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June 19, 2012

VIA EMAIL

Ms. Diane Burman
Counsel to New York State Senate Majority Conference
burman@nysenate.gov

Re: S-7746, Retroactive Cancellation of an Auto Insurance Policy

Dear Ms. Burman:

I am writing on behalf of the National Association of Mutual Insurance Companies (NAMIC) to offer strong support for S-7746, "An Act to amend the insurance law and the vehicle and traffic law, in relation to permitting an insurer to rescind or retroactively cancel a policy in certain circumstances," sponsored by Senator Martin Golden. NAMIC is the largest and most diverse national property/casualty insurance trade and political advocacy association in the United States. Its 1,400 member companies write all lines of property/casualty insurance business and include small, single-state, regional, and national carriers accounting for 50 percent of the auto/ homeowners market and 31 percent of the business insurance market.

NAMIC's members have grown increasingly concerned in recent years over the rampant fraud within New York's no fault auto insurance system. Legislative reform is imperatively needed. S-7746 is a reasonable, common-sense measure that is aimed at reducing fraud. Specifically, the bill is designed to reduced staged accidents by allowing automobile insurance companies to retroactively cancel newly issued automobile insurance policies when such policies are paid for with non-existent bank account, unauthorized use of credit card accounts and bank accounts.

Under existing New York law, insurers can cancel a policy only prospectively. This creates a window of exposure from the time a fraudster procures a policy by inappropriate means to when the policy is cancelled. Most other states allow retroactive cancellation as would be permitted under this bill via either statutory provisions or by case law, so the bill would bring New York in line with the prevailing treatment of these circumstances.

For these reasons, we would urge that this bill be included in any discussions with the Assembly leadership. Thank you for considering NAMIC's views on this important subject.

Sincerely,



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