



## Research shows: Florida's no-fault law is no fair

After years of studying Florida's no-fault auto insurance provision and many failed attempts to reform the system, it is clear that a system holding a driver who causes an accident responsible for any injuries would be fairer and less expensive for Florida drivers than the current no-fault system.

Numerous studies support returning to a fault-based system:

### National Association of Insurance Commissioners (NAIC), 2004 Data

<http://www.iii.org/media/facts/statsbyissue/auto/>

#### Findings:

Auto insurance expenditures in Florida are consistently among the costliest in the nation and are getting worse.

| Year | Rank             | Average Expenditure | Average Expenditure (Lowest Ranked State) |
|------|------------------|---------------------|---|
| 2004 | 6 <sup>th</sup>  | \$1,062.31          | \$562.45                                  |
| 2003 | 5 <sup>th</sup>  | \$1,017.96          | \$536.70                                  |
| 2002 | 7 <sup>th</sup>  | \$933.99            | \$504.61                                  |
| 2001 | 9 <sup>th</sup>  | \$850.25            | \$497.79                                  |
| 2000 | 11 <sup>th</sup> | \$780.99            | \$477.28                                  |

### Insurance Research Council (IRC) "Florida Auto Injury Insurance Claim Environment Report" (March 2006) - [www.ircweb.org](http://www.ircweb.org)

#### Findings:

Rapidly increasing costs, combined with less serious injuries, explosive growth in the utilization of chiropractic services and extensive attorney involvement in no-fault claims in Florida are red flags indicating that Florida's no-fault system is in trouble.

- More attorneys involved in no-fault claims - 45 percent in 2005, up from 34 percent in 2002

- **Chiropractors are making increasingly more off no-fault claims**
  - 44 percent of all claims included chiropractic charges, up from 33 percent
  - Total charges are up 35 percent to \$6,510
- Eighty-seven percent of claimants had less than 10 days of restricted activity and 73 percent claimed a strain or sprain was their worst injury -- both down from previous years
- Average claims payments increased 24 percent
- Inflation was only 9 percent and medical services inflation was 13 percent

**National Insurance Crime Bureau (NICB) (March 2006) -**  
[www.nicb.org](http://www.nicb.org)

**Findings:**

Rampant fraud is increasingly a problem across the state. Of the top ten cities with the most staged accident activity in the nation, Florida is home to three -- Tampa, Orlando and the number one city for staged accidents, Miami.

- Top Ten Cities with the most staged accidents and related insurance fraud:

- |                 |              |
|-----------------|--------------|
| 1. Miami        | 6. Tampa     |
| 2. Los Angeles  | 7. Cleveland |
| 3. Houston      | 8. Orlando   |
| 4. Chicago      | 9. New York  |
| 5. Philadelphia | 10. Boston   |

- Staged or "caused" accidents are but one of the numerous kinds of fraud committed daily around the country
- Staged accidents contribute to the \$30 billion lost annually to fraud
- These losses are ultimately recovered through increased premiums

**Senate Committee on Banking and Insurance Analysis of Florida's Personal Injury Protection (PIP) no-fault motor vehicle insurance system (November 2005) -**  
[http://www.flsenate.gov/data/committees/senate/bi/PIP\\_FinalReport.pdf](http://www.flsenate.gov/data/committees/senate/bi/PIP_FinalReport.pdf)

**Findings:**

- Consumers pay dearly for fraud and abuse - "Florida's Chief Financial Officer estimates that insurance fraud costs the average Florida family as much as \$1,500 a year in increased premiums and higher costs for goods and services. Motor vehicle insurance fraud and abuse constitutes a large part of these costs."
- Consumers pay higher than average premiums
  - The combined average premium per insured vehicle in 2002 was \$931.15, the 14<sup>th</sup> highest among the states.

- Florida premiums were 69.7 percent greater than the seventeen (no-fault)-state average (as of the 2005 2<sup>nd</sup> quarter).
- The no-fault system is vulnerable to a myriad of schemes and is exploited by sophisticated criminal organizations
  - schemes involve:
    - health care clinic fraud,
    - staging (faking) car crashes,
    - manufacturing false crash reports,
    - adding occupants to existing crash reports,
    - filing no-fault claims using contrived injuries,
    - colluding with dishonest medical treatment providers to fraudulently bill insurance companies for medically unnecessary or non-existent treatments,
    - and patient-brokering (referring patients to medical providers for a bounty).
- Health clinics feeding off the no-fault system - Division of Insurance Fraud intelligence indicates that 'hundreds' of unlicensed clinics, primarily in the South Florida area, exist for the sole purpose of perpetrating no-fault fraud.
- Clinics complicit in a host of scams
  - fraudulent providers (who fabricate their credentials, bills, or the office itself)
  - medical mills that provide treatments that are not medically necessary, purposely miscode diagnosis, inflate bills or charge for services that are not rendered
  - 'doc in the box' schemes where often older medical providers are paid for the use of their license
- No fee schedule to contain no-fault medical costs - "Health care providers are not required by law to adhere to a fee schedule or utilization protocols for no-fault in Florida except for a limited number of specified diagnostic procedures...Florida does apply a fee schedule under its worker's compensation law and for Medicaid."

Colorado Department of Insurance Presentation to Auto Insurance Interim Committee (September 10, 2005) - [www.dora.state.co.us/insurance/](http://www.dora.state.co.us/insurance/)

**Findings:**

- When Colorado ended its no-fault insurance consumers came out ahead.
  - The Colorado Department of Insurance reported that when no-fault ended there, a 1 percent increase in healthcare premiums (\$35) was more than offset by 21-31 percent rate decreases in auto insurance (\$265 – \$301).

Floridians for Lower Insurance Costs  
 117 S. Gadsden Street, Tallahassee, FL 32301  
 Ph: (850) 201-3207/Fax: (850) 681-7200

- Additionally, the department reported that not all health insurance companies filed a rate increase once no-fault was repealed in Colorado.