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Testimony in Support of Governor Hochul's Auto Insurance Reform Proposal

Submitted to New York State Senate Standing Committees on Finance; and Commerce, Economic Development and Small Business; and New York State Assembly Standing Committees on Ways and Means; and Economic Development, Job Creation, Commerce and Industry

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The Citizens Budget Commission (CBC), a nonpartisan, nonprofit think tank and watchdog devoted to constructive change in the finances, services, and policies of New York State and City governments, supports Governor Kathy Hochul's proposals to reform New York's auto insurance market. The status quo fails both drivers and insurers; these common-sense reforms can help rationalize the system, saving New York residents and businesses as much as \$2 billion without any increases in State spending. If New York can achieve savings realized in other states that have reformed their insurance markets, New Yorkers' premiums could shrink 10 percent, saving them **at least \$200 per vehicle per year**.

New Yorkers' auto insurance premiums are among the highest—if not the highest—in the country; they paid [\\$24 billion in auto insurance premiums](#) in 2024. The average premium in New York in 2023 was \$1,896, 32 percent higher than the national average, 12 percent higher than New Jersey, and 51 percent higher than Illinois.

Yet despite those high rates, insurance companies continue to lose money on New York's auto policies—particularly on liability claims. In 2023, insurers lost 17 percent on auto insurance in the New York market after expenses.

Two aspects of New York's auto insurance laws drive up liability premiums: no-fault coverage and joint and several liability.

New York is just one of nine states with mandatory no-fault auto coverage. It requires the highest level of minimum coverage in the nation: \$50,000. This encourages fraudulent and inflated claims after crashes because the payout will be made regardless of fault or the extent of the driver's injuries. Even though the no-fault system was intended to divert cases from the

court system, drivers who are seriously injured are permitted and continue to sue for damages on top of their no-fault awards. This is especially problematic because they can sue even if they are primarily at fault, due to New York’s pure comparative liability standard. New York is among just nine states to still use this standard.

New York also excludes auto accident cases from protections against joint and several liability claims in cases where there are multiple defendants. This means that plaintiffs can sue a single deep-pocketed defendant—often a taxi or for-hire vehicle company, or a public entity like the City of New York or the Metropolitan Transportation Authority—for the entirety of their damages even if that entity is only partly at fault. That defendant must then recoup damages from other parties in the accident.

The Governor’s Executive Budget proposes common-sense reforms to fix these problems:

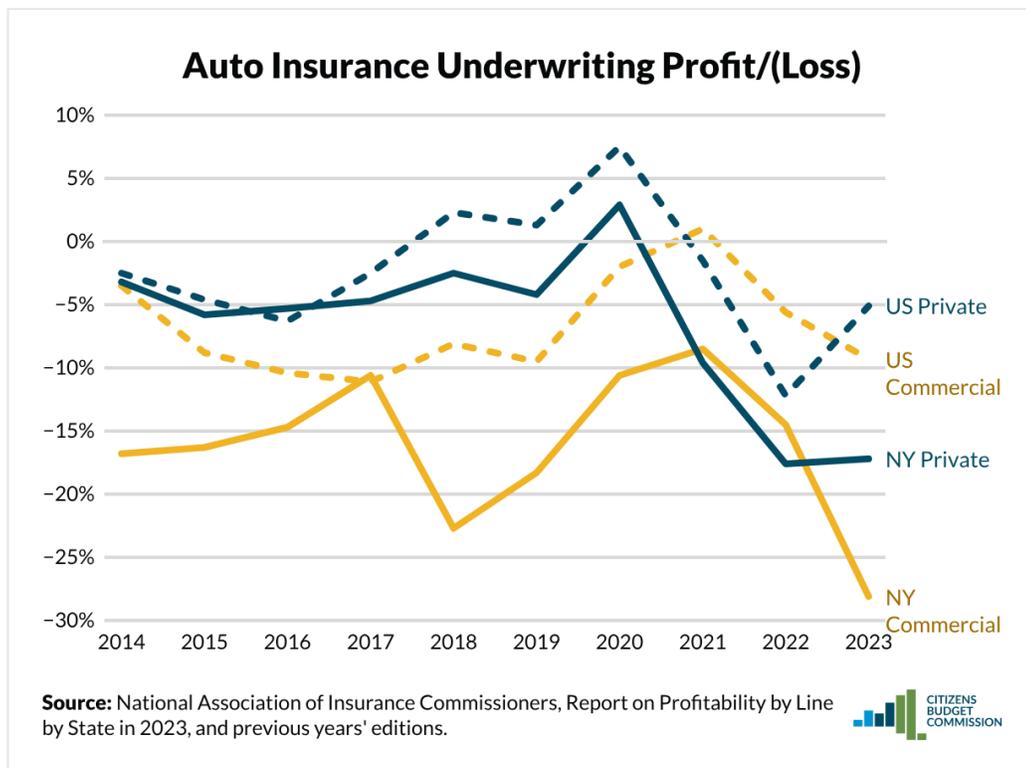
- Redefine the “serious injury” threshold to limit the ability of drivers with minor or non-permanent injuries to sue for damages beyond the no-fault limit, while preserving the right to sue for those with the most substantial injuries;
- Allow drivers to recover non-economic damages only if the injured driver is not at fault, which would align New York with the modified comparative liability standard used in most other states;
- Cap non-economic damages in cases where drivers are uninsured or get into accidents while breaking the law to limit the outsized awards that contribute to rate increases and insurers’ mounting losses; and
- Protect defendants against joint and several liability claims to ensure that defendants are only on the hook for the share of damages that are their fault.

In the coming weeks, CBC will release a report on insurance in New York, with recommendations for improving the system more broadly across multiple insurance lines. The Governor’s proposals are a step in the right direction and would improve the insurance marketplace in New York.

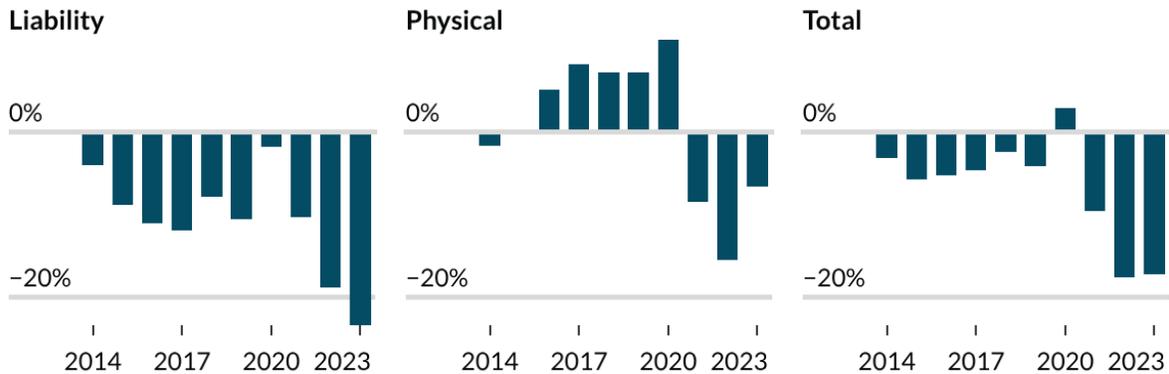
To preview some of our findings on the auto insurance market:

- **New Yorkers pay among the highest insurance premiums in the country.** In 2023, the average auto insurance premium per vehicle in New York State was the third highest in the nation. Because Florida and Louisiana—the two states with higher average premiums than New York in 2023—subsequently passed tort reform packages, New York is likely now the most expensive state for auto insurance. The Governor’s office reports that the average insurance policy in New York now tops \$4,000, 60 percent higher than the national average.

- **New York’s high auto premiums are primarily due to liability coverage, which covers injuries and damage to other drivers, and no-fault coverage.** In 2023, liability premiums in New York cost 52.0 percent more than the national average and were the second highest in the country. By contrast, collision and comprehensive policies, which cover damage to a driver’s own vehicle, are closer to the national average: collision premiums were 17.0 percent higher on average, while comprehensive premiums were 0.4 percent higher.
- **Despite these high premiums, insurers lose money on auto insurance in New York.** Personal auto insurers in New York had a [17.2 percent loss on underwriting](#) in 2023, after accounting for claims, underwriting expenses, and other operating costs. Commercial auto insurers lost 28.1 percent. And while insurers nationally have struggled to turn a profit on car insurance, losses are steeper in the New York market, and that gap has widened over time. Losses on liability policies are the primary reason for deteriorating profitability.



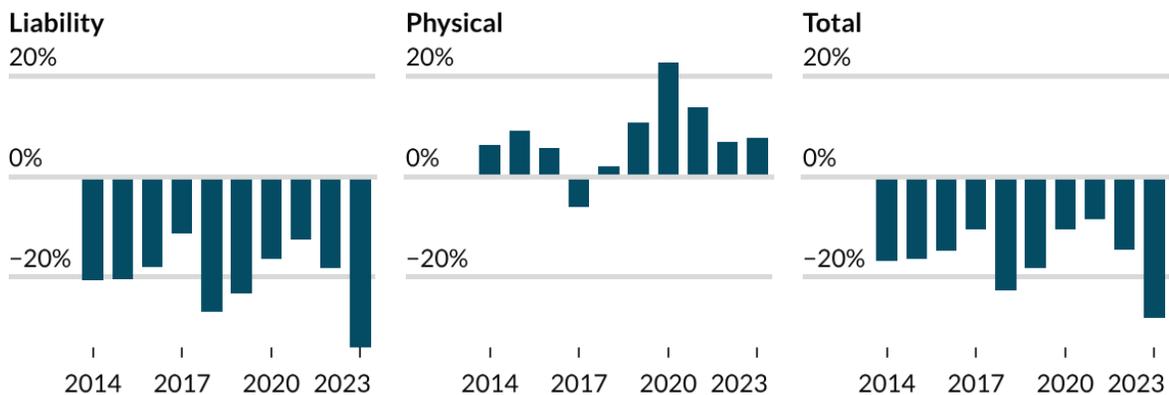
Private Passenger Auto Insurance Underwriting Profit/(Loss) by Type



Source: National Association of Insurance Commissioners, Report on Profitability by Line by State in 2023, and previous years' editions.



Commercial Passenger Auto Insurance Underwriting Profit/(Loss) by Type



Source: National Association of Insurance Commissioners, Report on Profitability by Line by State in 2023, and previous years' editions.



New York stands nearly alone among high-cost states in not tackling the auto insurance affordability crisis. Michigan, Florida, and Louisiana recently passed reforms with bi-partisan support to reduce premiums. Michigan reformed its no-fault personal injury protection rules in 2019. Florida and Louisiana moved from the pure comparative liability rules, which New York still uses, to the modified comparative standard in 2023 and 2025, respectively.

While some specifics differ, these reforms lowered insurance premiums, providing proof that insurers will reduce rates when states fix their state-specific legal and regulatory issues. An [independent evaluation](#) of Michigan’s reforms found that they reduced premiums by 18.8 percent between 2020 and 2024. Florida’s insurance officials report that insurers have reduced rates by [as much as 15 percent](#), fewer liability claims are being filed, and awards are smaller.

If New York succeeds in reforming its auto insurance regulations, the savings for New York drivers could be substantial. A 10 percent reduction in premiums, comparable to what Michigan and Florida achieved, would save New Yorkers \$1.9 billion—at least \$200 per vehicle per year.

New York residents and businesses currently pay high and rising auto insurance premiums, even as insurers continue to lose money on these policies. Insurance reform is a smart choice that can make New York more affordable and competitive without any increase in State spending.