

STATE OF POLITICS

New York insurance industry warns coverage crisis could be looming

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BUFFALO, N.Y. - An April report by the New York Civil Justice Institute finds in most cases, the insurances costs in the state are higher than anywhere else in the country.

Scott Hobson, of Big I New York, an industry advocacy group, said while high premiums are always an issue, the report lays out an even bigger concern.

"We are seeing signs of things happening that indicate to us that we may be headed for a crisis of availability," Hobson said.

He said across the board, but especially with auto insurance, despite skyrocketing premiums, companies are still paying out more in claims, verdicts and settlements than they are making from customers.

"For every dollar you take in as an insurance company, you're paying out \$1.12 in claims," Hobson said. "So I didn't go to business school but that seems like a very unsustainable way to do business."

As companies leave the market, Hobson said more customers are struggling to get any coverage from private insurers. That has led to a significant uptick in applications to the Assigned Risk Plan which is state coordinated coverage intended for high-risk and otherwise uninsurable individuals.

Similar surges in California and Florida assigned risk enrollments for homeowners insurance have created major problems in those states.

"The assigned risk plans are not set up to do that and they're collapsing under their own weight, rates are going through the roof and it's an absolute mess and we

York and to try to keep premium's reasonable," Weprin said.

He said the committee is having discussions with the superintendent of the state Department of Financial Services and the industry about potential options.

"I'm hoping that this latest study that came out will make this something that we should be looking at very carefully before the end of session to deal with the issue and I'm hoping we're going to find ways to address it," Weprin said.

Hobson believes the biggest issue is the state's unique and challenging liability structure which makes it a prime target for fraud and abuse. He said the proliferation of lawsuit loans at often predatory rates exacerbates the issue while hurting both the consumer and the insurance companies simultaneously.

The industry said the state's scaffold law, which imposes absolute liability for falls to property owners and contractors, is also driving up the cost of homeowners insurance and housing in general. Weprin is sponsoring legislation he believes could address the issue.

It would establish that staging a construction site accident is a felony, similar to a bill the Legislature passed five years ago with regards to fraudulent automobile accident claims.

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