



LEGISLATIVE POSITION

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**Memorandum in support of: A.3800—by MOA Weprin
S.5231—by Sen. Comrie**

AN ACT to amend the Penal Law, in relation to establishing the crime of staging a construction site accident.

The Professional Insurance Agents of New York State Inc. (PIANY) strongly supports A.3800/S.5231, which seeks to criminalize the staging of construction site accidents for the purpose of committing insurance fraud. Fraudulent staged accidents have become a significant driver of inflated insurance costs in the construction industry, leading to higher housing expenses and increased financial burdens on businesses and consumers alike. By making this offense a Class E felony, this legislation will help deter fraudulent activity, protect legitimate policyholders, and stabilize the insurance market.

The growing problem of construction site insurance fraud

Insurance fraud remains a pervasive issue in New York, particularly within the construction industry. Organized crime syndicates and bad actors have increasingly targeted construction sites, orchestrating fake accidents to file fraudulent insurance claims. These schemes not only undermine the integrity of the insurance system but also contribute to:

- **Rising insurance costs.** Fraudulent claims lead to inflated insurance premiums for construction companies, developers, small businesses, homeowners, and tenants. The cost of insuring construction projects has skyrocketed, and these increased expenses are passed down to consumers.
- **Project delays and increased housing costs.** Staged accidents often result in litigation and investigations that slow down construction timelines, delaying vital infrastructure projects and contribute to New York's housing affordability crisis.
- **Exploitation of vulnerable individuals.** Criminal organizations frequently coerce individuals into participating in these scams, putting them at risk of criminal charges while the true orchestrators continue to profit.
- **Increased burden on the legal system.** Fraudulent claims lead to unnecessary lawsuits, draining vital judicial resources and increasing legal expenses for insurers and businesses.

Why this legislation is necessary

A.3800/S.5231 takes a proactive stance against construction site insurance fraud by making the staging of an accident a criminal offense. Currently, there are limited legal tools available to prosecute individuals who orchestrate fraudulent construction site accidents. This legislation will:

- **Deter fraudulent activity.** By explicitly criminalizing staged construction site accidents, the bill sends a clear message that insurance fraud will not be tolerated.
- **Protect honest policyholders and businesses.** Construction companies, contractors, and insurers face enormous financial pressures due to fraudulent claims. This legislation will help mitigate those costs and create a fairer marketplace.
- **Strengthen the integrity of the insurance industry.** New York's insurance system is built on trust and financial responsibility. Criminalizing staged accidents will reinforce these principles and protect legitimate claimants.
- **Support housing affordability efforts.** By reducing fraudulent claims and stabilizing insurance premiums, this legislation can contribute to lowering the overall cost of construction, which ultimately benefits consumers.

Consistency with broader anti-fraud efforts

PIANY has long advocated for stronger penalties against insurance fraud, including efforts to combat no-fault auto insurance fraud. Similar to staged auto accidents, fraudulent construction site claims manipulate insurance systems and drive up costs for all policyholders. Just as strengthening no-fault laws has been necessary to curb auto insurance fraud, A.3800/S.5231 will play a critical role in addressing fraud within the construction industry.

Conclusion

A.3800/S.5231 is a crucial step in protecting New York's construction and insurance industries from the damaging effects of fraudulent staged accidents. By establishing clear criminal penalties for those who orchestrate these scams, the state can deter bad actors, reduce unnecessary insurance costs, and promote a more stable and affordable housing market. PIANY urges swift passage of this legislation to safeguard the financial interests of policyholders, businesses, and consumers across New York.