

February 3, 2026

Testimony of Tom Stebbins, Executive Director, The Lawsuit Reform Alliance of New York

Before the Joint Legislative Budget Hearing on Transportation

Chairs Krueger, Pretlow, Cooney, Magnarelli, and distinguished members of the Legislature, thank you very much for the opportunity to testify on behalf of Lawsuit Reform Alliance of New York (LRANY) regarding the FY2027 Executive Budget proposal. Specifically, LRANY will testify in support of the Governor's Executive Budget proposal aimed at addressing auto insurance fraud.

LRANY is a nonpartisan statewide coalition of everyday New Yorkers, including public and private stakeholders. We are committed to fostering a thriving economy that benefits both everyday New Yorkers and private businesses. As an organization focused on reforming the current litigation environment in the State of New York, we cannot ignore the relationship between fraud and litigation.

Therefore, we applaud the Governor's initiatives to address auto insurance fraud, which has led to higher premiums for New Yorkers. Auto insurance fraud is not unique to the State, but the impact here is well-documented. According to a 2024 report by the NYS Motor Vehicle Theft and Insurance Fraud Prevention Board, insurance carriers reported 44,361 incidents of suspected fraud to the NYS Department of Financial Services Insurance Frauds Bureau in 2024.¹ This represents the highest number ever reported and reflects an approximately 83 percent increase compared to 2020 levels. Of these incidents, 38,846 were related to the no-fault system.

Under the current state's no-fault system, individuals injured in an accident are compensated by their own insurer for medical treatment, prescriptions, lost earnings, and related expenses, regardless of fault. Although the system was intended to reduce litigation and ensure timely compensation, it has also created an incentive to submit fraudulent claims. These incentives have spawned vast networks of medical providers, lenders, imaging companies, and attorneys who are all engaged in coordinated insurance fraud. A LexisNexis survey found that 38% of accident claimants stated that their attorneys suggested or recommended specific medical

¹ See [NYS Motor Vehicle Theft and Insurance Fraud Prevention Board 2024 Report](#), page 3

treatments.² It is clear that these frauds are influenced by the financial incentive inherent in the current no-fault insurance structure.

NYS Department of Financial Services' Consumer Protection and Financial Enforcement Division was right when they stated that in their 2024 report, deceptive healthcare providers and so-called medical mills have cost drivers "hundreds of millions of dollars" due to the current no-fault insurance framework.³

Medical mills, often connected directly to specific trial lawyer law firms, play a central role in facilitating fraud rings by inflating or fabricating injuries, resulting in larger claims and higher litigation costs. Numerous fraud schemes have been uncovered by law enforcement. For example, in July of last year, the Queens District Attorney charged two individuals with staging multiple accidents.⁴ In one instance, one of the individuals met with a group of participants inside a medical clinic and instructed them on how to orchestrate staged car accidents, including directing them to visit a different medical clinic afterward to inflate injury claims. The participants were promised thousands of dollars if they staged an accident. These cases are not isolated. Last year, the Department of Transportation publicly warned drivers about an increase in deliberate and staged accidents, as well as encouraged defensive driving practices.⁵

In many cases the people staging the accidents are the victims of these vast criminal networks. The stagers are often given a few thousand dollars from the millions recovered, all while being forced to undergo unnecessary and disfiguring surgeries. In many cases, the staged accident is "payment" for the migrant getting across the border. A recent deposition spells out the scheme: "Get an immigrant to stage an accident, make them take high interest loans, make them get fusions, not surgeries, fusion because they're expensive, and then when the case settles 'Sorry you took all the money in loans you only get a few bucks.'"⁶

As we discuss ways to lower costs to consumers while tackling these fraudulent actors, I implore you to also consider A.7392 (Pretlow) / S.4874 (Fahy). This legislation would make it unlawful to procure clients for the purposes of committing insurance fraud and aims to prevent the exploitation of vulnerable individuals who are deceived into fraudulent schemes under the promise of compensation for fake injuries.

Deceptive providers and medical mills inflate fraudulent claims through organized fraud rings. The cost of investigating and disputing these false claims contributes to higher insurance

² See [Empowering Carriers with Data-Driven Insights to Address Attorney Representation](#), page 11, LexisNexis Risk Solutions, 2025

³ See [NYS DFS Consumer Protection and Financial Enforcement Division Annual Report 2024](#), page 27

⁴ See [Two Men Charged with Staging Car Crashes on New York City Highways | Department of Financial Services](#)

⁵ See [With Staged Car Crashes on the Rise, DMV Encourages Defensive Driving | NY DMV](#)

⁶ See [Exhibit A, NYSCEF Doc. No. 179](#) at 6 (Transcript of recorded conversation dated Aug. 28, 2024)

premiums for consumers.⁷ In fact, approximately 15% of auto insurance premiums paid are used directly to cover undetected fraudulent claims.⁸

The Governor’s proposal to address auto insurance fraud would not eliminate the state’s no-fault system. It would only introduce a more objective medical standard for what qualifies as “serious injury.” This ensures that individuals genuinely harmed through no fault of their own continue to receive appropriate compensation, while making it more difficult for fraudsters to pursue inflated liability claims. These reforms would not weaken victim protections or shift costs onto accident victims. Rather, they provide clarity and fairness through objective standards.

The Governor’s proposal would also ensure that those deemed “mostly” at fault in an accident – which includes most fraudulent staged accidents – are limited in their non-economic “pain and suffering” claims. This further underscores the balanced nature of these reforms. The reforms the Governor proposes to address auto insurance fraud have been successfully implemented in other states and have been shown to reduce auto insurance rates.

Auto insurance fraud is a major driver of rising insurance costs, draining household wallets. What the Governor is proposing would ensure that accident victims are still heard while simultaneously rooting out those who seek to take advantage of our justice system for profit. Not only does the Governor’s proposal ensure justice, but it would also preserve equity and advance every legislator’s goal of improving affordability amid the current national and statewide affordability crisis. LRANY urges the Legislature to include the Governor’s proposals to address auto insurance fraud in the Senate and Assembly One-House Budgets.

⁷ See Meryem Yankol Schalck, [Auto insurance fraud detection: Leveraging cost sensitive and insensitive algorithms for comprehensive analysis](#), Insurance: Mathematics and Economics Volume 122, May 2025.

⁸ See Shady Attalla & Liam Rodgers, [Auto Insurance Fraud Investigation: Perspectives from Experts in Accident Reconstruction](#), J.S. Held, November 2023.