Motor Vehicle Theft and Insurance Fraud Board

2017 Statewide Plan of Operation

Detection, Prevention, Deterrence, and Reduction of Motor Vehicle Insurance Fraud and Related Crimes

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Introduction

Article 36-A of the Executive Law provides that the New York State Motor Vehicle Theft and Insurance Fraud Prevention (MVTIFP) Board "shall develop and recommend to the commissioner a **Plan of Operation** which shall provide for a coordinated approach to curtailing motor vehicle theft and motor vehicle insurance fraud throughout the state. The plan shall provide an integrated means to detect, prevent, deter and reduce motor vehicle theft and motor vehicle insurance fraud by providing funds, upon the recommendation of the Board and approved by the Commissioner, to meet these objectives."

The board is committed to ensuring that the Plan of Operation reflects not only the interests and concerns of government officials whose duty it is to enforce criminal laws and to direct the administration of justice in New York State, but also the views of the insurance industry, professional organizations and citizens. In developing the plan, the board has embraced a programmatic approach based upon proven effective methods of various Auto Theft Prevention Authorities throughout the nation.

Due to the divergent nature of the problems of motor vehicle theft and insurance fraud, the board has chosen to address Motor Vehicle Theft and Motor Vehicle Insurance Fraud through separate, individual plans. This document represents the Plan of Operation for Motor Vehicle Insurance Fraud.

Eligible Programs

Based on Article 36-A of the Executive Law, §846-m, activities eligible for funding include, but are not limited to, the following:

- Prosecution and adjudication services (county and municipal agencies, only).
- Law enforcement services (county and municipal agencies, only).
- Neighborhood or community based programs designed to reduce the incidence of motor vehicle theft and motor vehicle insurance fraud.
- Educational programs designed to prevent the incidence of motor vehicle theft and fraudulent claims practices.

Funds provided under this program shall be used to augment, and not supplant, the provider agency's current funding, if any, for motor vehicle insurance fraud detection, prevention, or reduction activities.

Outline of Statewide Plan of Operation

This plan offers effective strategies that can be adapted by local, county and state agencies to decrease the incidence of motor vehicle insurance fraud through integrated means of detection, prevention, and deterrence. The Plan is presented in the following format:

Part I: Problem Identification of Motor Vehicle Insurance Fraud

The collection of accurate and timely crime data is essential in the identification of a motor vehicle insurance fraud problem, as it allows agencies to answer the questions of who, what, where, and when of motor vehicle insurance fraud and related crimes. However, because the state's Penal Law does not distinguish between vehicle-related insurance fraud charges and all other insurance fraud, the most accurate measure of the crime of vehicle-related insurance fraud is currently the countywide data provided by the New York State Department of Financial Services (DFS) Insurance Frauds Bureau.

Part II: Analysis of Motor Vehicle Insurance Fraud in New York State

Through the analysis of timely and accurate data, an agency may be able to determine the "why" of motor vehicle insurance fraud and related crimes. Determining causes and trends is essential in the development of an effective crime reduction strategy that targets the identified problem. The plan analyzes motor vehicle insurance fraud and related crimes on both a statewide and regional level.

Part III: Areas of Concentration in the Statewide Plan of Operation

The plan shall provide an integrated means to detect, prevent, deter and reduce motor vehicle insurance fraud and related crimes. The areas of concentration for the plan are as follows:

- **Law Enforcement: Detection/Apprehension**
- **Prosecution: Adjudication/Conviction**
- **Public Awareness: Prevention/Education**

Part IV: Evaluation

The plan presents standardized performance measures that are recommended for inclusion by law enforcement and prosecution agencies in the evaluation of their strategy to decrease motor vehicle insurance fraud and related crimes.

Part I: Problem Identification of Motor Vehicle Insurance Fraud

National Overview

During the 1960s, traditional motor vehicle liability insurance became the target of public criticism due to the expensive and time-consuming process of determining who was at fault and, therefore, legally liable when an accident occurred. In response to this consumer dissatisfaction, in 1974 New York became one of 12 states that initiated genuine no-fault motor vehicle insurance. No-fault legislation allows accident victims to recover financial losses (i.e., medical costs and lost wages) from their own insurance companies regardless of who was at fault.

No-fault laws are intended to lower the cost of auto insurance by keeping claims out of the courts. In most states, no-fault laws require insurers to cover the injury costs of their own policyholders, known as first-party coverage, regardless of who is at fault.

According to the Insurance Information Institute, industry estimates generally put fraud at about 10 percent of the property/casualty insurance industry's incurred losses and loss adjustment expenses each year, although the figure can fluctuate based on business and economic conditions and other factors. Using this measure, over the five-year period from 2011 to 2015, property/casualty fraud amounted to about $33.5 billion nationally each year.

On a national level, identifying the crime of motor vehicle insurance fraud in order to develop strategies that allow law enforcement to target the problem is difficult. Unlike motor vehicle theft or theft of motor vehicle parts and accessories, instances of motor vehicle insurance fraud are not reported as part of the FBI's Uniform Crime Reporting program. As a result, there are no uniform definitions of insurance fraud among the states, and the level of seriousness attached to the crime also varies. Some states classify insurance fraud or certain types of fraud as a felony, others as a misdemeanor. In addition, the dollar amount involved can determine whether the crime is considered a felony.

According to the Institute, not all states require special investigation units of insurance companies to forward every suspicious claim to their state's fraud bureau. These reports of "suspected incidents" of insurance fraud are handled in-house by insurance carriers or by civil actions instead of being prosecuted criminally. In New York, however, state insurance law does require insurance carriers to report suspected instances of insurance fraud to the state Department of Financial Services.

Statewide Overview

According to the DFS *2015 Consumer Guide to Automobile Insurance*, which is the most current publication available, New York State drivers are required to secure auto insurance that includes:

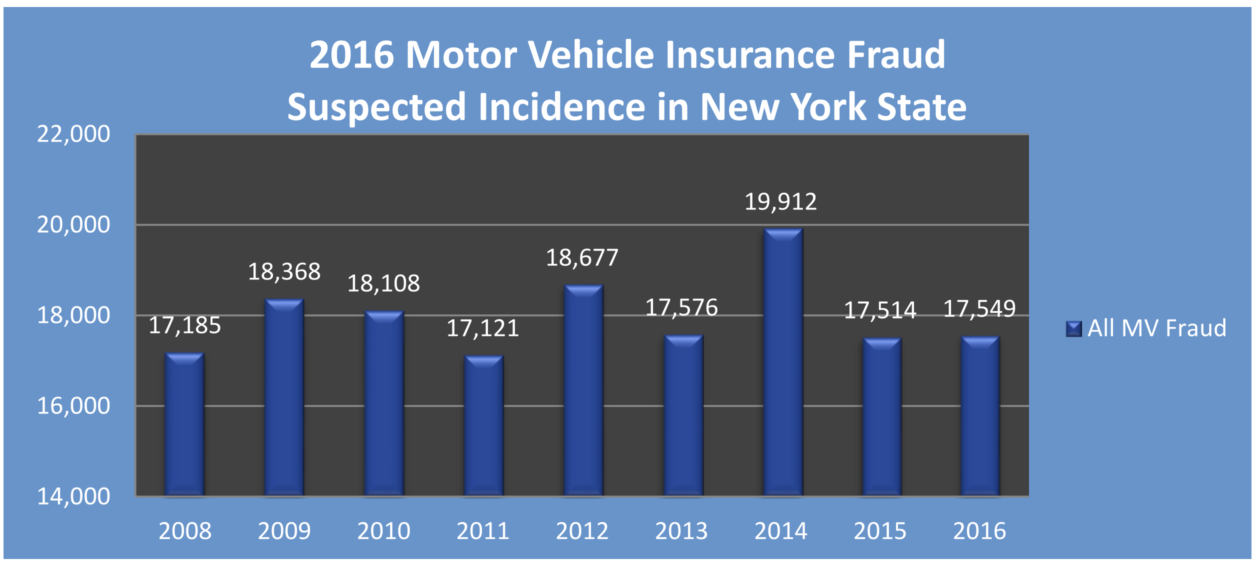
- **No-Fault Personal Injury Protection (PIP):** To pay medical expenses, lost earnings and other reasonable and necessary expenses for a driver or passenger injured in, or a pedestrian injured by, their vehicle;

- **Liability:** To protect against the harm their vehicle, or any vehicle they drive with the owner's permission, might do to other people and their property; and,

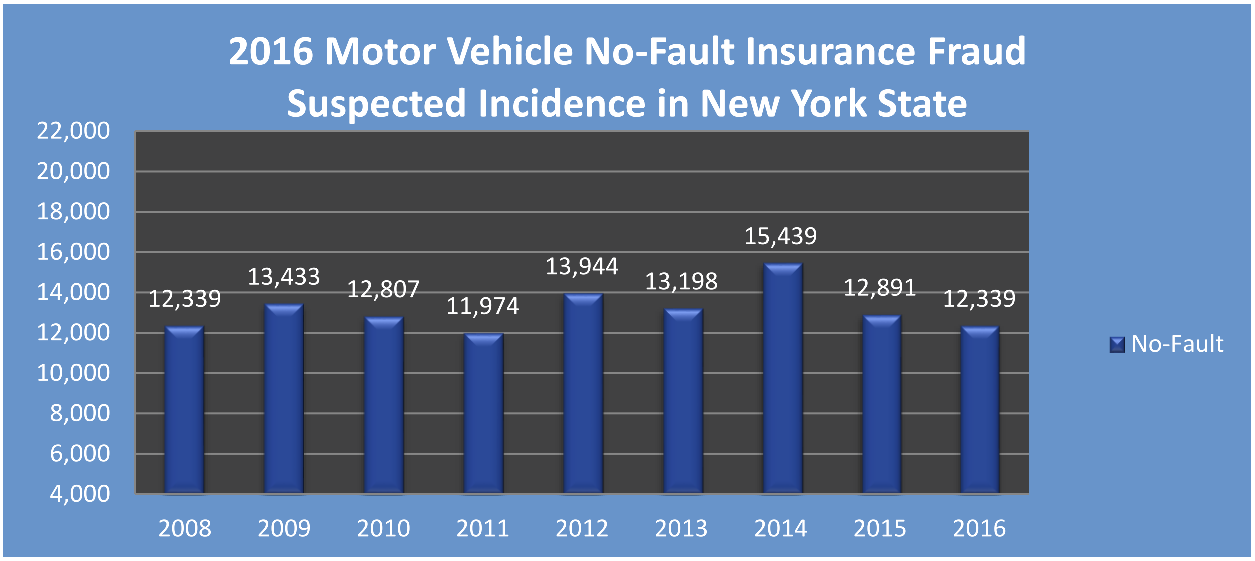
- **Uninsured Motorists:** To protect against the injuries that they, their family or their passengers might suffer in a hit-and-run accident or in an accident with an uninsured vehicle.

Legislative findings associated with the creation of the Motor Vehicle Theft and Insurance Fraud Demonstration Program (New York Executive Law §846-J) note: "Motor vehicle theft and motor vehicle insurance fraud are a major problem in New York and costs honest motor vehicle policyholders billions of dollars annually."

In 2016, there were 17,549 incidents of suspected motor vehicle insurance fraud reported to the DFS Insurance Frauds Bureau, including fraud related to motor vehicle theft, motor vehicle fire, larceny from a motor vehicle, motor vehicle vandalism, motor vehicle collision damage, motor vehicle fraud bills, motor vehicle insurance cards, and motor vehicle miscellaneous and no-fault. This represents a nominal increase from 2015.



Of the 17,549 incidents of suspected motor vehicle insurance fraud reported statewide, 12,339 pertained to no-fault insurance fraud. Based on this data, no-fault insurance fraud accounted for approximately 70 percent of all reported suspected incidents of motor vehicle insurance fraud in 2016. Reports of suspected no-fault insurance fraud decreased from 12,891 in 2015, representing a 4.3 percent decline.



Part II: Analysis of Motor Vehicle Insurance Fraud in New York State

Statewide Analysis

Motor vehicle insurance fraud, in general, is any intentional deceptive conduct relating to one's contact with, use, registration or ownership of a motor vehicle or treatment of its occupants in the context of insurance claims involving theft, property damage, accidents, bodily injury or medical care. It may occur during the process of selling, buying, underwriting or using insurance, is nearly always committed for the purpose of financial gain and frequently involves the commission of other crimes.

Insurance fraud diverts vital resources away from businesses, law enforcement, the civil justice system, regulatory agencies and local emergency services. Motor vehicle insurance frauds range from simple acts to elaborate schemes, are highly profitable and have a relatively low risk of apprehension, prosecution and imprisonment.

Motor vehicle insurance fraud is the act of deceiving an insurance company for profit: a deliberate attempt to stage, invent or exploit an accident, injury, theft, arson or other type of loss that would be covered under an insurance policy. These crimes generate significant profits for the perpetrator(s) and result in unwarranted insurance carrier expenditures that are ultimately passed along to the public via increased premiums.

Types of Motor Vehicle Insurance Fraud:

- **Application Fraud/Policy Misrepresentation/Premium Fraud:** Fraud can occur during the underwriting process when drivers apply for new or renewal coverage. An applicant may not mention prior or existing damage to a vehicle or that the vehicle was salvaged in another state. Applicants may not reveal moving violations, accidents or drunk driving convictions in their driving histories. Applicants may provide inaccurate information about the number of miles driven, the usage of vehicles (pleasure versus work), the distance between home and work or the actual garaging location (rate evasion). Applicants may apply for or secure coverage after an incident has occurred, falsify the incident date and make a claim for the damage to be covered. Withholding any information or providing inaccurate and misleading information can be considered fraud.

- **Born Again Vehicle:** This refers to a stolen or renumbered vehicle that, through the use of a forged duplicate title, a counterfeit title, a manufacturer's source document showing the Vehicle Identification Number (VIN) or the original title that has been returned to the United States from an illegally exported vehicle, assumes the identity of a vehicle that has been exported.

- **Claim Exaggeration/Claim Padding:** Overstating an insurance claim or falsely reporting items stolen from the vehicle to make up for the policy's deductible or to recover some of the money that has been paid for insurance coverage in the past.

- **Cloned Registration:** A stolen vehicle that bears a replacement tag obtained by using bona fide registration information obtained without the vehicle owner's knowledge.

- **Cloned VINs:** Found on stolen and renumbered vehicles equipped with a counterfeit VIN that can be found on a legitimate vehicle of the same make and model. Through the use of a forged duplicate title application, with a transfer or 'Registration Only' transaction, the vehicle becomes legitimized.

- **Commercial Application Fraud:** This occurs when a group of individuals are in an alleged application misrepresentation scheme for commercial vehicle insurance. The scheme may involve several individuals allegedly acting as a major insurance broker for numerous car rental and leasing companies, or cabs and limo services that work almost exclusively in the New York City metropolitan area. However, the majority of the listed addresses are located in upstate counties. These locations are used to facilitate their alleged rate evasion scheme. Several large carriers are receiving numerous auto casualty claims that they are presently adjusting. The vehicles are all registered to the upstate addresses while allegedly being housed and utilized in the New York City area. Losses to numerous insurance carriers and the state total in the millions of dollars.

- **Counterfeiting:** Counterfeiting in the context of motor vehicles refers to forging, altering and/or copying motor vehicle-related documents without a legal right to do so.

  Advancements in computer and printer technology have made it possible for the creation of counterfeit documents, providing perpetrators with the means to fraudulently obtain vehicles, parts, and/or motor vehicle insurance coverage. While DFS and the state Department of Motor Vehicles have developed documents and verification procedures that deter these types of crimes, counterfeiting and document fraud continue to be perpetrated. The following are examples of ongoing document fraud with regard to motor vehicles:

- **Counterfeit Insurance Cards:** Illegal storefront “insurance companies” may issue invalid insurance cards to unsuspecting vehicle owners at very low prices, or a fraudster may present a forged insurance card to law enforcement as proof of insurance.

  Due to the use of two-dimensional bar codes by DMV, there has been a decrease of fraudulent New York State insurance cards; however, out-of-state cards can continue to be a problem.

- **Counterfeit Title:** Typically, a heavily financed vehicle is reported stolen and the insured presents his insurance company with a counterfeit title listing himself as the sole owner and omitting the bank or finance company as lien holder.

- **Duplicate Title:** The insured person sells the vehicle, obtains a duplicate vehicle title, reports the vehicle stolen, and then surrenders the duplicate title to the insurance company. This method nets proceeds from the sale of the vehicle and the vehicle theft settlement from the insurance company.

- **Embezzlement from an Insurance Carrier/Theft of Premiums:** Any scheme whereby an insurance agent deliberately fails to remit policyholder premiums to the insurance company and instead pockets the premiums.

- **Export Fraud:** A vehicle stolen and illegally shipped overseas to be sold. Export fraud may involve the theft and shipping of high-end or difficult to secure vehicles that fetch a premium price overseas or owner give-ups looking to reap profits from insurance settlements. Non-manifested vehicles or vehicles discovered in cargo containers being shipped out of the country that do not appear on shipping manifests are a primary indicator of export fraud.

- **Faked/Staged Accident or Incident:** An event created to intentionally cause damage to a vehicle. One or more parties collude to cause an intentional collision to collect on bodily injury or property damage insurance. Such incidents usually involve low speed and result in little damage to vehicles. The perpetrators may cause a collision with an innocent party or operate all vehicles involved in the collision. States with no-fault insurance systems are more vulnerable to this type of fraud as shorter, state-mandated periods for injury payments give insurance companies limited time to investigate incidents and determine whether fraud has taken place. Staged accidents have many variations, including the following:

  - **Drive Down/Wave**: A perpetrator (Vehicle 1) observes an innocent driver (Vehicle 2) attempting to switch lanes. The perpetrator will “wave” Vehicle 2 to proceed, indicating it is safe to maneuver into the lane, then accelerate to cause a collision with Vehicle 2. When the police arrive, the perpetrator will deny ever providing a courtesy wave, placing Vehicle 2 at fault.

  - **Hit and Run/Paper Accidents**: The owner of a vehicle with existing damage reports a “hit and run” incident in which the vehicle was damaged in order to fraudulently collect insurance payment.

  - **“Jump-in”:** Perpetrators will falsely report to police that they were a passenger in an accident. This scheme may be utilized in a staged/faked accident, a paper/fictitious accident and/or an unintended accident.

  - **Phantom Victims:** Participants use fraudulent identification and/or provide erroneous personal information, complicating subsequent efforts by investigators and law enforcement to locate and apprehend them.

  - **Sideswipe**: A perpetrator on the inside lane of a dual left-turn lane drifts into the outer lane, intentionally forcing a collision.

  - **Swoop and Squat/Swoop and Stop:** A scheme involving three cars, two drivers (Vehicle 1 and Vehicle 2) with criminal intentions and one innocent driver (Vehicle 3). This scheme occurs when Vehicle 1 is suddenly passed by Vehicle 2 ("swoop"), causing Vehicle 1 to stop abruptly ("squat") and Vehicle 3 to collide with the rear end of Vehicle 1.

  - **Swoop and Squat Enhanced:** This scheme involves four cars, three with criminal intentions, and one innocent driver. This scheme adds a third vehicle located in the next lane opposite the victim's vehicle and prevents the intended victim's vehicle from being able to swerve into the adjoining lane at the last moment in order to avoid the collision.

  - **T-Bone:** A perpetrator (Vehicle 1) waits for an innocent driver (Vehicle 2) to proceed through an intersection and then accelerates to T-bone the vehicle. When the police arrive, phony witnesses then claim Vehicle 2 ran the stop sign or traffic signal.

- **Falsified Theft Reports**: The owner of a vehicle submits a false claim for items reported stolen from a vehicle or exaggerates a claim for items that were actually stolen.

- **Hidden Repair Fraud/Inflated Repair Estimates:** Working in collusion with the owner of a vehicle, an auto body shop inflates the extent of the damage to cover the deductible. Independent damage appraisals help to eliminate this type of fraud.

- **Internet-Based Fraud:** There is a growing use of the Internet to commit fraud and scam buyers, including the following:

  - **Auctions/Internet Sales:** There is a growing use of the Internet to sell vehicles to rebuilders and individuals. Sites are used to sell VIN tags, license plates and other illegal parts of vehicles. While some sites prohibit the sale of these items, the volume of items listed makes monitoring and removal of prohibited items a challenge. Salvage vehicles with clean titles, multiple sales of a single vehicle, as well as the collection of money for a vehicle that was never delivered are examples of frauds facilitated by the Internet. These crimes are difficult to police and prosecute as Internet sales are not regulated by any one jurisdiction.

  - **Fraudulent Documents:** Fraudulent driver's licenses, International Driving Permits and/or International Driver's Licenses are easily obtained through various websites, and those documents are used to commit identity fraud and insurance fraud.

  - **Fraudulent Motor Vehicle and Parts Identifiers:** Web sites supply a wide range of blank VIN plates to customers. This allows the re-tag of stolen vehicles and/or salvage vehicles that are un-insurable.

  - **Fraudulent Photos:** Alternate and/or doctored photos of pristine and/or damaged vehicles allow fraudsters to falsify information regarding registered vehicles and/or accident insurance claims.

  - **Information Websites:** Various online sites offer instructions detailing how to fake signs of whiplash, create a phony corporation, answer questions at an independent medical exam requested by an insurance carrier, and establish a successful fraud scheme or medical clinic.

  - **Obtain Keys to Motor Vehicles:** Using the identifying code for an ignition key, a copy can be made by a web-based company and sent via the mail to whomever pays for it. The key can then be used in an "owner give-up" scam or straight-up steal.

- **Kickbacks/Insurance Company Employee**: An employee of an insurance company may be accepting kickbacks from auto body shops to verify false claims or working with attorneys to settle claims for a percentage of the kickback.

- **Mileage Fraud/Odometer Rollback:** Resetting the odometer to show fewer miles than actually driven.

- **Motorcycle Frame Replacement:** An insured reports his/her motorcycle as stolen and then purchases an after-market replacement frame. The insured removes all the minor component parts off the original bike and affixes them to the replacement frame. The replacement frame has a full 17 character VIN number and a certificate of origin. The certificate of origin is used to register the vehicle as a different make and model with a new VIN number. In some cases, they will also abandon or drop the frame bearing the original VIN number.

  In New York State, all custom motorcycles that are built are required to be inspected by DMV investigators. Due to these inspection requirements, many individuals engaged in this practice will title and register vehicles in another state and operate them in New York with the out-of-state registration.

  Another common scam criminals commit against consumers interested in purchasing a used motorcycle is to assemble a cycle from replica after-market parts and then sell it as an original. This is known as a "cloned" cycle and is an age-old method for ripping off unsuspecting consumers.

- **Owner Give-Up, Drug-Related:** A drug buyer will lend/lease his vehicle to a dealer/supplier in exchange for drugs or as collateral for a specified period of time. Rather than return the vehicle to its rightful owner, the dealer may use the vehicle to commit a crime (e.g., drug trafficking, burglary, etc.), pass the vehicle off to other individuals she/he is loosely associated with, and/or dump the vehicle when it is no longer of use. When the vehicle is not returned to the registered owner as previously arranged, the registered owner reports it stolen to the police department.

  The vehicle is usually recovered close in time to when the report is made and often in the possession of an individual not a party to the original lend/lease transaction. This scenario is generally viewed as a situation of unauthorized use. An owner give-up drug car situation rises to the level of insurance fraud when the registered owner/drug user reports the vehicle to the insurance carrier as stolen.

- **Owner Give-Up, Phony Theft/Staged Auto Theft:** The intentional abandonment or destruction of an owned or leased vehicle, which is then reported stolen to collect from an insurance carrier. Owner give-ups are motivated by a variety of reasons, including: owner needing cash; mechanical problems requiring expensive repairs; problems in making car loan payments, lease or insurance premium payments; and/or over the mileage allowance on a leased vehicle. Types of owner give-ups include:
  - **Arranged Arson:** The owner of a vehicle, or a second party engaged by the owner, sets fire to a vehicle in order for the owner to collect on an insurance claim.
  - **Dumped Vehicle:** A vehicle that is intentionally disposed of, such as “dumping” it in a river, lake or swamp and later claiming it stolen.
  - **Thirty-Day Special:** A vehicle in need of extensive repairs is reported stolen and kept hidden for the 30 or more days needed to process and collect on an insurance claim. At some point after the claim is paid, the original owner dumps the car, which may ultimately be found. During this time, the perpetrator of the scam obtains a new vehicle. The original vehicle, if found, becomes the property of the insurance company.
- **Paper/Fictitious Accidents:** Rather than staging an accident for the purpose of committing insurance fraud, participants file an accident claim for an accident that never took place.
- **Paper Vehicles/Phantom Vehicles:** Vehicles that exist only on paper for the sole purpose of defrauding an insurance company. After an insurance policy is obtained using phony information as to the vehicle’s existence and identification, a fraudster will report the vehicle stolen and file a theft claim with the carrier.
- **Repair Shop Fraud:** This fraud takes advantage of an unsuspecting owner of a vehicle. Repair shops may fraudulently increase their profit by charging for repairs that were not made; unnecessary work or more hours than were actually worked; a replacement part while the original part was repaired; and equipment manufactured parts when the vehicle actually receives used parts of like kind and quality or after-market parts. An additional type of repair shop fraud is the Ro-Tow:
  - **Rotation Tow Fraud (Ro-Tow):** A towing company transports a recovered stolen vehicle in relatively good condition to a conspiring repair shop and the vehicle is stripped of valuable parts prior to owner and/or insurance adjuster identification. The repair shop is then able to collect compensation from the car owner’s insurance company to repair the car they stripped. If the car is declared totaled, or is transported by the owner to another shop, the conspiring repair shop retains the stripped parts for use or salvage.
- **Sale of Phony Insurance:** An individual posing as an agent or company representative sells counterfeit coverage from a phony or non-existent insurance company or bogus coverage using a legitimate company’s name, or a name that’s similar to a legitimate insurer. Consumers may receive a fictitious policy and/or proof of insurance.

- **Salvage Fraud:** Attempt to collect on a fraudulent insurance claim based on a vehicle that has been declared a "total loss" due to sufficient damage produced by collision, fire or vandalism.

- **Salvage Switch:** A stolen and renumbered vehicle bearing the VIN of a previously salvaged vehicle for which a title was issued based on the title of the salvaged vehicle.

- **Scapegoat Theft:** Person claiming that their vehicle was stolen to avoid the consequences for another offense. For example, a person whose vehicle has collided with and damaged another vehicle may leave the vehicle and declare it stolen in order not to be responsible for the damage.
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- **Title Washing:** Title washing involves the transferring of a vehicle title between different states to remove salvage branding. The variation in state laws regulating salvaged vehicles allows cars to go from state to state. In addition, states use different mechanisms to disclose damage of a vehicle to consumers.

Highly Organized Motor Vehicle Insurance Fraud Schemes:

False Endorsement:

Following an actual accident, a fraudster may provide contact numbers to an alleged five-star repair shop, a powerful lawyer and/or a caring doctor. In actuality, each contact is a participant in the fraud scheme. The repair shop will consciously overcharge repair fees, the lawyer will pressure the accident victim into filing a lawsuit, and the doctor will bill for medical treatment never performed and/or unnecessary medical treatment provided.

Corrupt Clinics and Health Care Providers ("Medical Mills"):

Most faked or staged accidents or incidents that occur as part of motor vehicle insurance fraud schemes are linked to corrupt clinics and other health care providers, such as acupuncturists, anesthesiologists and chiropractors. The ultimate goal of these medical mills is to exploit New York's no-fault insurance laws for optimal financial gain.

The medical mills are paid by insurance companies upon an assignment of benefits executed by all "accident victims" receiving treatment. Whether the accident victims come from staged accidents, fictitious accidents or have been recruited following the occurrence of a real accident, the object of the scheme is to bill the insurance company for the maximum amount of benefits allowed.

The corporate set-up and structure of these clinics lends itself to fraud. A management company bills for services provided by a Professional Service Corporation. This management company is owned by someone who is not allowed, by law, to provide medical care. The payments flow from the professional corporation to the management company where the funds are received by the non-professional. The corporation in this case is simply a front for collections.

Faked/Staged "Accident" (Incident) Indicators: The following represent common indicators regarding faked/staged accidents:

- Unbiased witnesses who categorically deny the prospective claimant's version of events;
- Overly cooperative bystander/eyewitnesses who happen to be related to the victim;
- Accidents resulting in tremendous damage to one car, with practically none to the other;
- Accidents with phantom vehicles;
- Accidents appearing to have been deliberately caused by the victim;
- Multiple victims in vehicles provide conflicting and inconsistent accounts to the responding officer about their destination, pre-accident activities and relationship to one another;
- Accident victims receive extensive treatment for vague soft tissue injuries at same or similar clinics;
- Recently registered older vehicles in poor condition with assigned risk insurance code **999;**
- A vehicle is rear-ended or sideswiped (lone drivers are often targeted) and the vehicle that caused the accident has multiple passengers;
- Livery-type vehicle picking up multiple passengers is then sideswiped or rear-ended by a vehicle;
- Registered owner of a vehicle and the driver have the same address but different surnames;
- Out-of-state driver's license and a vehicle with a New York registration;
- Accident victims that have been in numerous other accidents resulting in billings to insurance companies through the no-fault system; and/or
- The registered owner of the vehicle involved has been the registered owner of other vehicles involved in suspect no-fault billings accidents.

Regional Analysis

In its 2016 report titled Affordability in Auto Insurance: Cost Drivers in Twelve Jurisdictions, the Insurance Research Council (IRC) reviewed the insurance claim factors driving costs in the twelve states with the least affordable auto insurance systems. The study indicated that in New York, the factors contributing to high insurance claim costs included high rates of injury claim frequency; high utilization of medical services such as MRI, CT scans, chiropractic treatment and physical therapy; high rates of attorney involvement in claims; and a high rate of apparent claim abuse.

According to another study by the IRC using data from 2012, New York ranked second among states for personal injury protection (PIP) claims closed with payment that had the appearance of fraud and/or inflation of otherwise legitimate claims (known as claim buildup). The incidence of apparent fraud or buildup in New York State was 24 percent. Claims with the appearance of fraud and/or buildup were more likely than other claims to involve chiropractic treatment, physical therapy, alternative medicine and the use of pain clinics.

In a 2011 study of Personal Injury Protection (PIP) claims closed in 2010, the IRC noted that statewide, 23 percent of the claims examined involved the appearance of claim abuse. There were significant differences in claiming behavior between residents of the New York City metro area and those of the rest of the state. Claims from the New York City area were 4 times more likely to involve apparent abuse than claims from the rest of the state. New York City claimants were much more likely to visit chiropractors, physical therapists and acupuncturists; receive expensive diagnostic procedures, report expenses for durable medical equipment, and to be treated in pain clinics. In addition, more than half of the claims that involved apparent abuse stemmed from accidents occurring in either Brooklyn or Queens.

Taken in combination, these studies suggest that higher rates of claim abuse and use of medical services, particularly in the New York City metro area, contribute to the relatively high cost of automobile insurance in New York.

Part III: Areas of Concentration in the Statewide Plan of Operation

The plan shall provide an integrated means to detect, prevent, deter and reduce motor vehicle insurance fraud and related crimes. The Plan identifies the following four areas of concentration as essential for an effective statewide motor vehicle insurance fraud strategy. Each of these areas contain elements that have been identified by experts in the field as effective strategies within the area of concentration.

Law Enforcement/Detection/ Apprehension:

In order to continue the impact on motor vehicle insurance fraud and related crimes by law enforcement, the following efforts should be incorporated:

1. Coordinated Efforts and Enhanced Communications:

Within each law enforcement agency: The impact of an individual law enforcement agency is greater when efforts of its distinct units, such as patrol and detectives, act collaboratively. In addition, two-way intelligence briefings should be used to effectively focus efforts.

Within each county*:* The coordination among agencies through an informal or a formal task force approach can result in effective methods of detection and apprehension. Experience across the state has shown that it is essential for the district attorney's office to be a primary partner, especially from the beginning of more complex, undercover, or long-term investigations. Inclusion of state agencies also is essential, as it provides additional manpower, intelligence and the prevention of overlapping or competing investigations. This includes the utilization of the Secure Automated Fast Event Tracking Network (SAFETNet).

- **SAFETNet/UDECS**: This statewide de-confliction system that enhances officer safety by preventing two or more agencies from simultaneously pursuing investigations against common targets. Targeted people and places of case investigations are entered into SAFETNet through the New York/New Jersey High Intensity Drug Trafficking Area Regional Intelligence Center (HIDTA) or the New York State Intelligence Center (NYSIC).

Within New York State: Initiate and continue to hold meetings of law enforcement agencies from contiguous counties and special-investigations units of insurance carriers.

2. Effective Enforcement: Problem identification and analysis enable law enforcement agencies to effectively target their enforcement initiatives. Based upon experience from current grant funded programs in New York and other states, the following enforcement methods should be considered when a law enforcement agency is combating motor vehicle insurance fraud and related crimes:

- Sting operations that target the crimes revealed through problem identification and analysis;
- Development of confidential informants through assistance of the district attorney's office;
- Development of expertise in personnel at patrol and detective/investigator levels through training and field experience.
- Audit teams of state and local officers to inspect repair shops, scrap yards and dismantlers;
- Vehicle Identification Number tracking systems;
- Utilization of advanced technology for investigations and surveillance; and
- Ongoing statistical analysis and utilization of intelligence data centers.

Prosecution/Adjudication/Conviction:

In order to continue the impact on motor vehicle insurance fraud by effective prosecution, the following efforts are to be incorporated:

1. Coordinated Effort and Enhanced Communications

***Within each district attorney's office**:*

- Dedicate staff to motor vehicle insurance fraud and develop expertise;
- Utilize vertical prosecution; and
- Assist in the coordination of investigations within the county and work closely with law enforcement.

***Within each county**:* The coordination among agencies through an informal or a formal task force approach can result in greater effectiveness in implementing methods of detection and apprehension. Experience has shown that it is essential for the district attorney's office to be a primary partner, especially from the beginning of more complex, undercover or long-term investigations. Inclusion of state agencies with missions relevant to the targeted crimes also is essential, as it provides additional manpower, intelligence and the prevention of overlapping or competing investigations. This includes the utilization of SAFETNet.

Within New York State: Initiate and continue to hold meetings of law enforcement agencies from contiguous counties and special-investigations units of insurance carriers.

2. Making Appropriate Plea Offers and Sentence Recommendations to the Court

In those counties where district attorneys' offices have worked to enhance plea offers and seek stiff penalties for motor vehicle insurance fraud and related crimes, the efforts of police have been reinforced. It is important to communicate this need for a strong judicial response on these matters with an emphasis on communicating that these crimes are not victimless. Leniency in sentencing tends to perpetrate the ongoing problem of motor vehicle insurance crime in our communities. The use of state RICO charges also has been effective in prosecuting organized crime ring.

Education/Training Programs

In addition to educating the public, it is essential to educate law enforcement personnel and prosecutors. While experience in the field is invaluable, the foundation for effective enforcement and prosecution is quality training. The development of all-encompassing training programs is important, with the input of seasoned investigators essential. The length of training seminars can vary from one to four days, as well as simple roll call programs of checklists that can be easily used in the field. Emphasis should be placed on the development and delivery of training programs for the following target groups:

- Patrol and investigative law enforcement personnel;
- Law enforcement agency command and executive level personnel;
- Law enforcement training directors of New York State;
- Prosecutors;
- Magistrates and judges;
- Insurance industry underwriting and special-investigations unit personnel; and
- Community groups and the general public.

The board recommends that one way to enhance training programs is to present a team comprised of a local prosecutor, law enforcement investigator and insurance carrier investigator where the program is being sponsored. The team members should be experienced, and include a local prosecutor who has developed expertise and has intelligence on motor vehicle insurance fraud and related crimes in the area.

Part IV: Evaluation

The evaluation of programs and projects is undertaken to ensure that their implementation is in accordance with agreed plans, objectives and goals; to prove that funds are used as agreed, and to provide for possible adjustments and further planning of individual programs and projects. The Plan recommends the inclusion of standardized performance measures by law enforcement, prosecution, and education/training programs in the evaluation of their strategy to decrease motor vehicle insurance fraud and related crimes, as follows:

Law Enforcement:

Number of investigations initiated
Number of accident claims denied or withdrawn due to law enforcement investigation
Value of accident claims denied or withdrawn due to law enforcement investigation initiation
Number of misdemeanor arrests (including types of charges levied)
Number of felony arrests (including types of charges levied)
Number of intra-agency motor vehicle insurance fraud meetings conducted and/or attended
Number and type of training sessions conducted and number of attendees
Number and type of training sessions attended
A narrative summarizing current inter-agency collaborative efforts regarding motor vehicle insurance fraud

Prosecution:

Number of investigations initiated
Number of warrants issued
Number of indictments
Number of misdemeanor arrests prosecuted
Number of felony arrests prosecuted
Number of misdemeanor convictions
Number of felony convictions
Type(s) of sentencing
Amount of funds (restitution) provided to the insurance industry
Number of intra-agency motor vehicle insurance fraud meetings conducted and/or attended
Number and type of training sessions conducted and number of attendees
Number and type of training sessions attended
A narrative summarizing current inter-agency collaborative efforts regarding motor vehicle insurance fraud

Education/Training Programs:

Subject areas, instructors and seminar outlines
Number and location of seminars held
Number of attendees per seminar
Number of agencies represented per seminar
Number of webinar trainings produced
Number of motor vehicle theft and/or motor vehicle insurance fraud articles published.

Appendix A

New York State Motor Vehicle Theft and Insurance Fraud Prevention Board

History of the Board and Statewide Plan of Operation

Statistics

History of the Board and Statewide Plan of Operation

Introduction

During the late 1980s, New York State experienced a dramatic increase in motor vehicle theft and fraud related crimes. From 1986 through 1990, the number of motor vehicles reported stolen increased by 65 percent. In response to that increase, New York State enacted Executive Law, Article 36-A (L.1994, c.170) creating the *New York Motor Vehicle Theft and Insurance Fraud Prevention Demonstration Program* to help reduce the overall cost of motor vehicle insurance in the state.

Funding for the Program is provided for under State Finance Law §89-d, *Motor Vehicle Theft and Insurance Fraud Prevention Fund*. As of June 1, 2009, the fund consists of monies received from the $10 dollar fee assessed on each insurance policy issued for a portion of passenger vehicles and all other motor vehicles registered in the state (Insurance Law §9110).

Executive Law Article 36-A also authorizes the creation of a 12-member *Motor Vehicle Theft and Insurance Fraud Prevention Board* to make recommendations to the commissioner of the state Division of Criminal Justice Services regarding the administration of the program. Members of the board, selected by the governor and the Legislature, include representatives of law enforcement, consumers of motor vehicle insurance, insurance carriers, and relevant state agencies. With the appointment of its members, the Board became operational in September of 1997 and made initial Program awards later that year.

Mission Statement

In accordance with Executive Law §846-1 and 846-m, the mission and purpose of the Motor Vehicle Theft and Insurance Fraud Prevention Board shall be to make recommendations to the commissioner of the Division of Criminal Justice Services with respect to the exercise of his or her functions, powers and duties as set forth in Executive Law §846-1(3).

The Board shall also:

In accordance with the legislative intent of Article 36-A of the Executive Law, develop and recommend to the commissioner a **plan of operation** which shall provide for a coordinated approach to curtailing motor vehicle theft and motor vehicle insurance fraud throughout the state. The Plan shall provide an integrated means to detect, prevent, deter and reduce motor vehicle theft and insurance fraud by providing funds, upon the recommendation of the Board and approval by the Commissioner, to meet these objectives.

Motor Vehicle Insurance Fraud Suspected Incidents - 2016

Rank	COUNTY	MV INSURANCE FRAUD	Rank	COUNTY	MV INSURANCE FRAUD
1	Kings	4,754	32	Genesee	12
2	Queens	3,550		Ontario	12
3	Bronx	2,411		Oswego	12
4	New York	1,898	35	Livingston	11
5	Nassau	1,298	36	Madison	10
6	Suffolk	723	37	Chenango	9
7	Westchester	560		Lewis	9
8	Erie	351		Steuben	9
9	Richmond	304	40	Chemung	8
10	Monroe	237		Delaware	8
11	Onondaga	159		Fulton	8
12	Albany	120		Orleans	8
13	Orange	116	44	Cortland	7
14	Rockland	72		Franklin	7
15	Oneida	67		Herkimer	7
16	Dutchess	51		Otsego	7
17	Schenectady	46		Tioga	7
18	Niagara	45	49	Clinton	6
19	Broome	41		Montgomery	6
20	Ulster	32		Seneca	6
21	Jefferson	26		Wayne	6
22	Sullivan	24	53	Allegany	5
23	Rensselaer	23		Columbia	5
24	Saratoga	22		Wyoming	5
25	Putnam	20	56	Warren	4
26	Essex	19		Washington	4
27	Chautauqua	17	58	Schoharie	3
28	Greene	16		Tompkins	3
	St. Lawrence	16		Yates	3
30	Cayuga	14	61	Hamilton	1
31	Cattaraugus	13	62	Schuyler	0

While the New York State Department of Financial Services (DFS) receives reports from insurers of suspected fraud, these numbers cannot be assumed to reflect the true scope of the problem. DCJS must use the insurance industry numbers until a more accurate measure of the crime of vehicle-related insurance fraud can be identified.