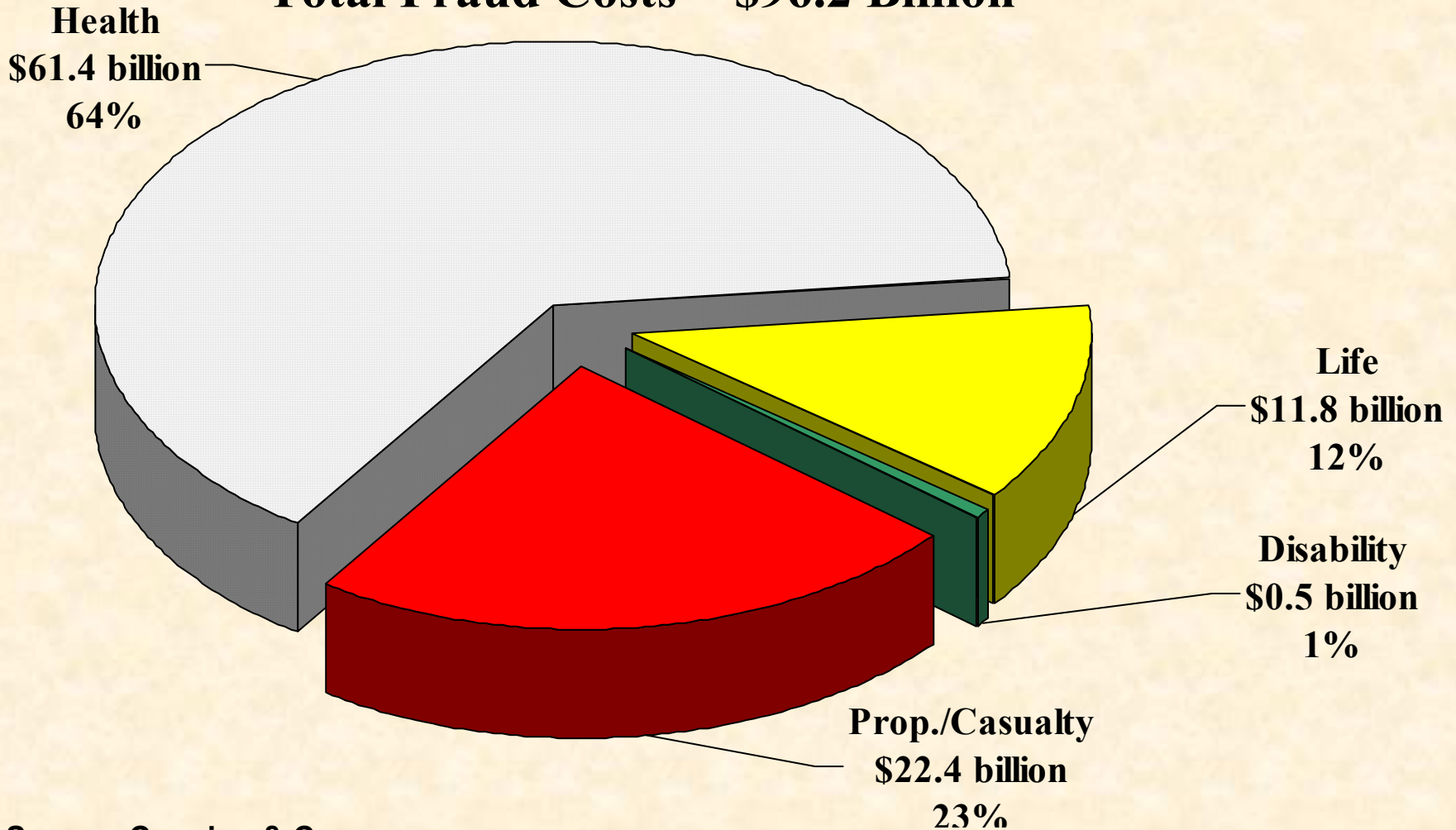


Robert P. Hartwig, Ph.D., CPCU, Senior Vice President & Chief Economist
Insurance Information Institute ♦ 110 William Street ♦ New York, NY 10038
Tel: (212) 346-5520 ♦ Fax: (212) 732-1916 ♦ bobh@iii.org ♦ www.iii.org



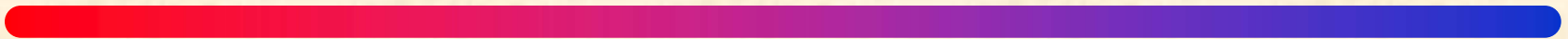
Insurance Fraud in the U.S. Costs Billions!

Total Fraud Costs = \$96.2 Billion



Source: Conning & Co.

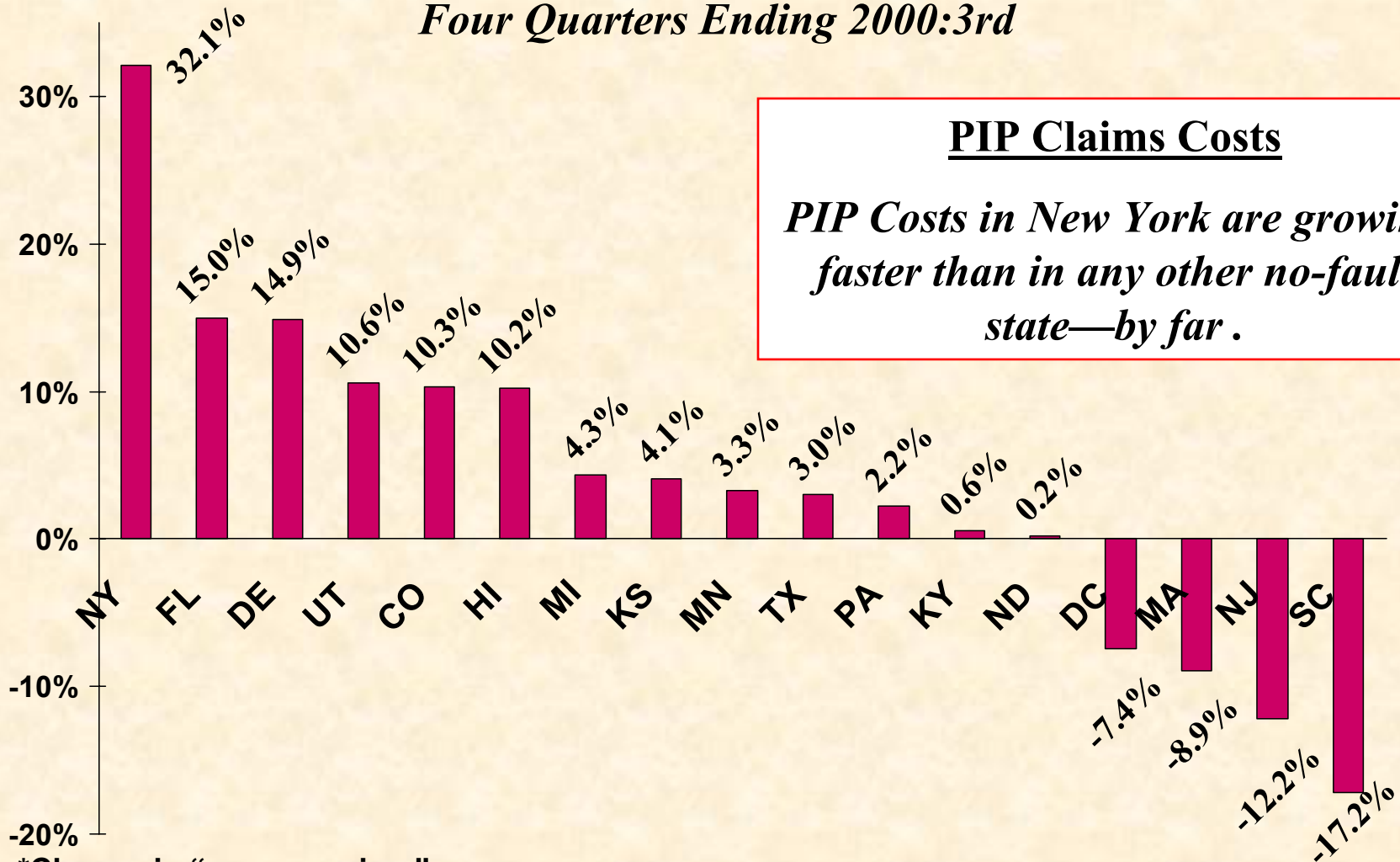
*Comparative Statistics:
PIP Claims Costs*





Growth in Total PIP Claims Costs*

Four Quarters Ending 2000:3rd



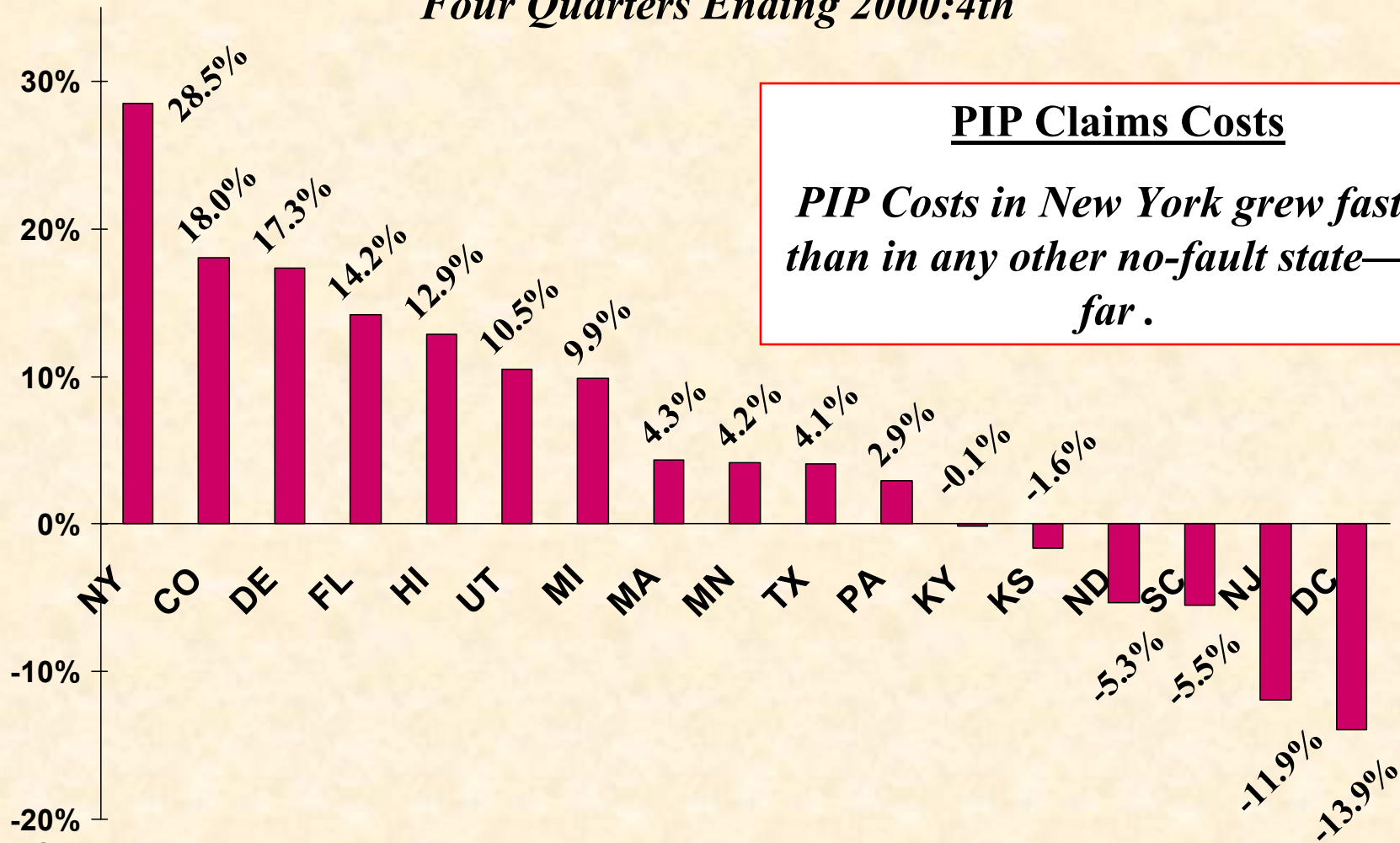
*Change in "pure premium"

Source: Insurance Information Institute from ISO Fast Track Data



*Growth in Total PIP Claims Costs**

Four Quarters Ending 2000:4th



PIP Claims Costs

PIP Costs in New York grew faster than in any other no-fault state—by far.

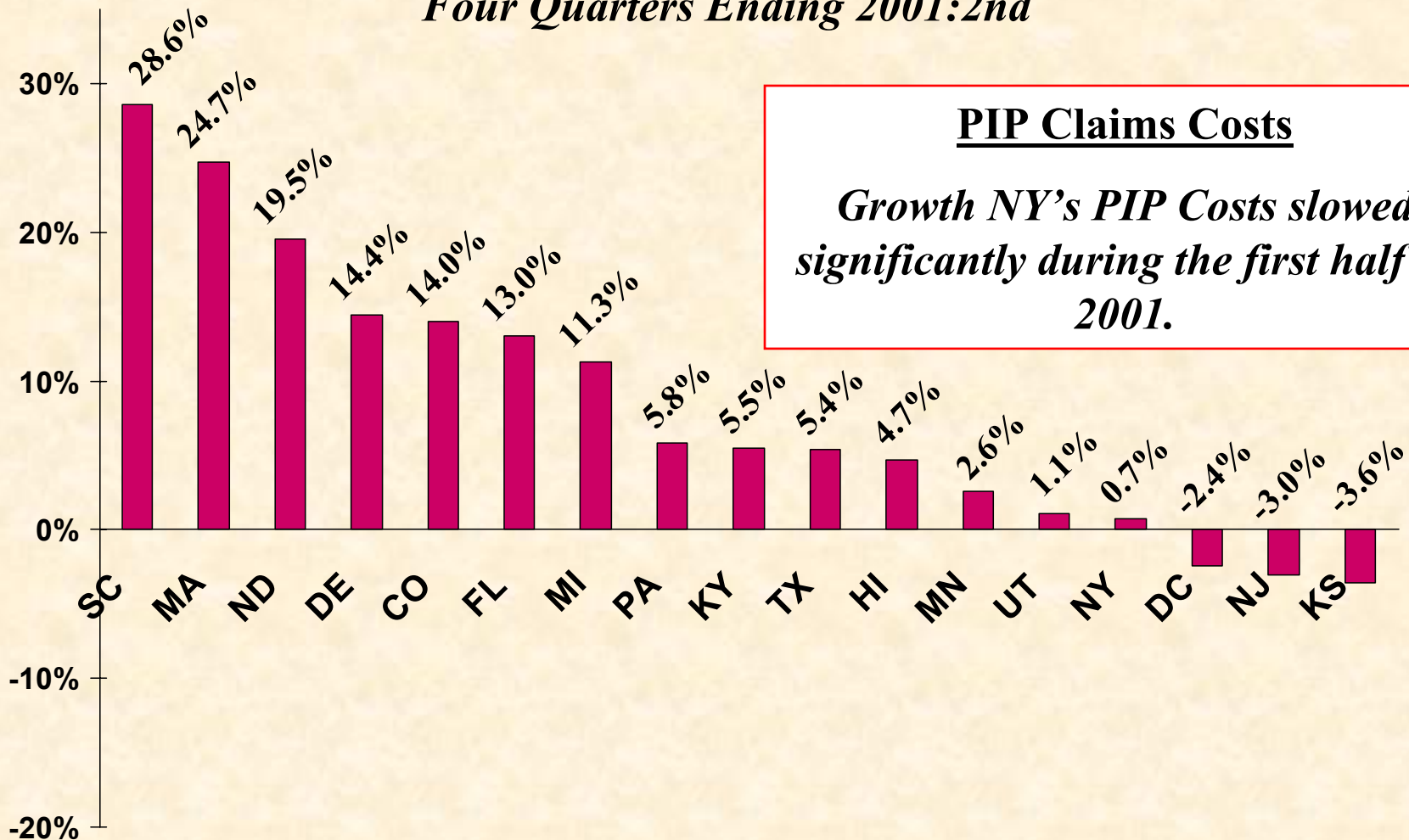
*Change in “pure premium”

Source: Insurance Information Institute from ISO Fast Track Data



*Growth in Total PIP Claims Costs**

Four Quarters Ending 2001:2nd

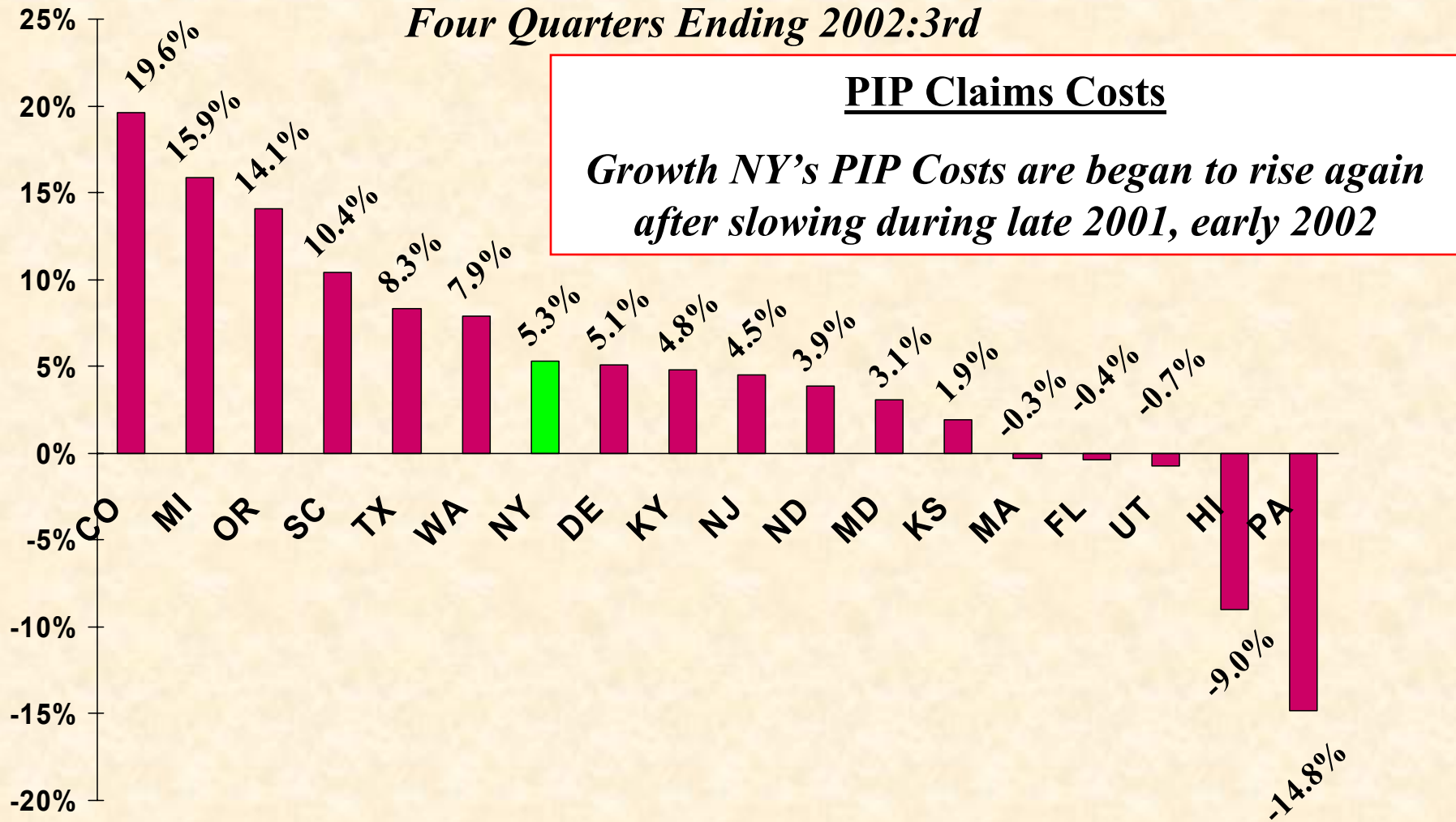


*Change in "pure premium"

Source: Insurance Information Institute from ISO Fast Track Data



Growth in Total PIP Claims Costs*

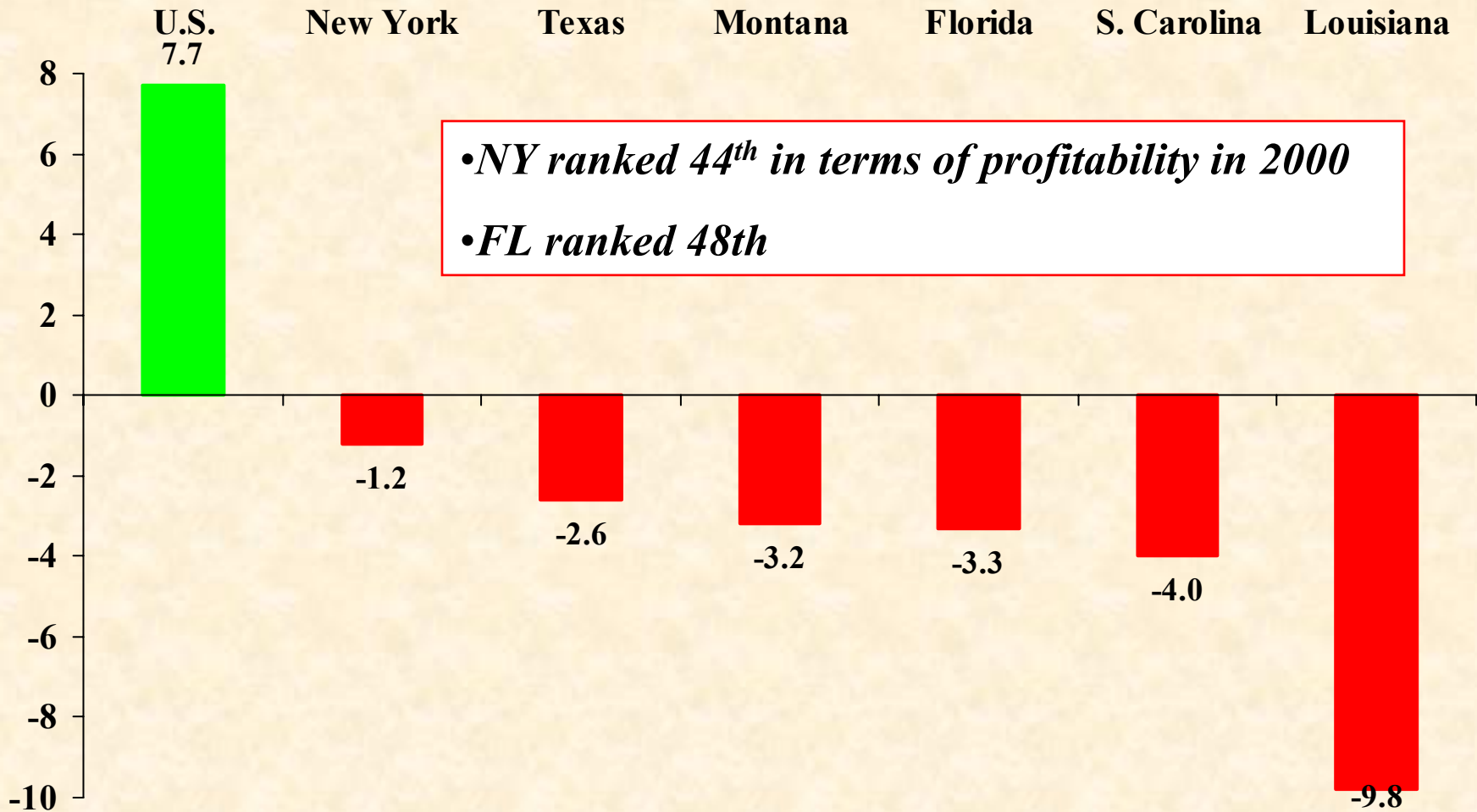


*Change in "pure premium"

Source: Insurance Information Institute from ISO Fast Track Data

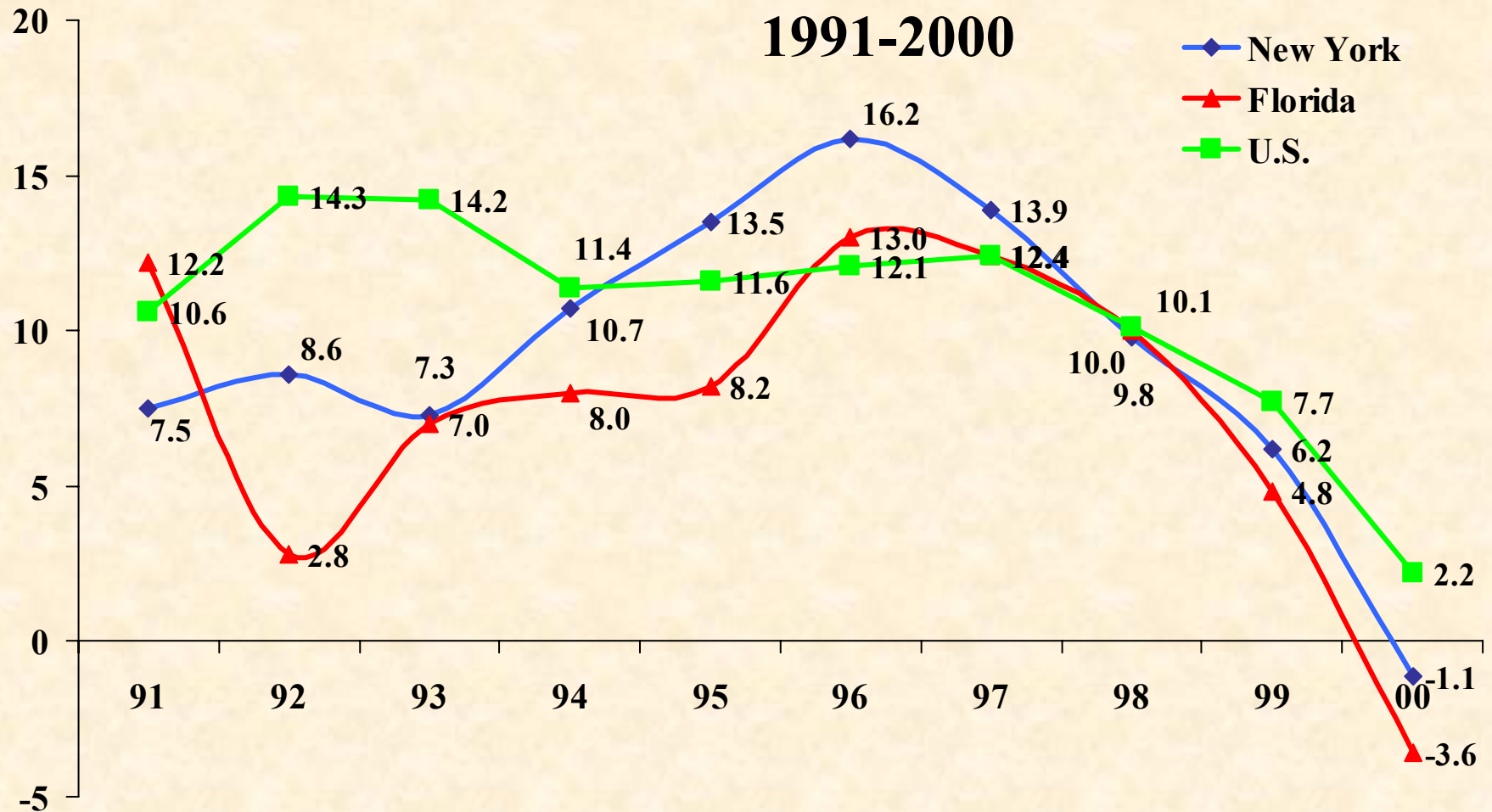


Private Passenger Auto: 6 Least Profitable States, 2000 (Profit as a % of Direct Premium Earned)



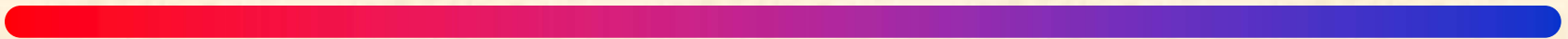


Return on Net Worth Private Passenger Auto (%),



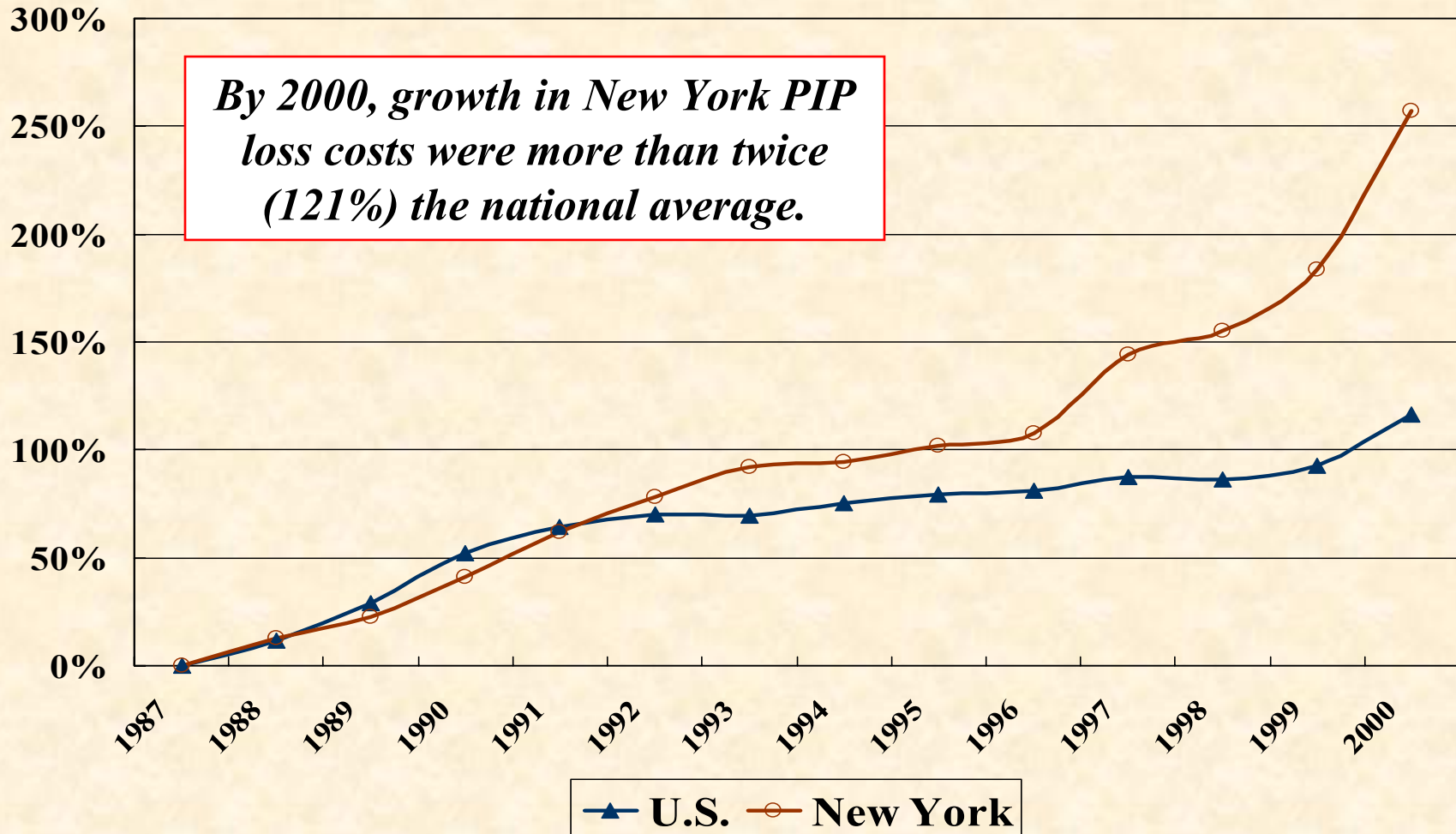
Source: NAIC.

*PIP Fraud and Abuse in
New York State*





Change in PIP Loss Costs: New York vs. US: 1987-2000*

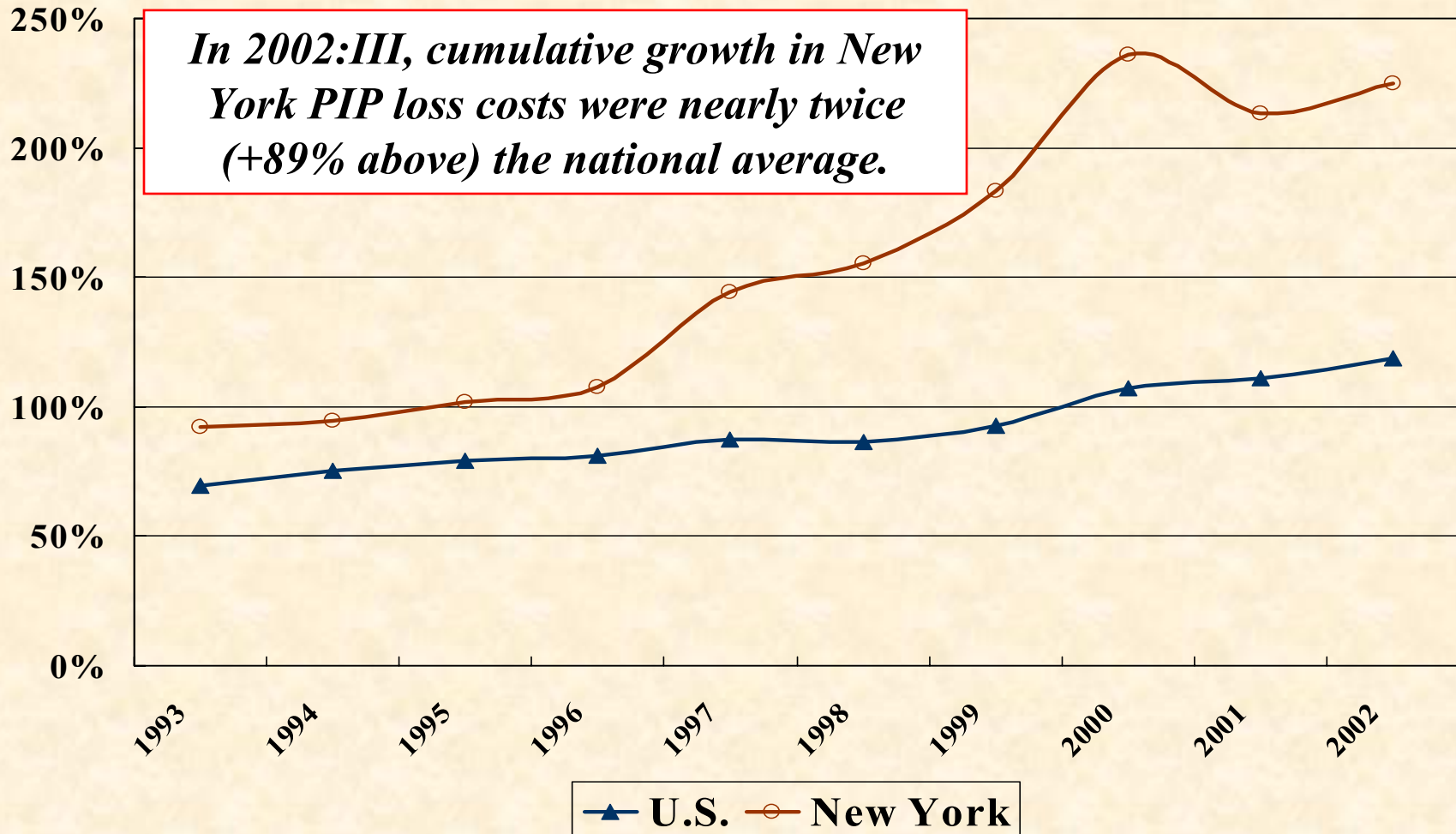


*Through 4 quarters ending 2000:3rd.

Source: American Insurance Association/ISO FastTrack; Insurance Information Institute



Change in PIP Loss Costs: New York vs. US: 1993-2002*

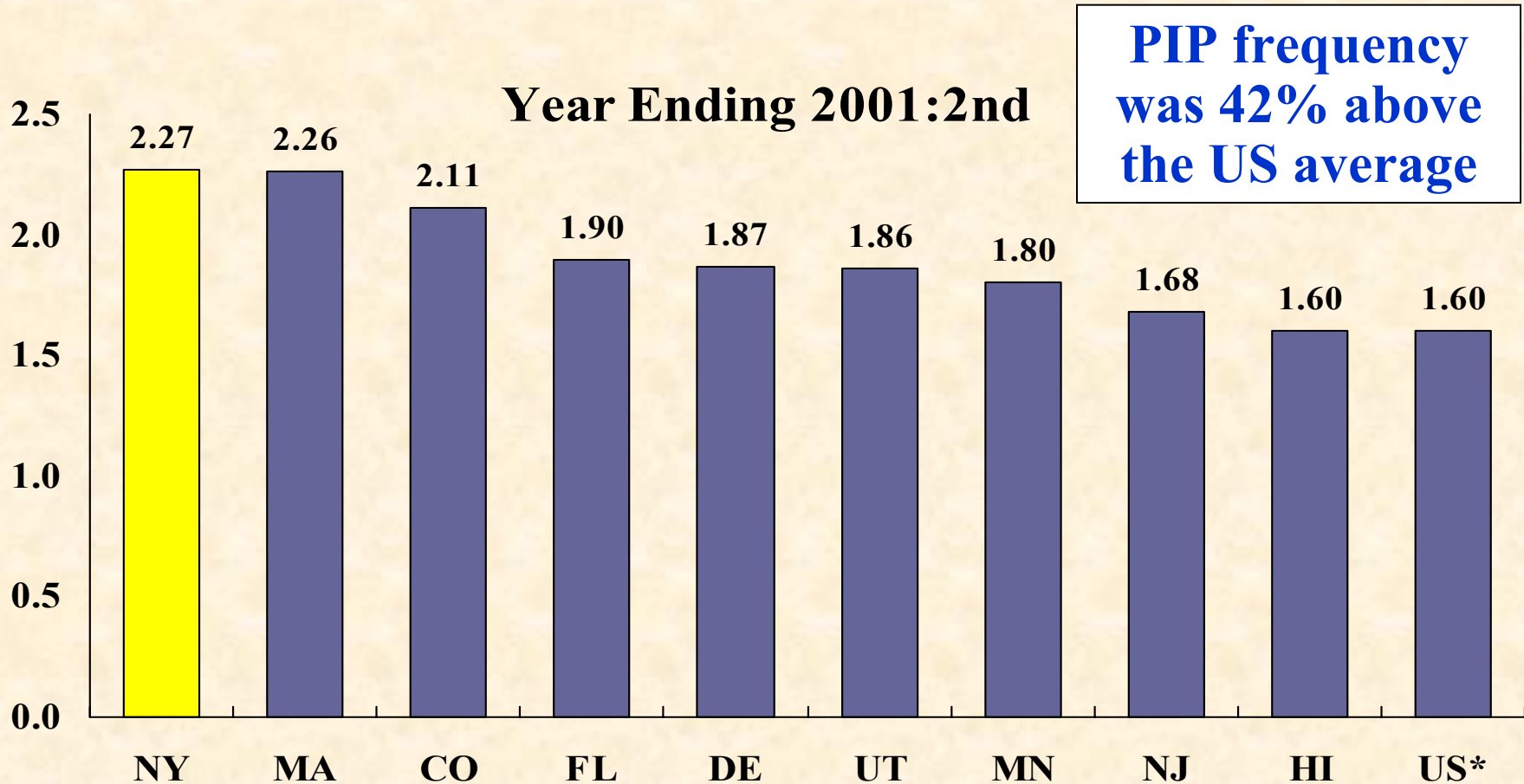


*Through 4 quarters ending 2002:3rd.

Source: American Insurance Association/ISO FastTrack; Insurance Information Institute



Personal Injury Protection Paid Claim Frequency

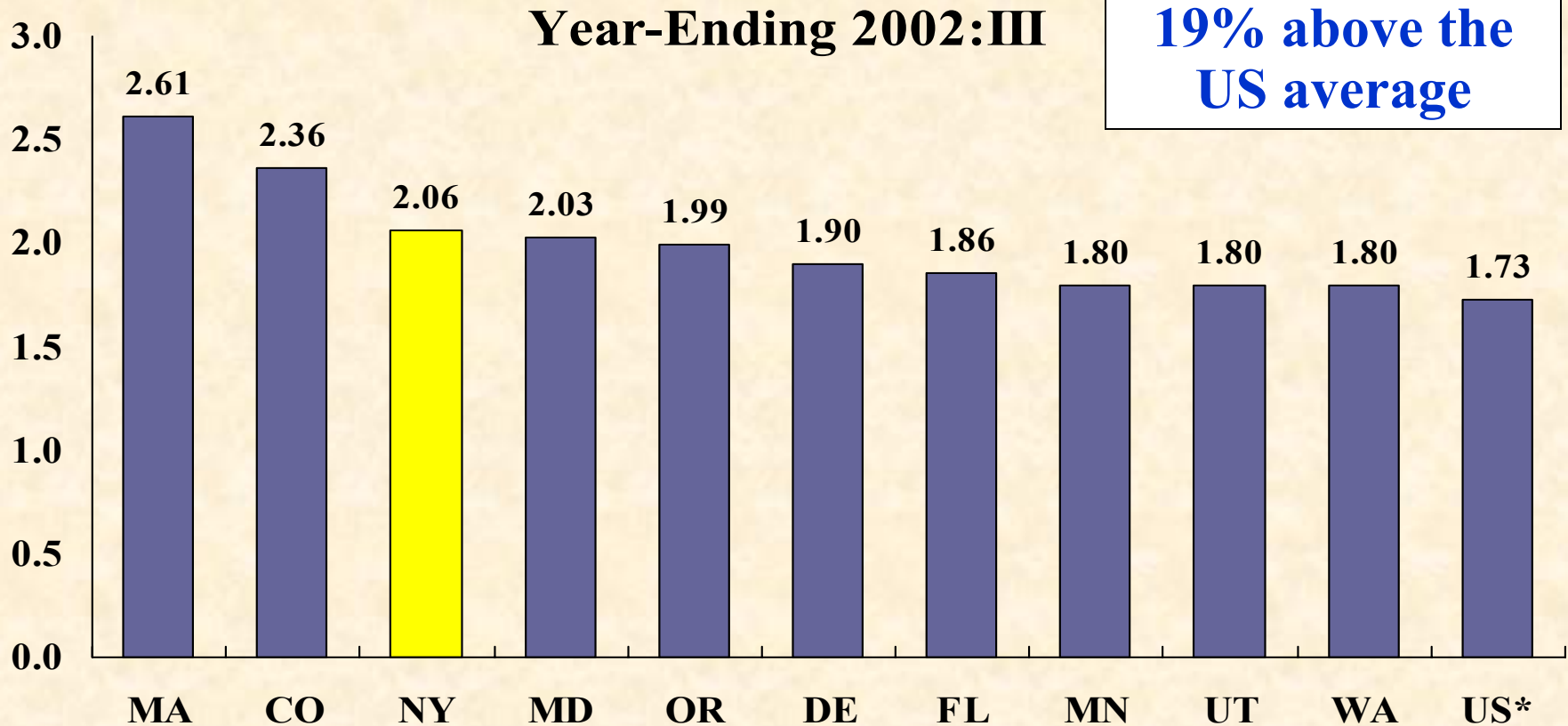


*US excludes New York and Florida

Source: Insurance Information Institute and Insurance Services Office.



Personal Injury Protection Paid Claim Frequency

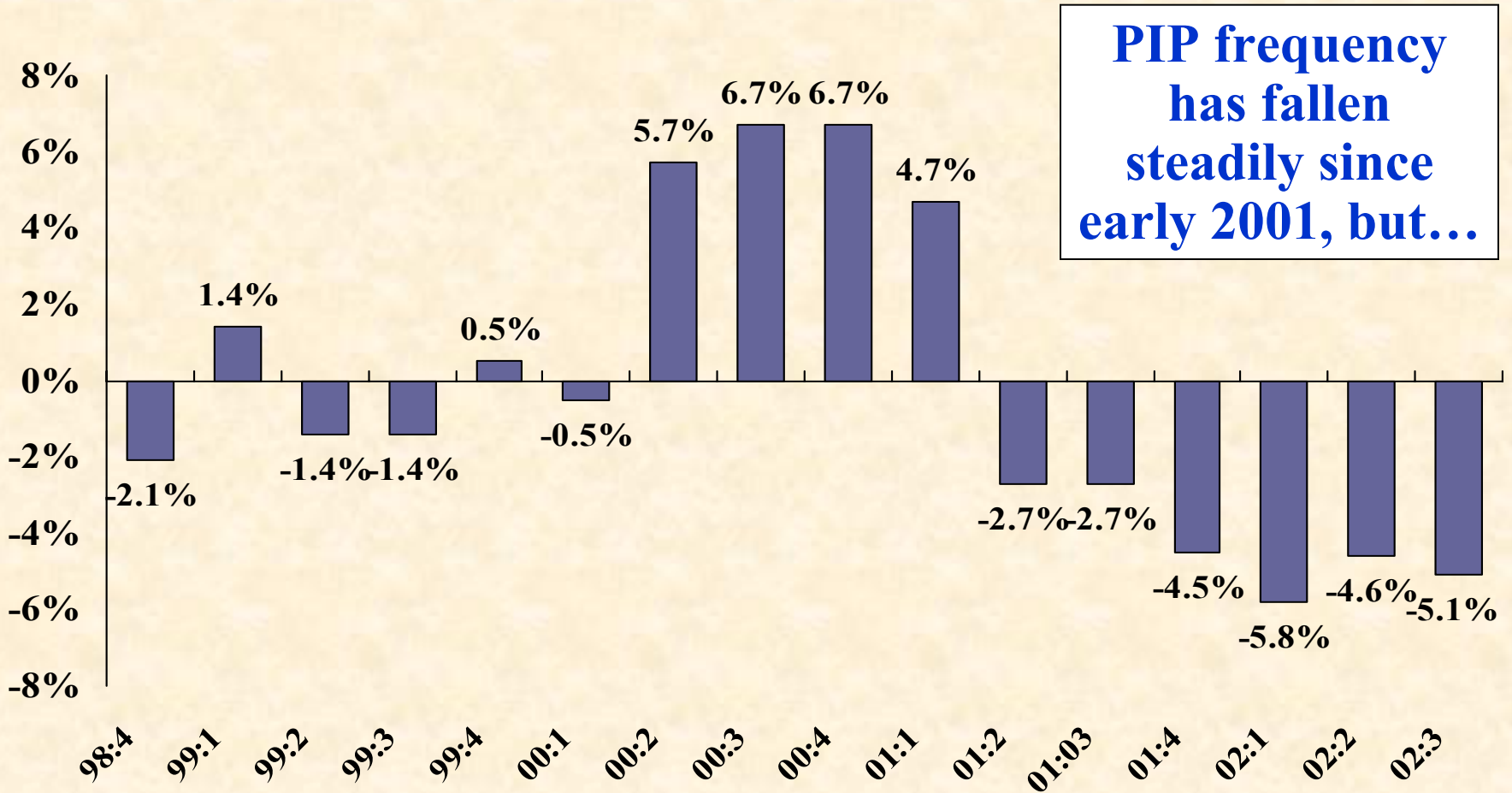


*US excludes New York

Source: Insurance Information Institute and Insurance Services Office.



Change in NY Personal Injury Protection Paid Claim Frequency*

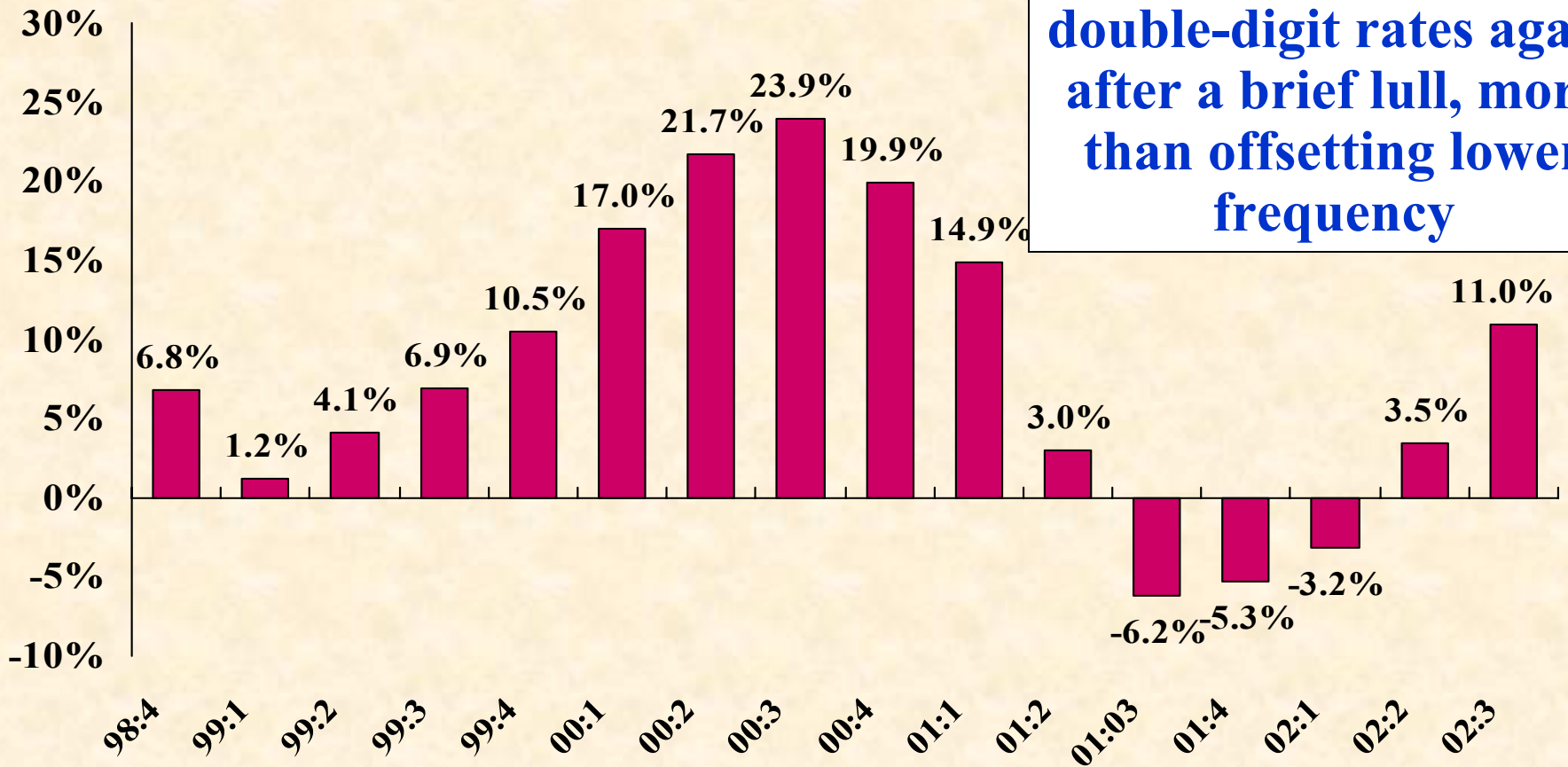


* Average over four previous quarters.

Source: Insurance Services Office, Insurance Information Institute.



Change in NY Personal Injury Protection Average Loss (Severity)*

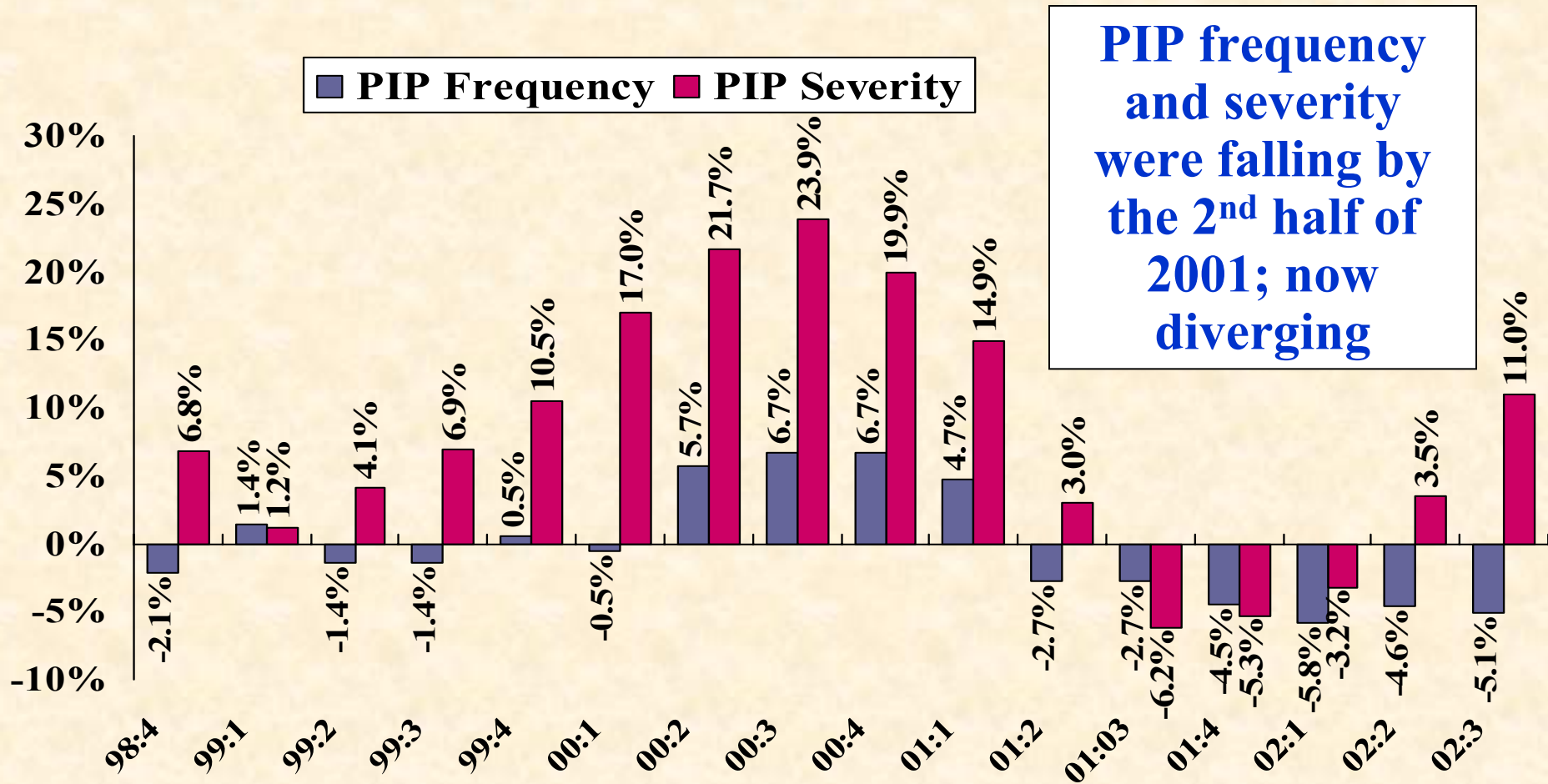


PIP severity is rising at double-digit rates again after a brief lull, more than offsetting lower frequency

* Average over four previous quarters.
Source: Insurance Services Office, Insurance Information Institute.



Change in NY Personal Injury Protection Claim Frequency & Average Loss*



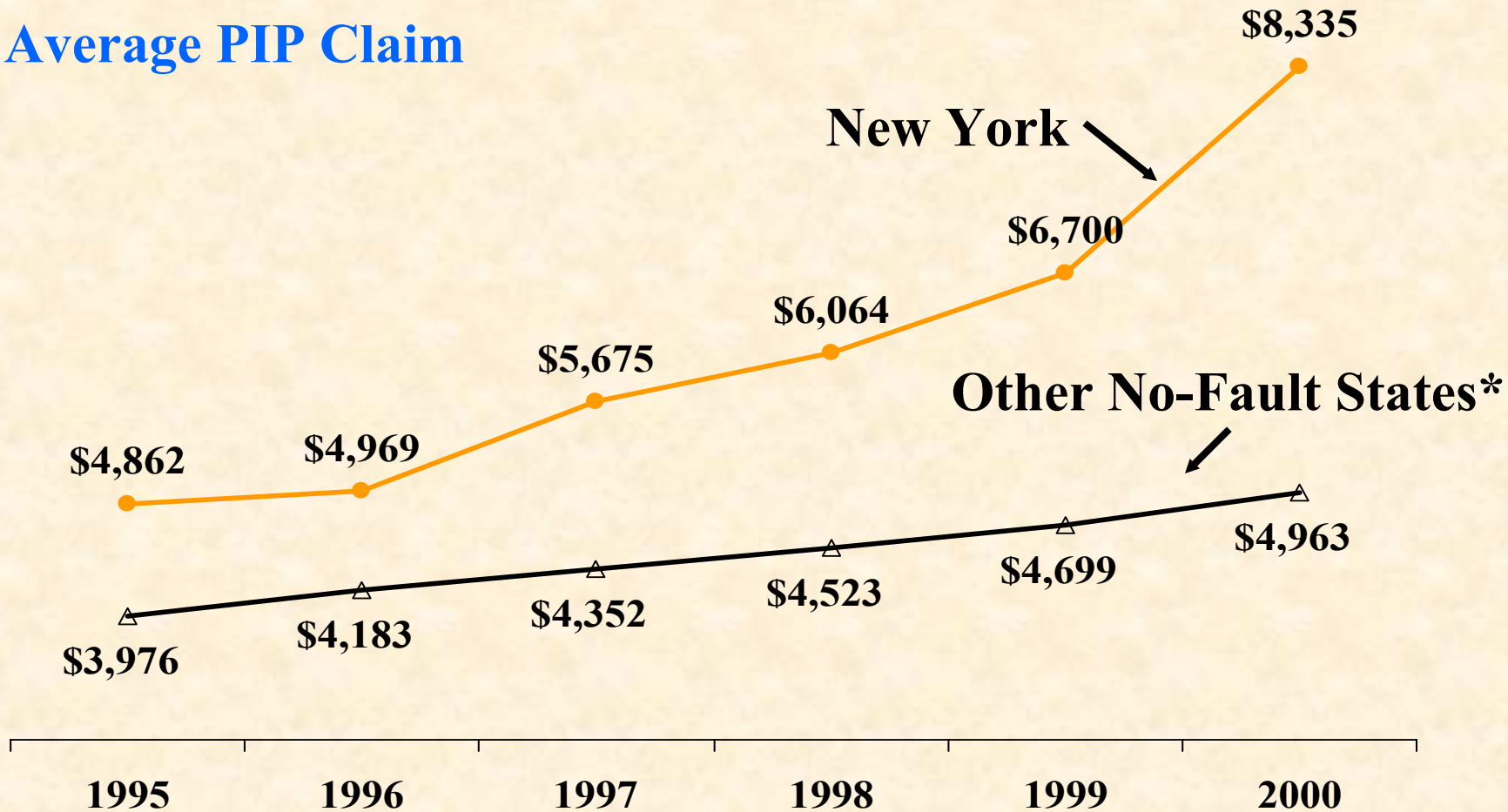
* Average over four previous quarters.

Source: Insurance Services Office, Insurance Information Institute.



PIP Claim Severity 1995-2000: New York vs. United States

Average PIP Claim



Source: Fast Track Monitoring System, Fourth Quarter 2000 Report

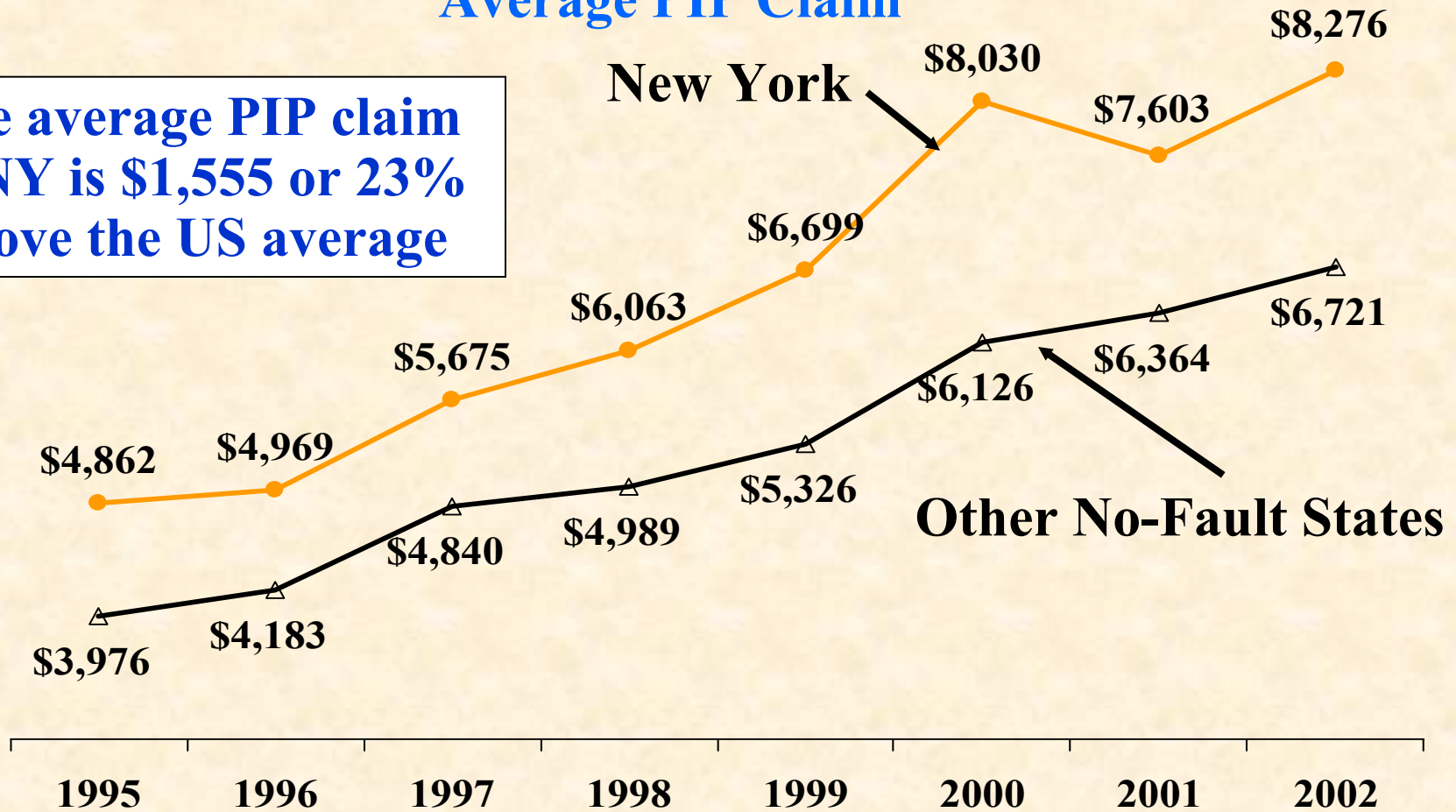
* Excluding Michigan



PIP Claim Severity 1995-2002: New York vs. United States

Average PIP Claim

The average PIP claim in NY is \$1,555 or 23% above the US average

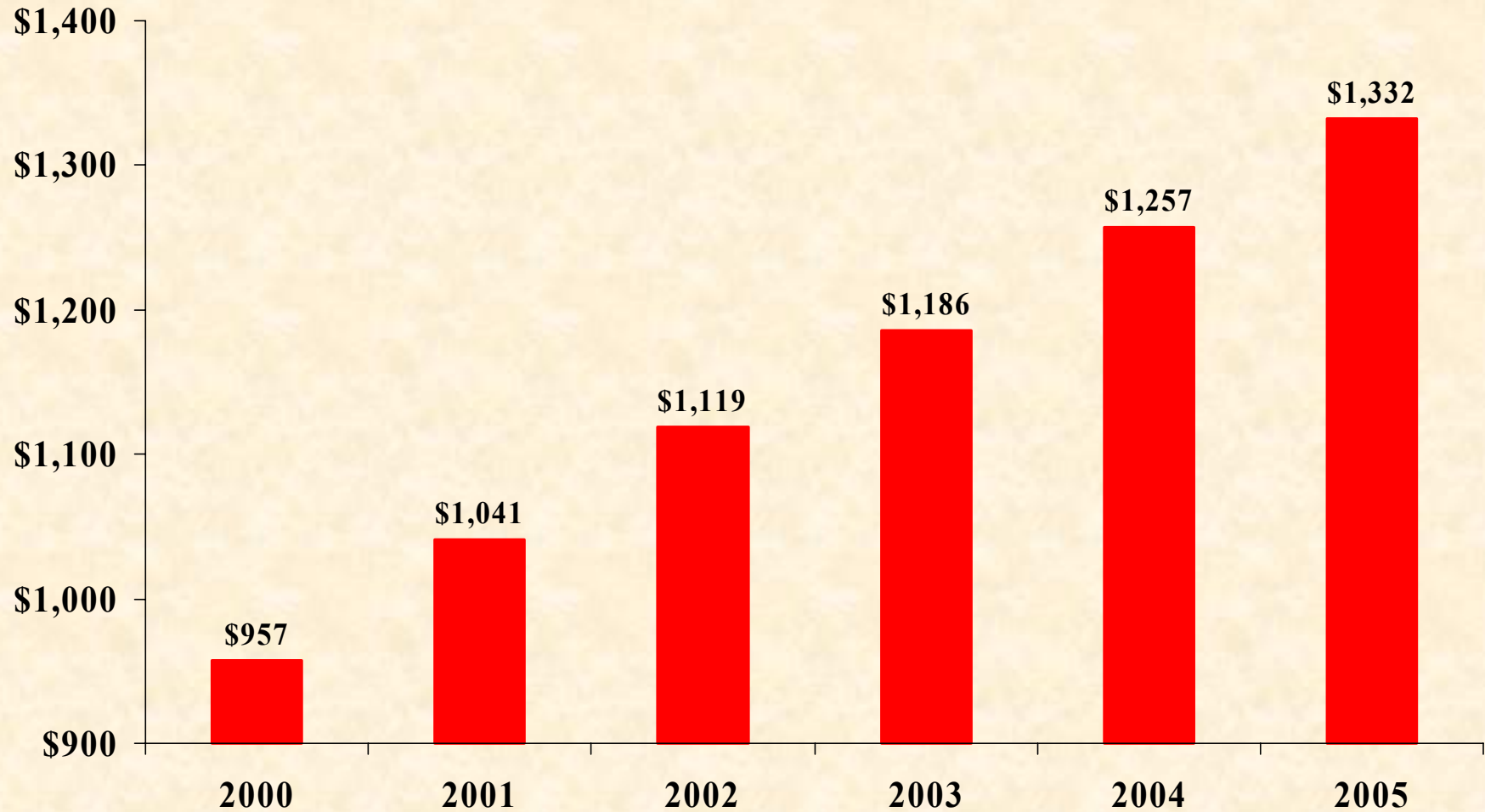


*Impact on Cost of Auto Insurance
in New York State*





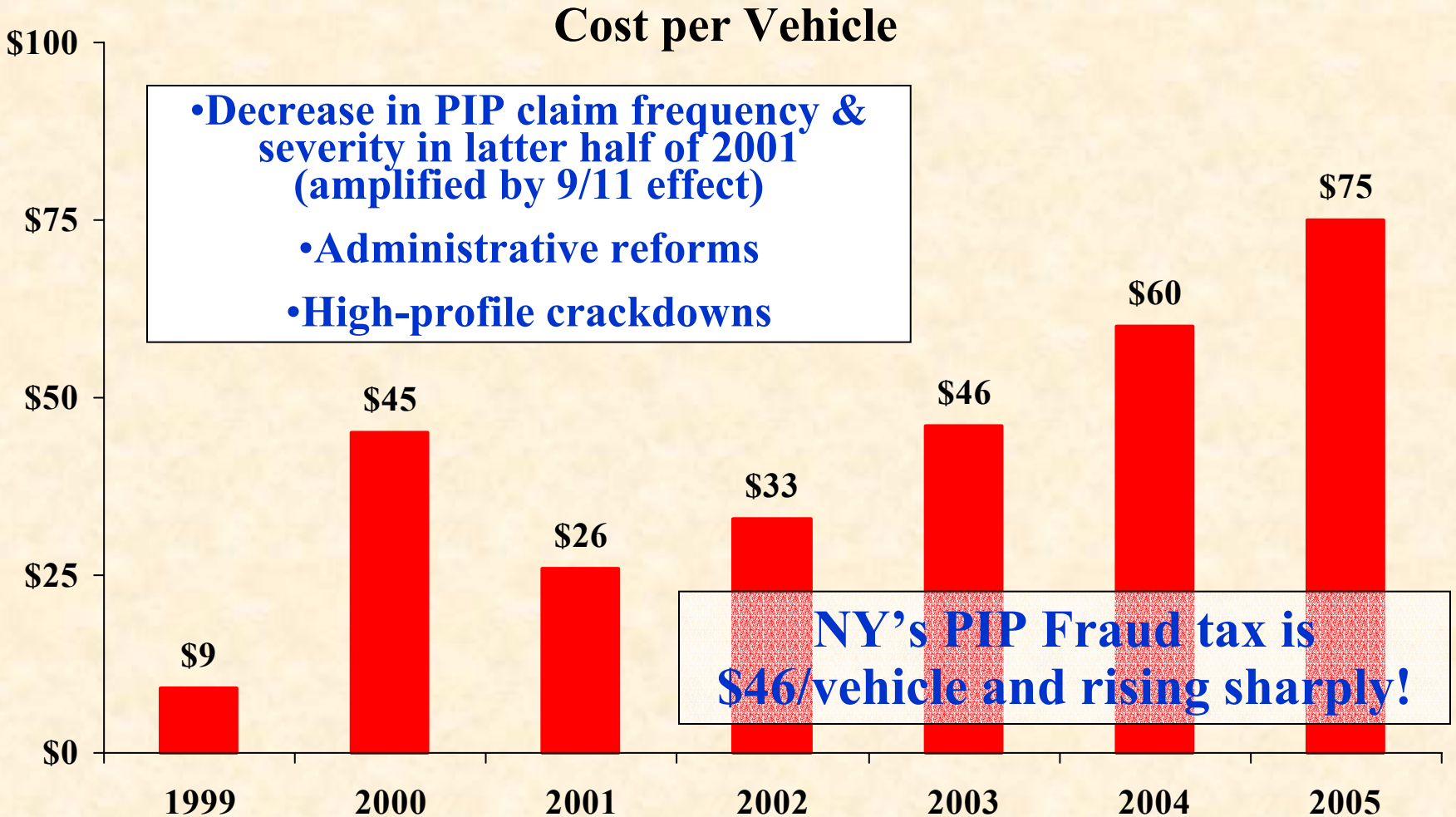
Projected Average Auto Insurance Expenditure in NY State Assuming (March 2003 Est.)



Source: Insurance Information Institute

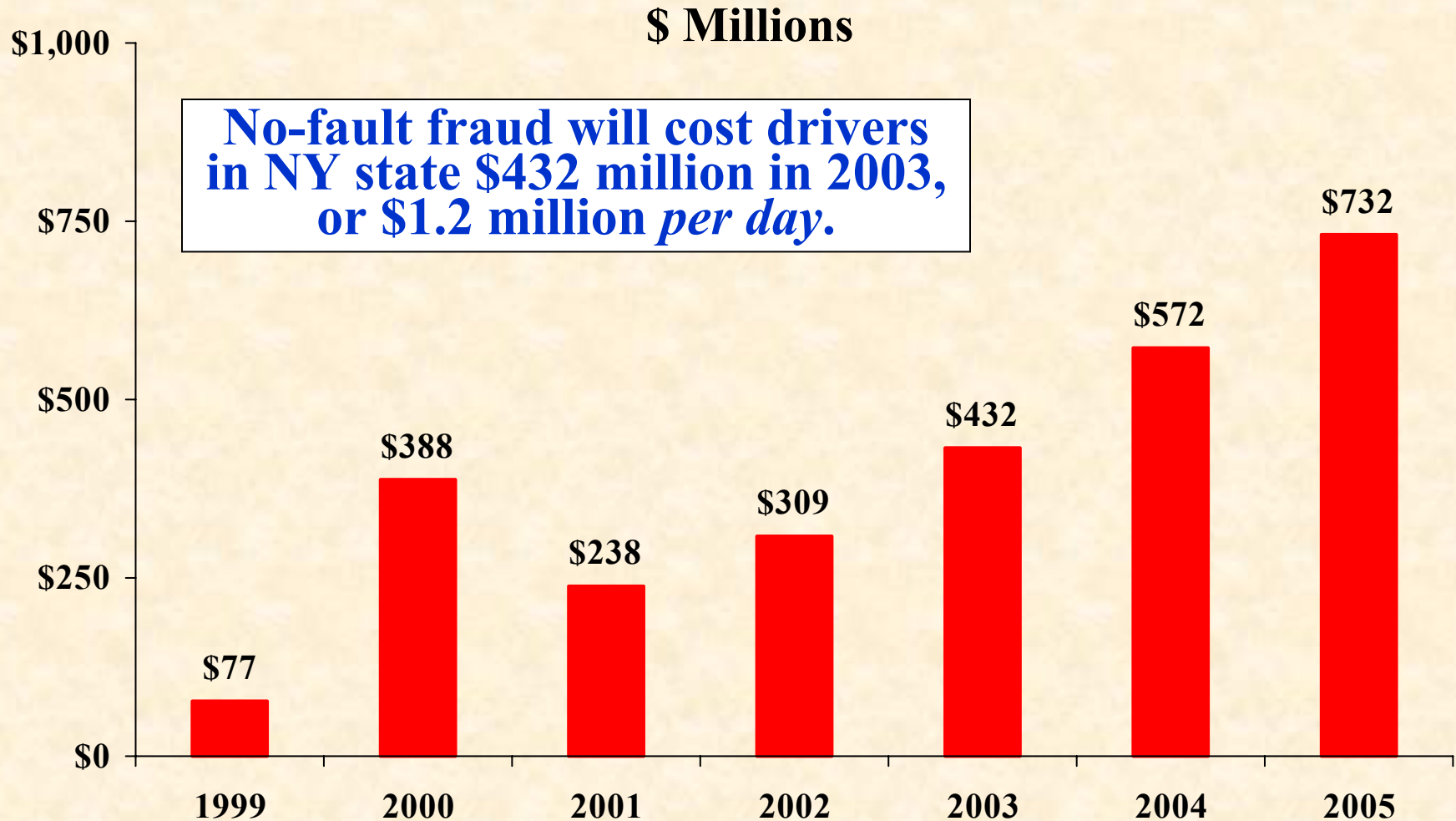


Projected Per Vehicle Average Cost of No-Fault Auto Insurance Fraud, (March 2003 Est.)



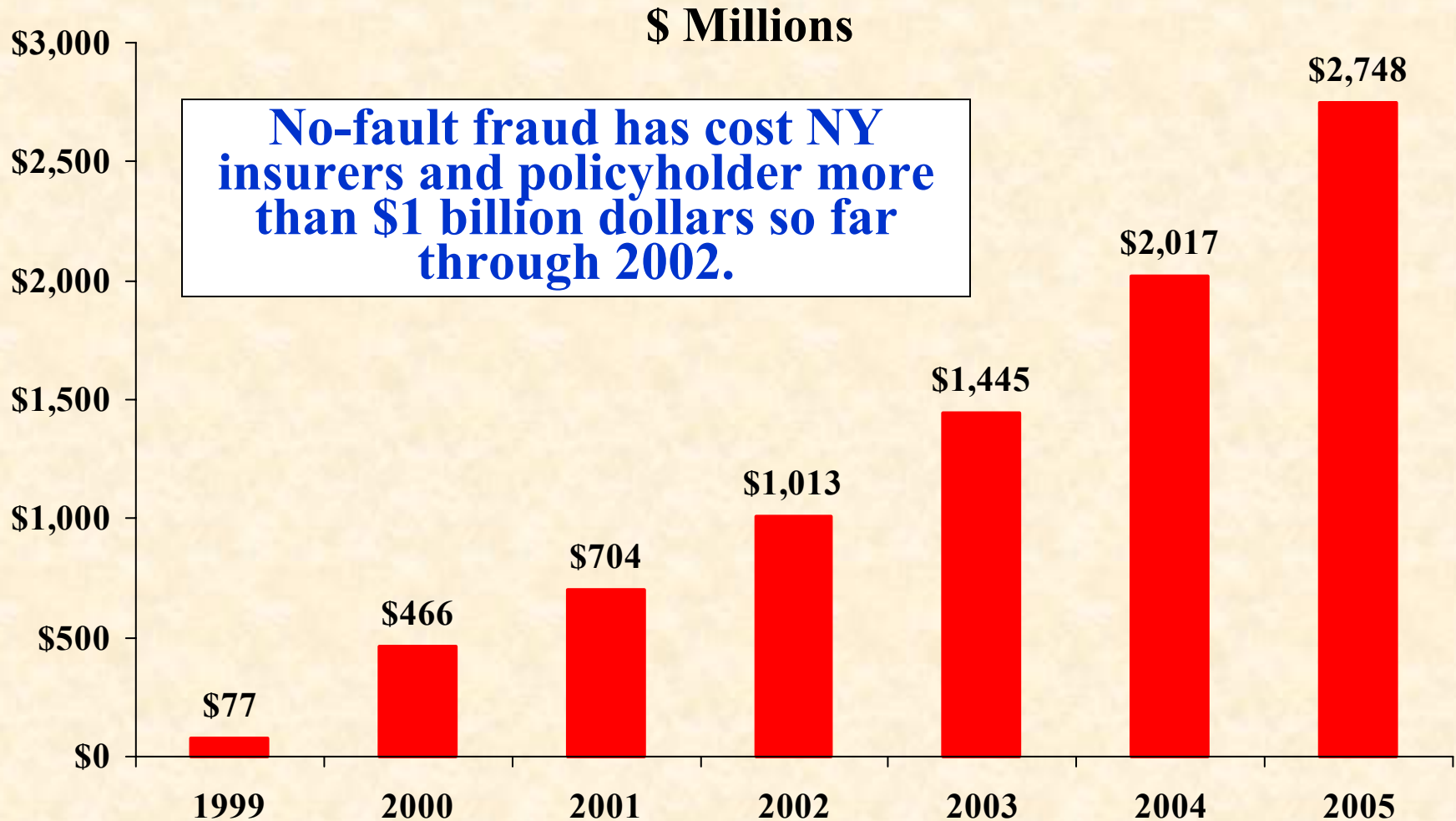


Annual Cost of No-Fault Auto Insurance Fraud in NY, (March 2003 Est.)



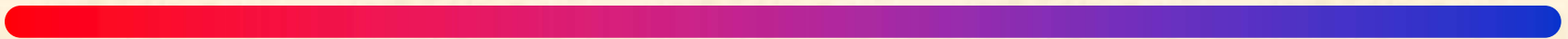


Cumulative Cost of No-Fault Auto Insurance Fraud in NY, (March 2003 Est.)



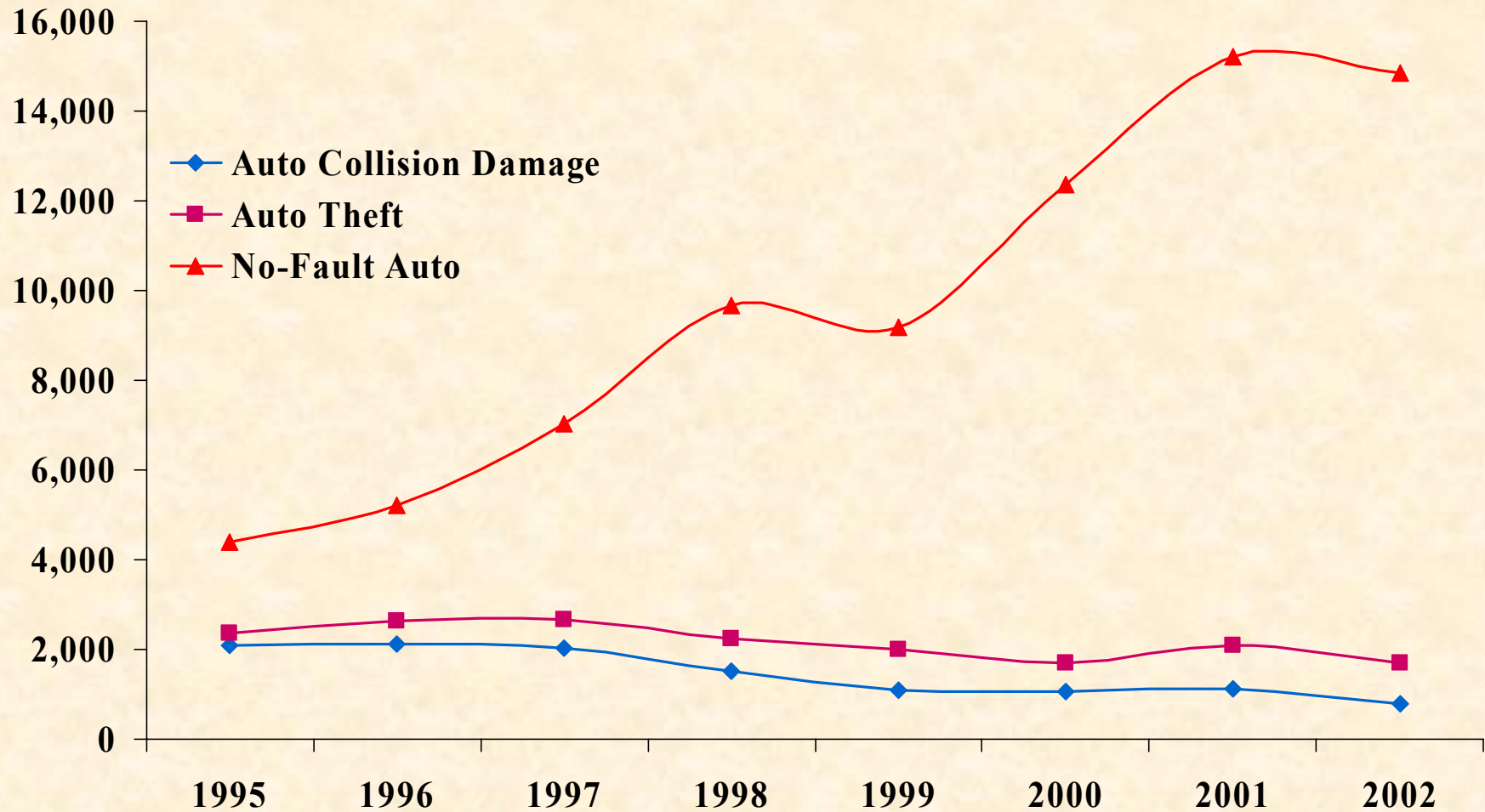
Source: Insurance Information Institute

No-Fault Fraud Statistics in New York State





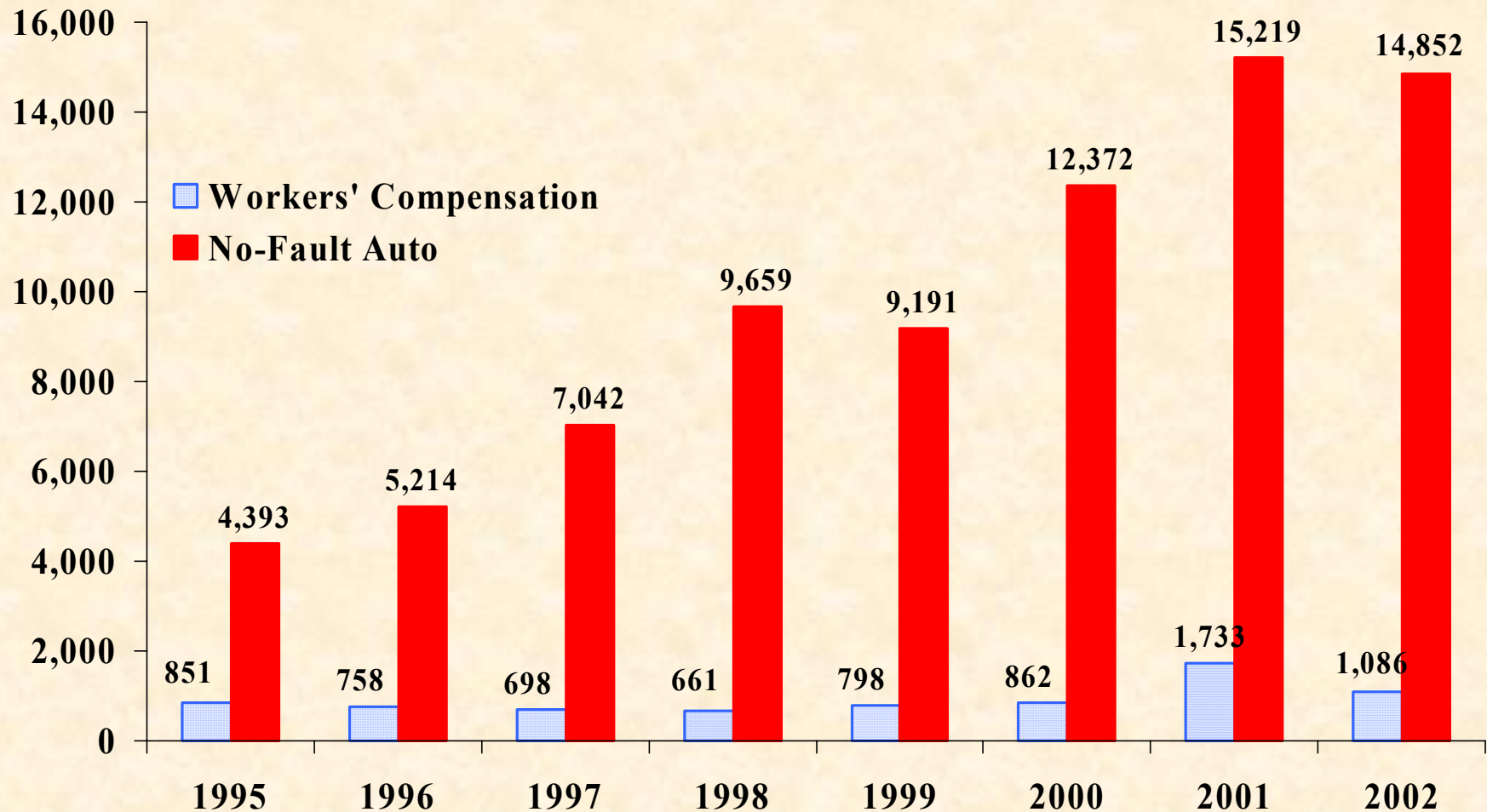
New York Insurance Fraud Reports, 1995 - 2002



Source: New York Department of Insurance; Insurance Information Institute.



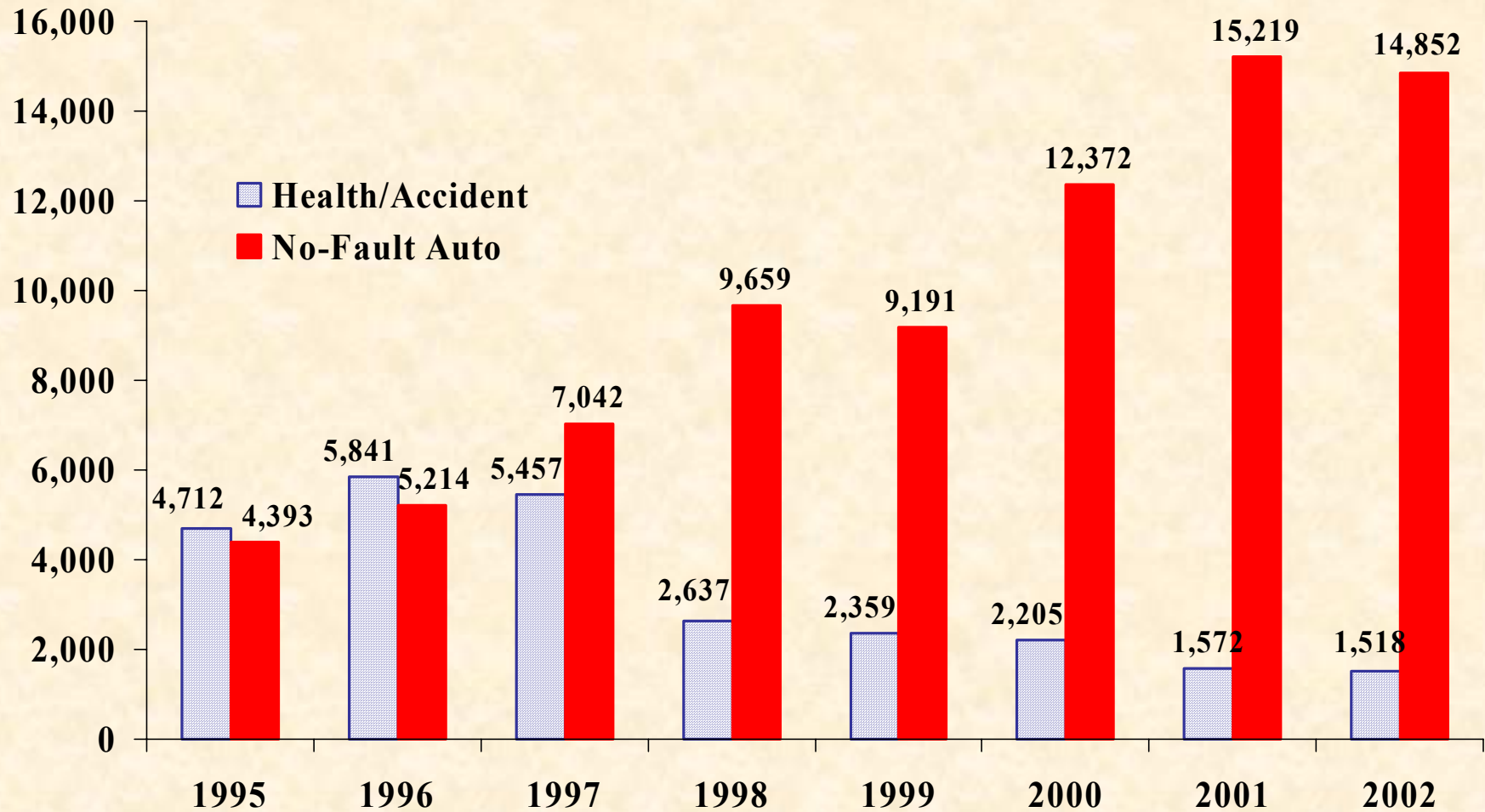
New York Insurance Fraud Reports, 1995 - 2002



Source: New York Department of Insurance; Insurance Information Institute.



New York Insurance Fraud Reports, 1995 - 2002



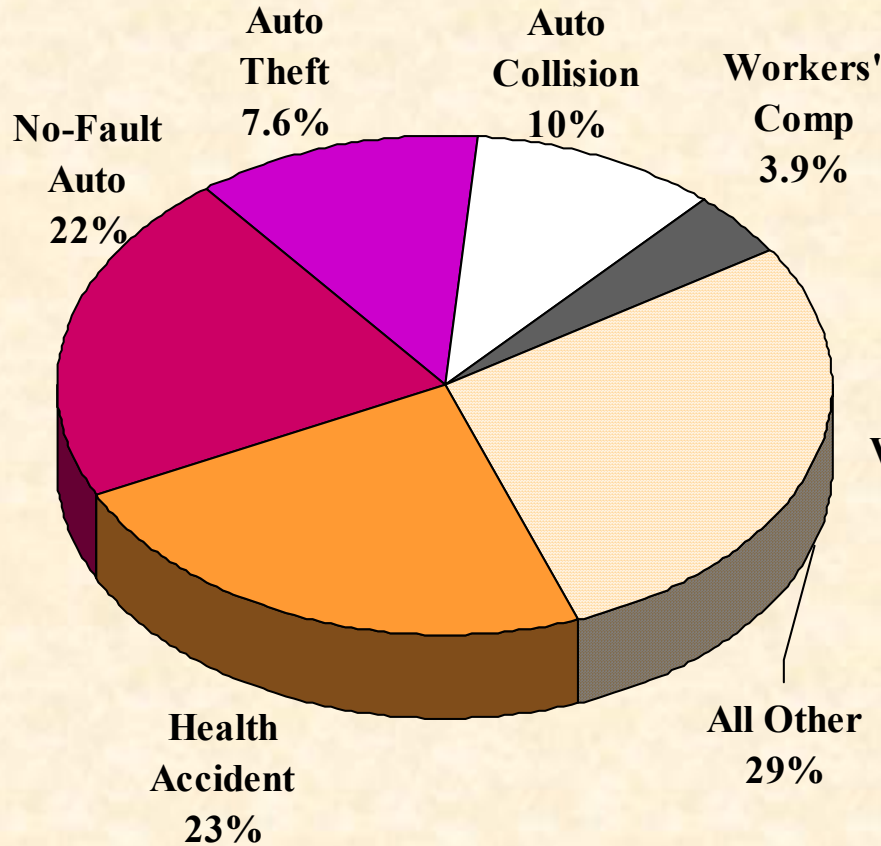
Source: New York Department of Insurance; Insurance Information Institute.



Composition of Fraud Reports, 1995 vs. 2001

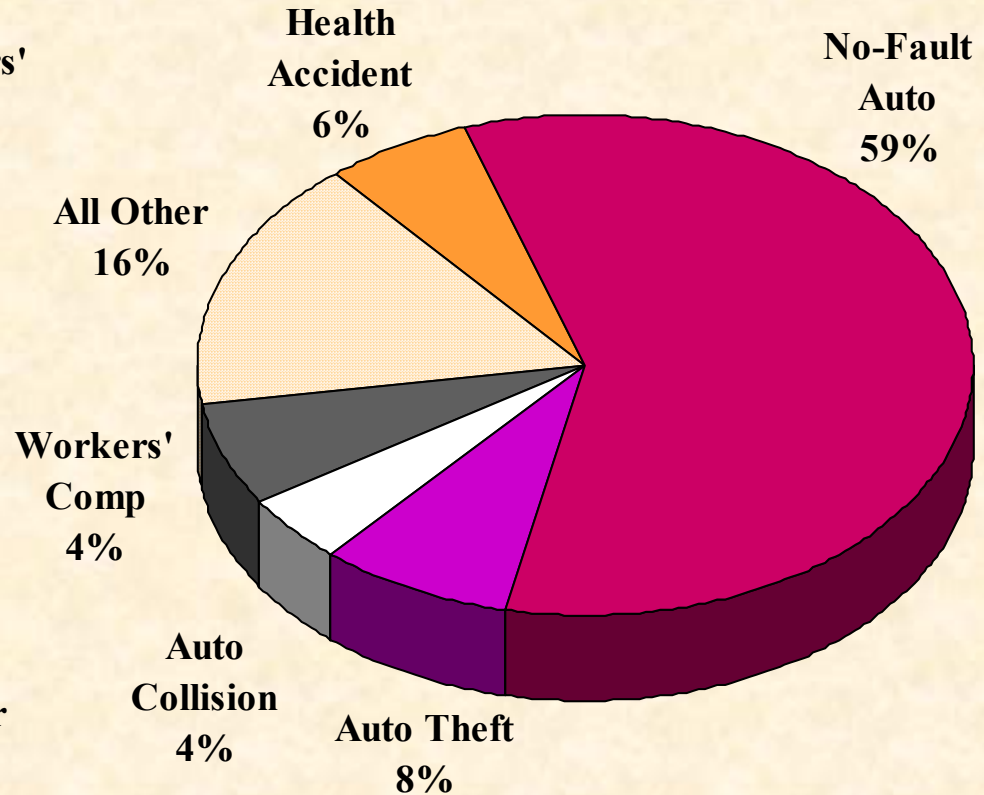
1995

Total Reports = 20,205



2001

Total Reports = 26,028

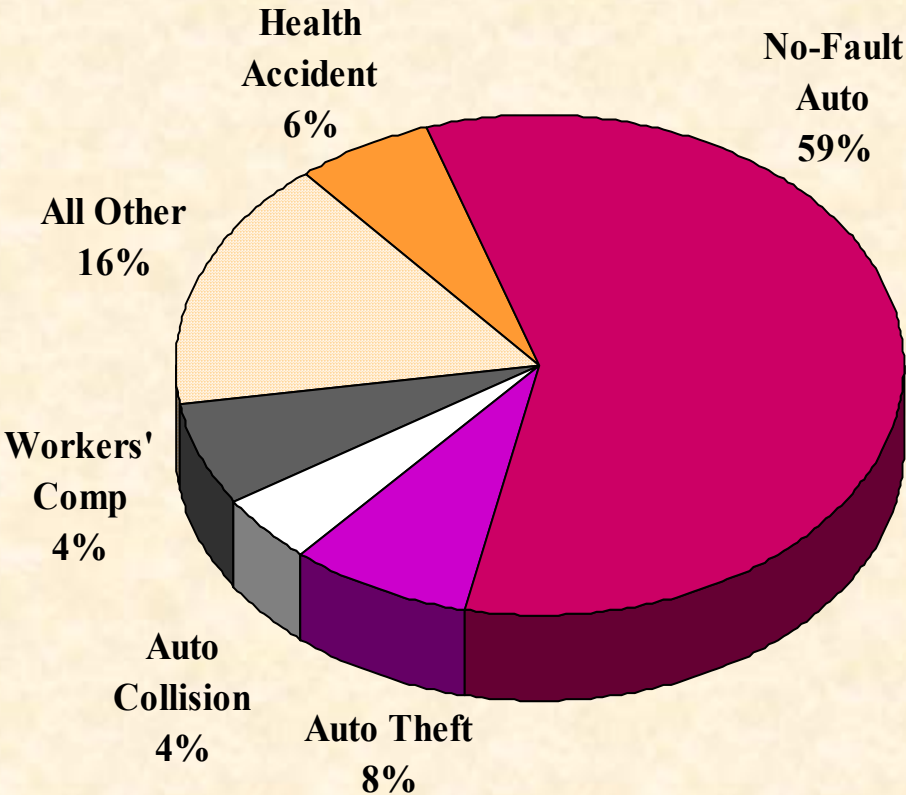




Composition of Fraud Reports, 2001 vs. 2002

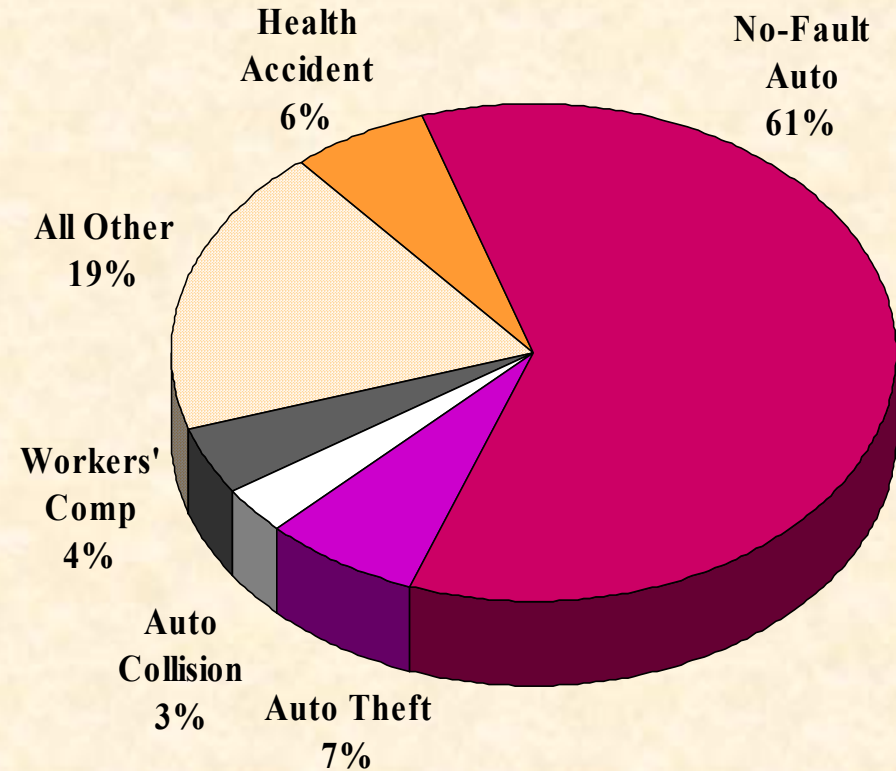
2001

Total Reports = 26,028



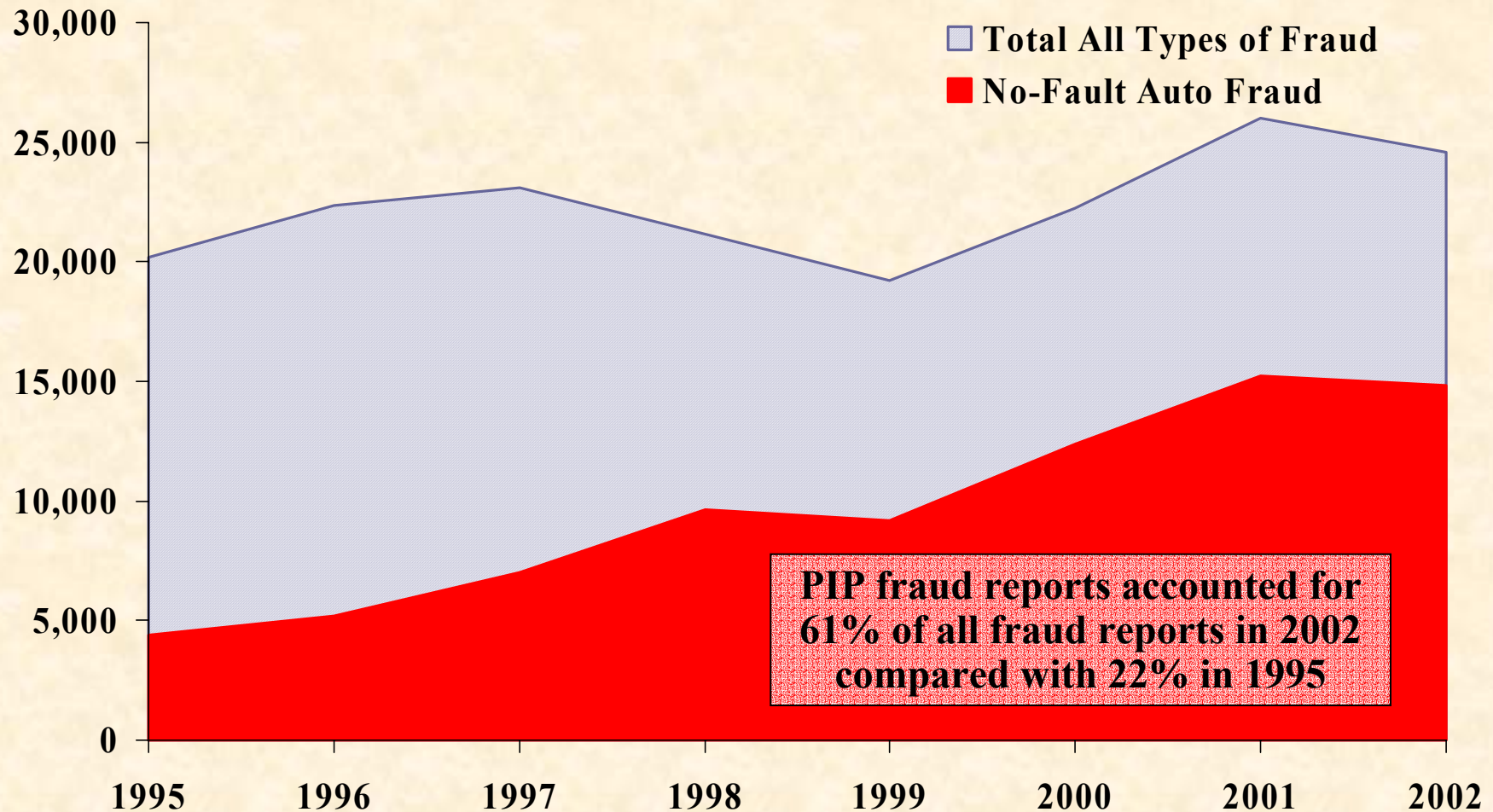
2002

Total Reports = 24,578





No-Fault Fraud: A Growing Problem



Source: New York Department of Insurance; Insurance Information Institute.

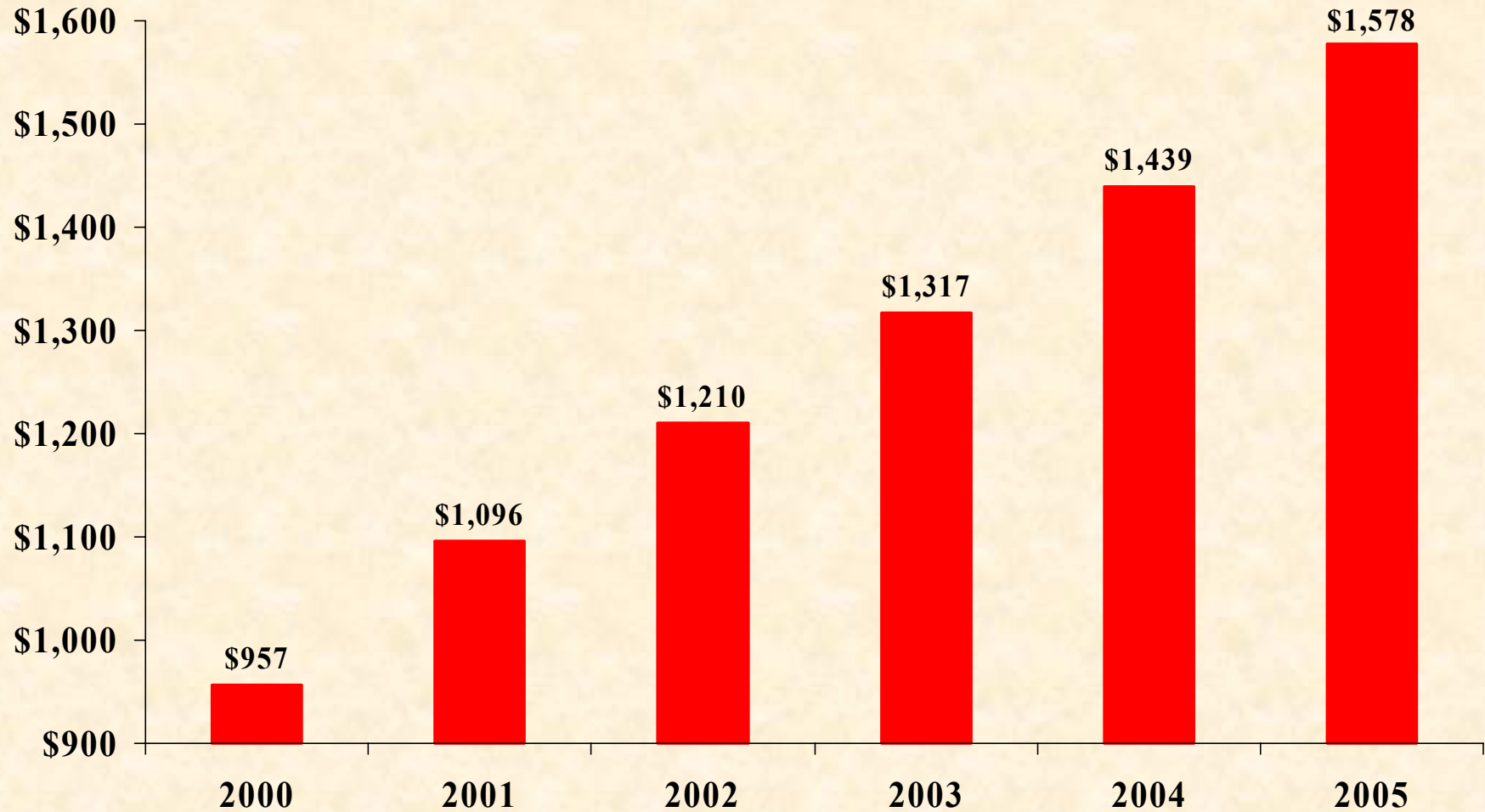


*Insurance Information
Institute On-Line*

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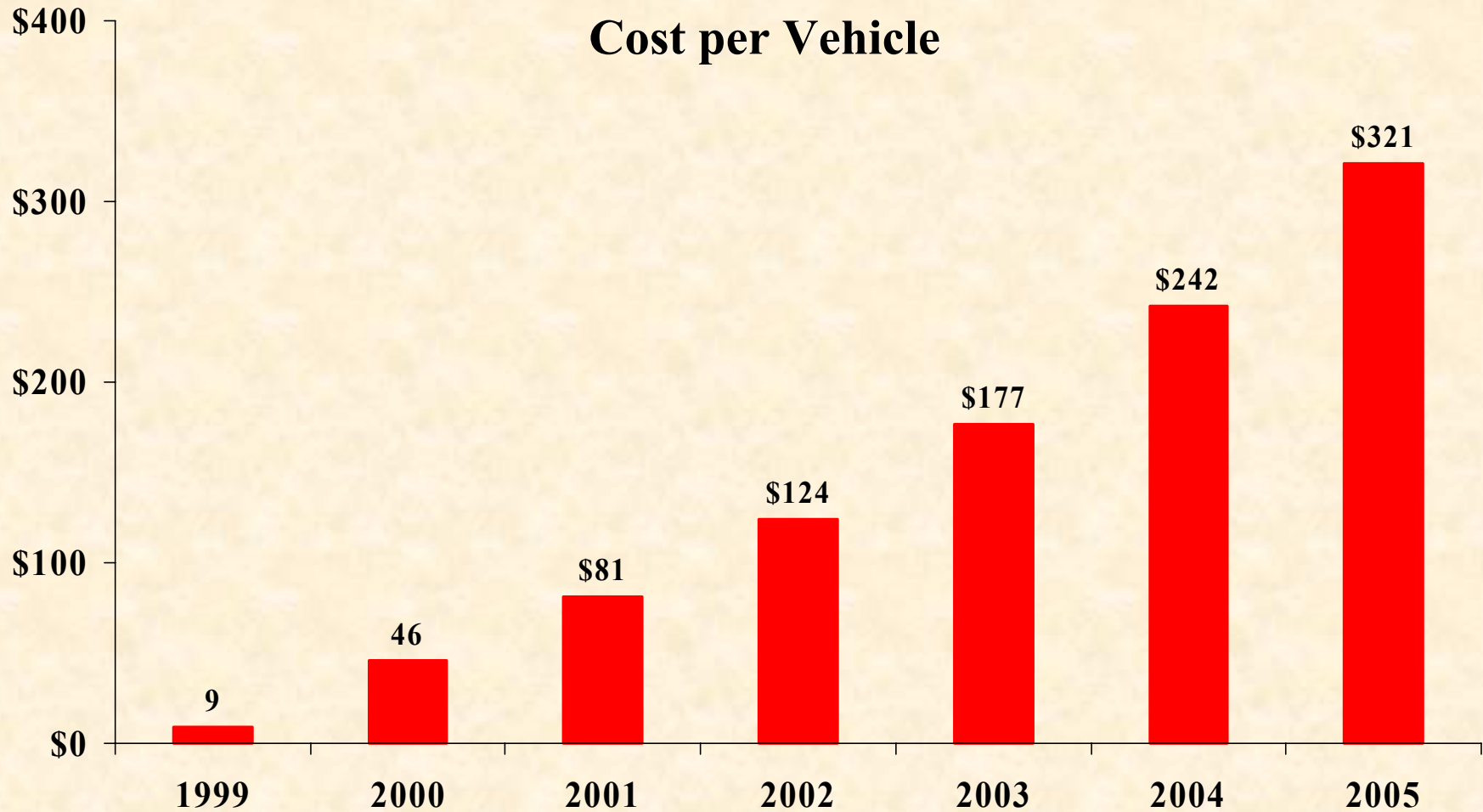
Projected Average Auto Insurance Expenditure in NY State Assuming No Meaningful Reform (Jan. 2002 Est.)



Source: Insurance Information Institute



Projected Average Cost of No-Fault Auto Insurance Fraud in NY State Assuming No Meaningful Reform (Jan. 2002 Est.)



Source: Insurance Information Institute