



November 13, 2020

**To:** Los Angeles Police Department  
100 West 1st Street  
Los Angeles, CA 90012

**Subject:** Comments regarding proposed changes to the Los Angeles Police Department (LAPD) Community Online Reporting System

Dear Sergeant Karmody:

The Personal Insurance Federation of California (PIFC), the American Property Casualty Insurance Association (APCIA), the National Association of Mutual Insurance Companies (NAMIC) and the Insurance Information Institute (III), who collectively represent most of the home and auto insurers in the state of California, submit the following concerns regarding the proposed expansion of the online reporting system used by the LAPD.

It is our understanding that in the next few months, the LAPD will no longer be responding to and completing reports for the following type of collisions:

- Possible Injury or Complaint of Pain
- Suspect Minor or Other Visible Injuries
- Hit & Run with No Injuries
- Certain City Property Involved Collisions

Instead, Californians involved in the above collisions will be instructed to report their crash to the LAPD's Community Online Reporting System (CORS). We understand these proposed changes are due to budgetary constraints. Unfortunately, it is our opinion, this proposed change will result in an increase in insurance claims payouts, higher investigative expenses for insurance claims and an eventual increase in legal expenses resulting from an expected increase in litigated matters. These costs may result in higher auto insurance premiums for consumers. The proposed expansion is concerning given the numerous ways insurance carriers utilize the information collected and provided by police reports, which are detailed below.

### **Increased Fraud**

The California Insurance Code states fraudulent auto claims account for 15 to 20 percent of all auto insurance payments.<sup>1</sup> Automobile insurance fraud is the biggest and fastest growing

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<sup>1</sup> [https://leginfo.legislature.ca.gov/faces/codes\\_displaySection.xhtml?lawCode=INS&sectionNum=1871](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1871)

segment of insurance fraud and contributes substantially to the high cost of automobile insurance with particular significance in urban areas, like the Los Angeles metropolitan area.

The LAPD plan to expand the use of CORS will remove one of the key tools in insurers' investigative toolbox. Without police presence at the scene of accidents, the potential for fraud increases significantly. This fraud can take the form of staged accidents, vehicle theft, phantom passengers ("jump ins") who claim false bodily injury, medical payment claim increases, and manufactured witnesses. Staged accident rings are well-known to insurers' security investigative units. These groups recruit participants who stage collisions and jump into vehicles before police arrive, claiming they were passengers and have incurred injuries. Removing the police presence makes the stage accident rings' job much simpler, as they could simply input the names of "passengers" or even falsely claim an accident occurred without having to stage it. Furthermore, there would be little to no impediment for these fraudsters to file reports using stolen or synthetic identities.

In recognition of the increased likelihood of insurance fraud involving uninsured motorists, some insurance policies require the insured to report the accident to law enforcement within 24 hours if a hit and run driver is involved. These types of policy provisions are important during uninsured motorist investigations as it allows insurers to fully investigate the claim while the parties' recollections are fresh, and physical evidence has been preserved. Most importantly, these guardrails provide an avenue to deter fraudulent activities. Written reports submitted by the parties themselves under the CORS would likely not be reliable enough to substantiate claim handling decisions and are easily falsified in attempted fraud. Police reports are helpful as a quick indicator when insurers get fraudulent claims where passengers are falsified.

### **Loss of Information Delaying Claims Process**

A police report provides an immediate and clear observation of events that occurred as well as documentation of witness accounts. Often, at-fault drivers are ticketed, which aids in the liability determination. Without this documentation, a more litigious community environment can be produced.

The exchange of information between involved parties has created challenges for insurers nationwide, particularly in California. Drivers often do a poor job of getting the other drivers' contact, vehicle, and carrier information. And, witnesses rarely volunteer to provide statements or contact information without police presence.

Without a police report, insurers lose basic information to assist in completing a timely investigation. This information includes:

- Speed limits
- Road conditions
- Narratives of involved parties
- Location of accident
- Direction of travel
- Observations of the investigating officer
- Eye-witness contact information

Insurers rely heavily on the police reports for obtaining this information. This delay is anecdotally reported to increase the time it takes to begin a claim by two to three weeks while insurers struggle to contact unknown, involved parties. These delays lead to higher claims costs as storage and rental costs increase. Furthermore, the lack of information creates a vacuum often filled by fraudulent reporting, as expressed above.

### **Assessment of Coverage, Liability, and Damages**

The proposed change is concerning given the myriad ways carriers utilize the information in the reports for assessment of liability.

Police reports are imperative in reconstructing auto collision scene investigation to determine liability such as:

- Vehicle point of impact
- Debris field and scene measurement
- Contemporaneous statements of witnesses and involved parties
- Observable malfunctions
- Potential intoxication
- Road condition and weather
- Seatbelt usage
- Occupant location issues
- Distracted driving
- Whether vehicles left the scene of an accident driven or towed
- Citation(s) issued at the scene

If the CORS is fully implemented, most collisions in the Los Angeles metropolitan areas will not produce police reports. Police reports provide insurers with a liability assessment from an unbiased source including the nature and severity of injuries. If injuries are incorrectly reported there may be increased delays processing claims. Removing one of the insurers' investigative tools can lead to erroneous conclusions on negligence and fault.

The California Civil Code restricts uninsured drivers from seeking non-economic compensation resulting from a car accident, even if the accident was not the insured's fault.<sup>2</sup> California law also restricts drivers who were driving under the influence at the time of an accident from receiving compensation from injuries incurred. Insurers rely on police reports to provide information that could determine if these restrictions apply. Without police presence, it would be arduous for insurers to assess damages and liability resulting from impaired driving.

Furthermore, auto insurance policies often include exclusions. Consumers are unlikely to volunteer that they were using their car in a way that is not covered by their policy. Conversely, police reports may also override exclusions. For example, many policies include an exclusion which applies to bodily injury sustained by an insured when struck by an owned auto that is not listed on the policy. However, that exclusion does not apply if the unlisted auto was being operated without the insured's consent or in connection with criminal activity – provided that

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<sup>2</sup> [https://leginfo.ca.gov/faces/codes\\_displaySection.xhtml?sectionNum=3333.4.&lawCode=CIV](https://leginfo.ca.gov/faces/codes_displaySection.xhtml?sectionNum=3333.4.&lawCode=CIV)

the criminal activity is documented in a police report. Without the police report, a policyholder may be wrongfully denied coverage.

Lastly, although not a matter of insurance, police officers can defuse tempers and provide a calming influence after a traumatic experience. Their presence enhances public safety by getting vehicles out of lanes of travel and directing traffic as needed, decreasing the possibility of further injuries or accidents and ensuring a more civil engagement between the drivers involved in the accident.

Thank you for the opportunity to provide comments on the proposed expansion of the CORS. We look forward to continued collaboration regarding the proposal and appreciate your proactive outreach.

If you have any questions regarding our position, please contact Deanna Jarquin, PIFC at (925) 395-8802; Denni Ritter, APCIA at (209) 968-9107; Janet Ruiz, III at 707.490.9365 or Christian Rataj, NAMIC at 303.907.0587.