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## EVIDENCE OF ABUSE FOUND IN GROWING PERCENTAGE OF FLORIDA NO-FAULT INSURANCE CLAIMS

### *IRC Analysis Also Finds Growing Utilization of Expensive Diagnostic Procedures and Chiropractic Treatment*

**MALVERN, Penn.—Feb. 9, 2011**—Almost one in every three no-fault auto insurance claims closed in Florida in 2007 appeared to involve the exaggeration of an injury or to be inflated by unnecessary or excessive medical treatment, according to a new study from the Insurance Research Council (IRC). In addition, as many as one in ten no-fault claims appeared to be fraudulent, with material misrepresentation of some or all aspects of the claim, such as claims based on fictitious accidents.

“The apparent amount of fraud and excessive billing by some health care providers in Florida is growing rapidly,” said Elizabeth Sprinkel, senior vice president of the IRC. “Although these findings describe conditions of more than three years ago, indications are that the situation has continued to deteriorate.” Average no-fault claim losses per insured vehicle grew 55 percent in just the last two years, from \$100 in 2008 to \$155 in 2010. Claim fraud and abuse were major factors in that growth.

The IRC’s study, *PIP Claiming Behavior and Claim Outcomes in Florida’s No-Fault Insurance System*, found that elements of fraud appeared in 10 percent of all no-fault auto insurance claims—known as personal injury protection (PIP) claims—closed in 2007. Under Florida’s statewide no-fault auto insurance system, PIP is the portion of an auto insurance policy that covers the treatment of injuries to the driver and passengers of the policyholder’s car.

The study also revealed that 30 percent of Florida claims appear to involve either overbilling or excessive utilization of medical services, known as claims buildup. “While this may not rise to the level of criminal fraud, Florida’s honest drivers are essentially subsidizing unscrupulous health care providers when instances occur,” said Sprinkel.

The study also examined utilization rates for key diagnostic procedures and treatment services in the no-fault system. IRC found substantial increases from 2002 to 2007 in the utilization rates for magnetic resonance imaging (from 26 percent to 33 percent), chiropractors (from 33 percent to 43 percent), and pain clinics (from 15 percent to 27 percent).

The study is based on an analysis of 1,359 PIP no-fault claims closed with payment in 2007. An updated analysis of PIP claims closed in 2011 is planned by IRC for later this year.

“The preliminary findings from this study confirm that Florida is a hotbed for auto insurance fraud and that the problem has grown worse in recent years,” said Sprinkel. “We hope these findings will help policymakers understand the specific behaviors that are driving auto insurance costs so that they can begin to fashion effective responses to the issue.”

For more information on the study's methodology and findings, contact David Corum, at (484) 831-9046, or by e-mail at [irc@TheInstitutes.org](mailto:irc@TheInstitutes.org). Copies of the study are available at \$125 for an electronic version, or \$140 for a printed copy. Visit IRC's Web site at [www.ircweb.org](http://www.ircweb.org) for more information.

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**NOTE TO EDITORS:** The Insurance Research Council is a division of the American Institute For CPCU (The Institutes). The Institutes are an independent, nonprofit organization dedicated to providing educational programs, professional certification, and research for the property-casualty insurance business. The IRC provides timely and reliable research to all parties involved in public policy issues affecting insurance companies and their customers. The IRC does not lobby or advocate legislative positions. It is supported by leading property-casualty insurance organizations.

