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OPINION REVIEW & OUTLOOK Follow

New York's Legal Corruption Racket

Ride-share insurers are failing the state or fleeing amid litigation abuse.

By The Editorial board

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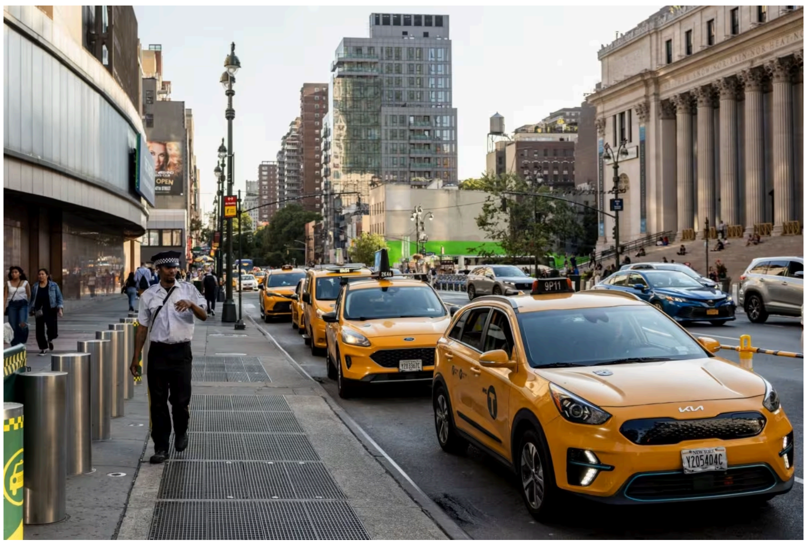

Taxis outside Penn Station in New York on Sept. 5. PHOTO: YUKI IWAMURA/BLOOMBERG NEWS

These are boom times for trial lawyers and their financiers, not so much for the insurers they are raiding. The costs of litigation abuse are coming home in New York where the insurance market for taxi and ride-share drivers is collapsing amid a flood of fraudulent claims.

A report this month from New York's Department of Financial Services warns that the state's largest insurer of taxi and ride-share drivers, American Transit Insurance Company (ATIC), "is at significant risk of failure." This could "leave tens of thousands of livery drivers uninsured," the report says, since ATIC insures 64% of New York City's for-hire vehicles.

The insurer blames its insolvency on "rampant fraud and escalating costs." The upshot is that ATIC will likely have to be liquidated or taken over by the state, with New York taxpayers on the hook for its unpaid claims. Drivers will have to find alternative coverage, likely at higher premiums, but other insurers are also fleeing the market.

Maya Assurance Co., among the few insurers still covering for-hire vehicles in the state, told the "Insurance Insider US" this month that it's planning to leave. "The fraudulent aspect within New York City has absolutely killed insurance companies to the point where if I personally stayed in the business I would be gone as well," President KJ Singh said.

He stressed that "the biggest issue is the targeted no-fault fraud." Insurers call New York a "no-fault" state because they are required to pay for medical expenses and property damage no matter who caused an accident. If a bicyclist gets hit by a taxi after the cyclist blows through a red light, the taxi driver's insurance must pay for the resulting costs.

Plaintiff attorneys are increasingly exploiting New York's no-fault law by recruiting injured clients and working with unscrupulous doctors to file excessive claims for medical care. Attorneys and doctors split the payouts. Local media outlets have reported on organized crime rings staging accidents and recovering massive payouts.

If insurers challenge claims, plaintiff attorneys sue. Sympathetic juries often award the victims enormous damages, so insurers often settle. New York City's highest in the nation no-fault limits on personal injury protection for for-hire vehicles also make the policies a magnet for fraud. The state regulator last year found that 75% of fraud reports it received were a result of no-fault rules.

Truckers and ride-hailing companies have been lobbying Albany for litigation reform to stem soaring insurance premiums. Florida last year enacted legislation to curb abuse to prevent property and casualty insurers from leaving the state. Might New York's wobbling insurance market for taxi and ride-share drivers shake Albany into action?

A glimmer of hope came this year when the New York Office of Court Administration proposed requiring plaintiff attorneys to disclose their litigation funding contracts in wrongful death and personal injury actions involving infants. But as Uber rightly noted in a public comment, "disclosure of litigation financing should apply to all civil actions."

Such transparency would provide useful information to juries about the motive and merits of claims, likely resulting in fewer fraudulent claims. If Russian mobsters are fleecing New Yorkers, don't Democrats in Albany want to know?

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