STATE OF NEW YORK

9135

IN SENATE

February 5, 2026

Introduced by Sen. COONEY -- read twice and ordered printed, and when printed to be committed to the Committee on Codes

AN ACT to amend the penal law and the insurance law, in relation to establishing enhanced criminal penalties for fraudulent insurance claims on construction sites and in motor vehicle accidents

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Short Title. This act shall be known and may be cited as the "fraudulent claims reduction and unlawful deception act" or "FRAUD Act".

§ 2. Legislative findings and intent. The legislature finds that fraudulent insurance claims, including staged construction site accidents and staged motor vehicle collisions, contribute significantly to increased insurance premiums in New York state. Fraudulent claims inflate costs for insurers and policyholders, burden taxpayers, and undermine the affordability of housing, infrastructure development, and transportation projects. The state's current liability and insurance frameworks, including outdated doctrines that create perverse incentives for litigation rather than safety and accountability, have led to a proliferation of staged accident claims and opportunistic lawsuits, which in turn raise construction and auto insurance costs for all New Yorkers. This mirrors concerns expressed about liability standards driving fraudulent suits and higher premiums. High insurance costs for construction and automobile coverage contribute to the overall cost of housing, public works, and commuter mobility, making New York less affordable compared to other states. The purpose of this act is to deter and punish the intentional staging or fabrication of insurance claims related to construction site accidents and motor vehicle collisions, by establishing clear criminal penalties, restitution requirements, and enforcement mechanisms. In doing so, this act seeks to reduce fraudulent activity that drives up insurance costs, thereby making insurance coverage more affordable, promoting the efficient use of public and private funds, and restoring fairness in liability and insurance practices across the state.

EXPLANATION--Matter in *italics* (underscored) is new; matter in brackets [-] is old law to be omitted.

LBD14752-01-6

§ 3. Subdivision 3 of section 176.00 of the penal law, as added by chapter 720 of the laws of 1981, is amended and four new subdivisions 6, 7, 8 and 9 are added to read as follows:

3. "Person" includes any individual, firm, association [~~or~~], corporation, a purported injured worker, attorney, physician, medical professional, or any other individual who knowingly participates in, facilitates, or furthers conduct prohibited by this article.

6. "Fraudulent insurance claim" means a claim submitted to an insurer that is intentionally false, misleading, fabricated, or made with the intent to obtain benefits not legally due.

7. "Construction site" has the same meaning as "workplace" and "worksite" as defined in section two hundred of the labor law, the meaning applies where such construction work is being done as defined in section two hundred forty of the labor law and includes any location where building, repair, demolition, or related construction activity is occurring.

8."Motor vehicle accident claim" means any claim submitted under an automobile insurance policy arising out of a collision, crash, impact, or related event involving one or more vehicles.

9. "Fraudulent insurance act" includes any act that would constitute insurance fraud under section four hundred three of the insurance law.

§ 4. The penal law is amended by adding a new section 176.90 to read as follows:

§ 176.90 Staging a construction site accident for insurance fraud.

A person is guilty of staging a construction site accident for insurance fraud, regardless of whether such person purports to be an injured worker, when, with the intent to commit or further a fraudulent insurance act as defined in subdivision six of section 176.00 of this article, such person enters a construction site and intentionally stages, causes, fabricates, or simulates an accident for the purpose of filing, or assisting in the filing of, an insurance claim, or directs, hires, requests, encourages, orchestrates, or invites another individual to do the same.

Staging a construction site accident for insurance fraud is a class E felony.

§ 5. The penal law is amended by adding a new section 176.95 to read as follows:

§ 176.95 Auto insurance fraud involving staged collisions and fabricated claims.

A person is guilty of auto insurance fraud when, with the intent to obtain economic benefit, such person:

1. intentionally causes, stages, fabricates, or simulates a motor vehicle collision or accident; or

2. knowingly submits, assists with, or conspires to submit any false, fictitious, or fraudulent claim for payment of a loss under an automobile insurance policy, including but not limited to medical treatment, repair costs, or wage loss benefits.

Auto insurance fraud involving staged collisions and fabricated claims is a class E felony, and, where the value of losses obtained or attempted exceeds $1,500, increased penalties shall apply.

§ 6. The insurance law is amended by adding a new section 412 to read as follow:

§ 412. Enhanced penalties and enforcement for construction site and auto claims fraud. (a) Notwithstanding any provision of law, any person convicted under section 176.90 or 176.95 of the penal law for fraudulent insurance activity shall be subject to:

(1) restitution to the insurer for amounts paid as a result of the fraudulent claim;

(2) civil penalties up to five thousand dollars plus the amount of the fraudulent claim; and

(3) exclusion from receiving benefits under any state-regulated insurance policy for a period of up to two years after conviction.

(b) The superintendent shall promulgate rules and regulations requiring insurers to:

(1) provide timely notice to law enforcement of suspected fraudulent claims;

(2) cooperate in fraud investigations and prosecutions; and

(3) report aggregate fraud data annually to the legislature.

§ 7. Enforcement and implementation. 1. The superintendent of financial services, in consultation with the division of criminal justice services, shall promulgate regulations to implement this act within 180 days of the effective date of this act.

2. The division of insurance fraud units in this state shall receive additional resources to investigate and prosecute violations described herein.

§ 8. This act shall take effect on the one hundred eightieth day after it shall have become a law.