



AMERICAN ARBITRATION ASSOCIATION®



2017 ANNUAL REPORT TO THE

NYS

DEPARTMENT OF FINANCIAL SERVICES

A REPORT TO NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES
SUPERINTENDENT MARIA T. VULLO



120 BROADWAY, 21ST FLOOR | NEW YORK, NY 10271

The automobile insurance arbitration programs in New York State are a very important component of the work of the American Arbitration Association® (AAA®) and an opportunity to be of service to the government and to the public in New York State.

The AAA's New York Insurance Case Management Centers are located at 120 Broadway, New York, NY, and 250 Delaware Avenue, Buffalo, NY. The AAA's New York State Insurance staff of 187 people administers the conciliation, arbitration, and mediation programs on behalf of the Department.

We are proud of our partnership with the Department of Financial Services and our continued service to the New York legal and insurance communities.

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CFO'S LETTER

In 2017, the American Arbitration Association (AAA) opened a new office in Buffalo, New York, returning to a city that had housed an AAA office way back in 1958. The reasons for that office closing nearly 60 years ago are lost to time, but the reason for our return is quite clear—the continued growth in the automobile insurance disputes managed by the AAA on behalf of the Department of Financial Services (DFS).

As I wrote my letter at this time last year, the theme was stability, and we anticipated that case filings would be level with the prior year. Instead, in 2017, the AAA processed 42,000 more cases than had been filed in 2016—this represents 17% growth to a record number above 290,000!

To manage this growth, the AAA encouraged the addition of more arbitrators in 2017. DFS agreed and made the determination to add more arbitrators in 2017 and, more recently, to add additional arbitrators in 2018. Once the screening efforts are completed by volunteers on the DFS' No-Fault Screening Committee, we expect to have 185 no-fault arbitrators managing cases. We also maintained our focus on settling cases during the conciliation phase of the process, again reaching a 45% settlement rate and minimizing the number of cases needing to proceed to arbitration.

The reason for our return [to Buffalo] is quite clear—the continued growth in the automobile insurance disputes managed by the AAA on behalf of the Department of Financial Services (DFS).

The expansion to Buffalo allowed us to quickly add 24 employees, while also supporting an expanding presence of no-fault arbitration practitioners in the western tier of New York State. Plans call for the Buffalo office to add another 30 employees by June 2018.

At the same time, we are adding more staff in our New York City office and will be relocating to a new subleased facility in lower Manhattan in the second quarter. We also invested in further enhancements to the technology platform throughout the year and delivered numerous reports to DFS and the user community using the business intelligence tools developed throughout 2017.

We managed costs well, with per-case assessments rising modestly but staying well below budget for cases closed in the conciliation phase and actually declining for SUM cases and no-fault cases closing in arbitration. Coupled with survey results reporting customer satisfaction rates of nearly 90%, we are confident that we are achieving our goals—successfully meeting the needs of DFS and the user community, while fulfilling our not-for-profit missions of reducing burdens faced by the courts and resolving disputes in a cost-effective manner.



Francesco Rossi
Chief Financial Officer and Treasurer,
Senior Vice President



EXECUTIVE SUMMARY

The American Arbitration Association (AAA) has enjoyed a partnership with the New York State Department of Financial Services (DFS) that spans over 40 years of service. The AAA, on behalf of the DFS, administers the no-fault and SUM programs in New York State with the mission of providing a fair, neutral process and forum for both applicants and respondents to resolve their disputes. The AAA forum continues to serve as a speedier, more economical alternative to the New York State court system.

This annual report covers:

- A high-level overview of information and statistical data related to the no-fault and SUM programs.
- Filings, conciliations, and no-fault dispositions.
- Staffing and the overall administration of insurance caseloads.
- New initiatives developed to maximize the user experience in the forum.
- Annual program costs.

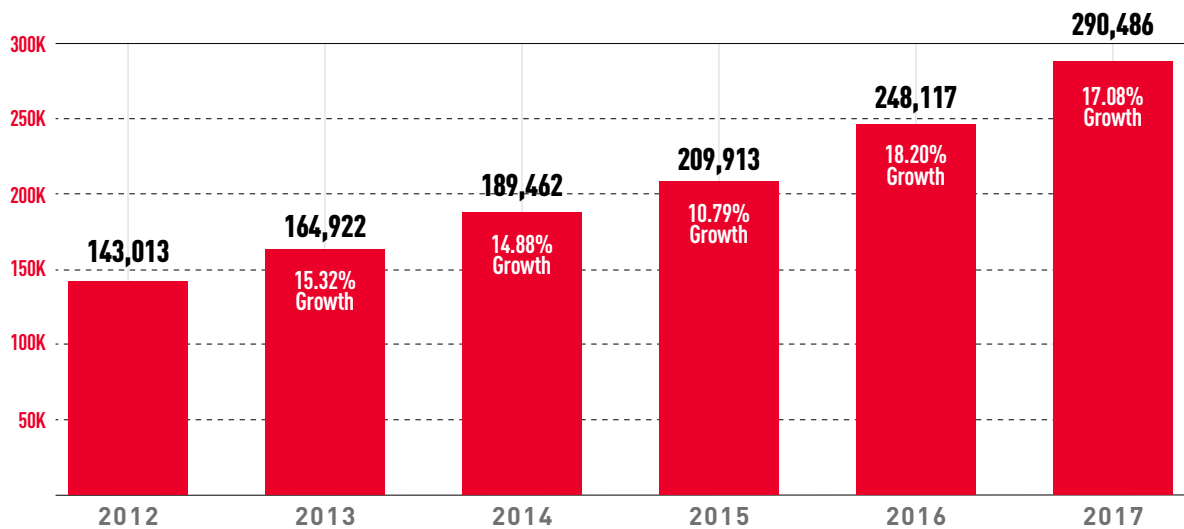
NO-FAULT INSURANCE: FILINGS

Once again, 2017 was a year of significant growth for no-fault filings. **The AAA recorded a 17% increase in total filings over 2016, closing out another record year with 290,486 new filings.**

The total value of claims increased from \$609,067,327 in 2016 to \$660,851,462 in 2017, with an average claimed amount of \$2,275 per case.

The regions of Queens County, Nassau County, and Suffolk County continue to generate the majority of no-fault filings, representing 84% of total filings in 2017. The Northwest region encompassing Buffalo recorded 9% growth in new filings over the previous year, with nearly 12,000 filings.

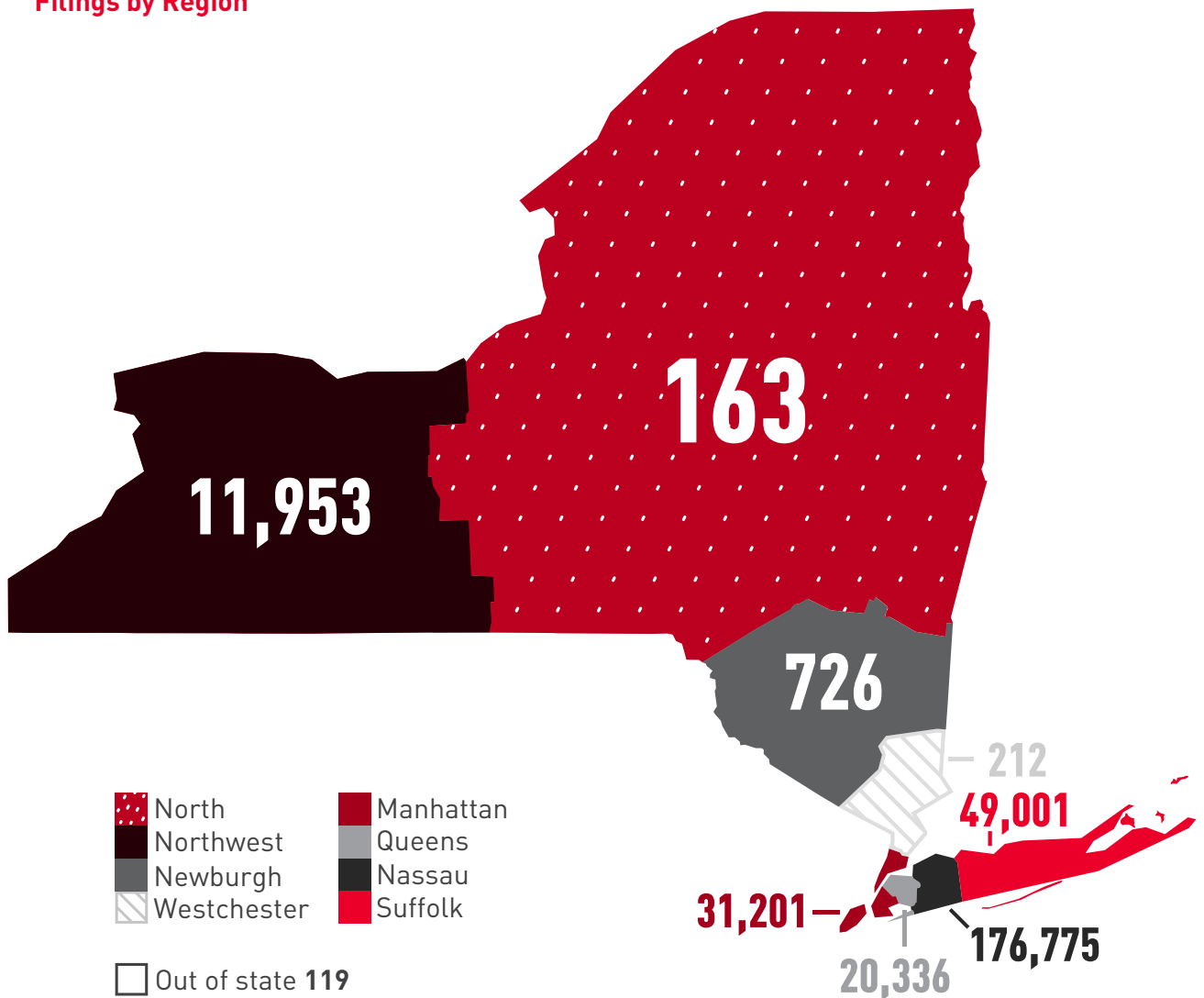
Table 1: No-Fault Case Filings By Year



Total No-Fault filings reached 290,486 – a new record!

Table 2: Case Filings by Region

Filings by Region



No-Fault Insurance: Consolidated Claims Enhancement (CCE) Update

In 2017, the AAA and the Department of Financial Services partnered to introduce a new option for filing a no-fault arbitration. Applicants now can file multiple claims for multiple injured parties sharing the same claim on one Arbitration Request Form (AR-1) for

a filing fee of \$40. The New York Insurance Case Management Center processed 144 filings that met the criteria for consolidation in 2017. We anticipate this number to increase in 2018 as more parties utilize this filing option.

NO-FAULT INSURANCE: CONCILIATION

More no-fault cases were resolved during the conciliation period in 2017 than in any other year on record. In 2017, the total number of cases resolved in conciliation increased to 123,237, or 18% over the prior year.

The conciliation settlement rate remained strong at 45%, with the average case reaching resolution within 30 days from filing. We are also achieving greater success in bringing parties together for bulk settlements as an effective way to reduce their pending inventory of cases. Conciliation continues to remain an effective and economical method for parties to resolve their disputes quickly.

NO-FAULT INSURANCE: ARBITRATION

In 2017, there were a total of 119,964 case resolutions in arbitration, representing a 23% increase in dispositions compared with 2016. Total case dispositions included 79,525 reasoned awards and 28,532 consent awards. Party withdrawals and administrative closures accounted for the remainder of case dispositions in arbitration.

Arbitrators

The New York No-Fault Panel has grown substantially over the last several years. In 2017, the DFS made the determination to add more arbitrators to the panel. With the assistance of a Screening Committee comprised of attorney and insurer volunteers, DFS appointed 18 additional arbitrators to serve the Long Island region, bringing the total number of arbitrators to 152. As the caseload volume continued to increase substantially throughout 2017, the Superintendent approved the appointment of an additional 33 arbitrators to begin serving in 2018. Thirty arbitrators will be appointed to the Long Island region, and three arbitrators will serve the Northwest region. The total number of arbitrators is expected to increase to 185 by the end of 2018.

Arbitrator Training Initiatives

Arbitrator training has consisted of peer-to-peer training in the areas of case law, fee schedule, regulations, and mentorship.

New arbitrators have the benefit of training with volunteer veteran arbitrators who educate them in the voluminous, evolving case law as well as its interpretation, observe them in action and provide feedback, and conduct mock arbitrations. New arbitrators also are paired with more seasoned arbitrators to assist them with issues they face in their first year on the panel.

Scheduling Hearing Dates

As the no-fault volume continues to rise, the number of available hearing slots has been impacted. In 2017, the average time from filing to a first-time hearing grew to 12 months. The average time from filing to disposition increased to just over one year. The AAA has remained proactive by working with the Department of Financial Services to increase the size of the arbitrator panel and collaborating with both arbitrators and parties to increase efficiency in the system.

Fast Track Cases. In 2017, we introduced the concept of Fast Track Cases, testing it with a number of arbitrators. In this pilot program, the arbitrators heard 25 cases per hearing day and issued a short-form decision. The feedback on this initiative has been positive, and we are planning to roll this out more extensively in 2018.

The AAA has also worked with arbitrators and parties to reduce the number of continuances and adjournments that further delay the resolution of a case and has worked directly with parties on withdrawing cases that are not ready for arbitration. By monitoring this data and providing it to parties, the AAA helps the parties become more aware of the number of cases heard by the arbitrators as well as the length of time it takes from filing to a first-time hearing. We continue to work with the parties and arbitrators to ensure that hearing slots are being maximized for the benefit of the no-fault program.

In 2017, we introduced the concept of Fast Track Cases, testing it with a number of arbitrators.

NO-FAULT INSURANCE: MASTER ARBITRATION

A total of 1,666 no-fault arbitration awards were appealed in 2017, a decrease of 14% compared to 2016. There were 1,327 master arbitration decisions rendered in 2017, of which 997 or 75% of the lower awards were affirmed by the master arbitrator.

SUM PROGRAM

Supplemental Uninsured/Underinsured Motorist (SUM) filings increased to 2,550 cases in 2017, representing a 12% increase over the previous year. There are currently 14 arbitrators serving on the SUM panel. SUM arbitrators issued 598 reasoned awards in 2017. The total number of cases that resulted in a settlement increased to 1,584, representing a 21% increase over 2016.

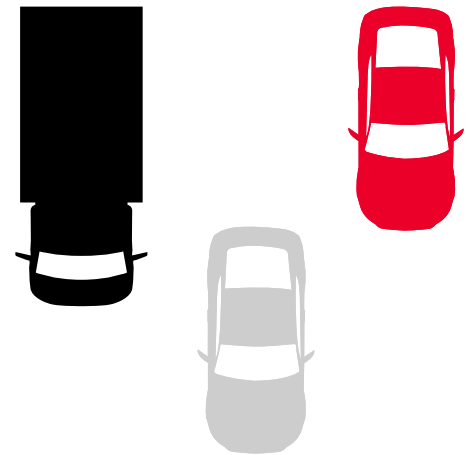
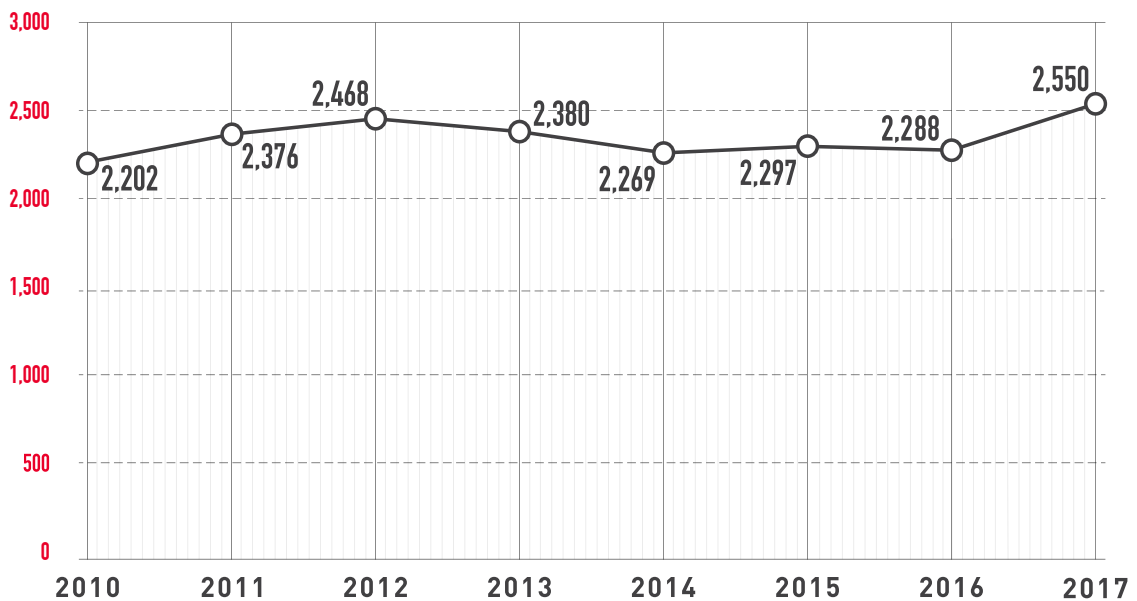


Table 3: SUM Total Filings



ENHANCEMENTS

Business Intelligence Unit (BIU)

In the 2016 annual report, we announced that the NY Insurance program formally created a Business Intelligence Unit with the goal of reviewing and understanding trends within the caseload data. Since then, the BI team has become a critical resource for

both internal staff and our clients in understanding the caseload. The team has created a suite of over 50 reports that cover all areas of the caseload, including staff management reports and both general and detailed trend analysis.

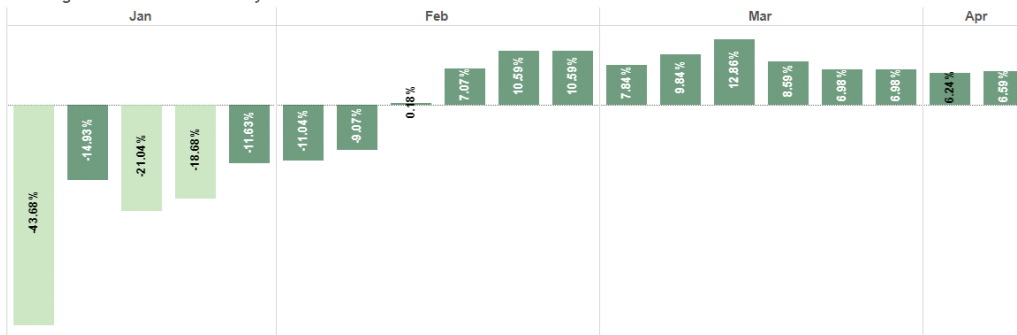
Table 4: Intake Filings: Filings per year, with change year over year

Intake - Filings

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	New Cases Filed by Month												Total	Intake Status Inventory	
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec			
2016	17,597	16,967	23,355	20,192	20,068	20,932	19,916	22,078	17,670	28,344	19,498	21,500	248,117	0.a. Pre-AR-1	8,797
2017	23,708	17,241	23,917	21,395	21,488	23,321	20,716	25,203	25,346	28,938	33,748	25,465	290,486	0.b. AR-1 in progress	47
2018	20,942	24,314	24,052	4,346									73,654	0.c. AR-1 in review	2
														0.d. Pending payment	2,484
														0.f. Perfected	1,117

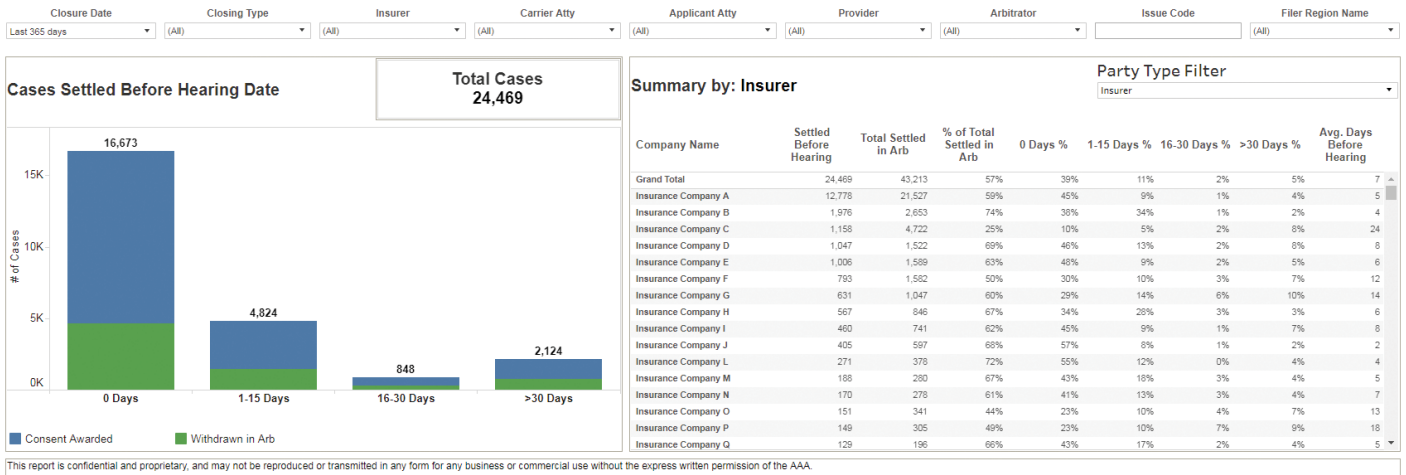
% Change From Previous Year by Week



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Table 5: Cases settled near to the hearing

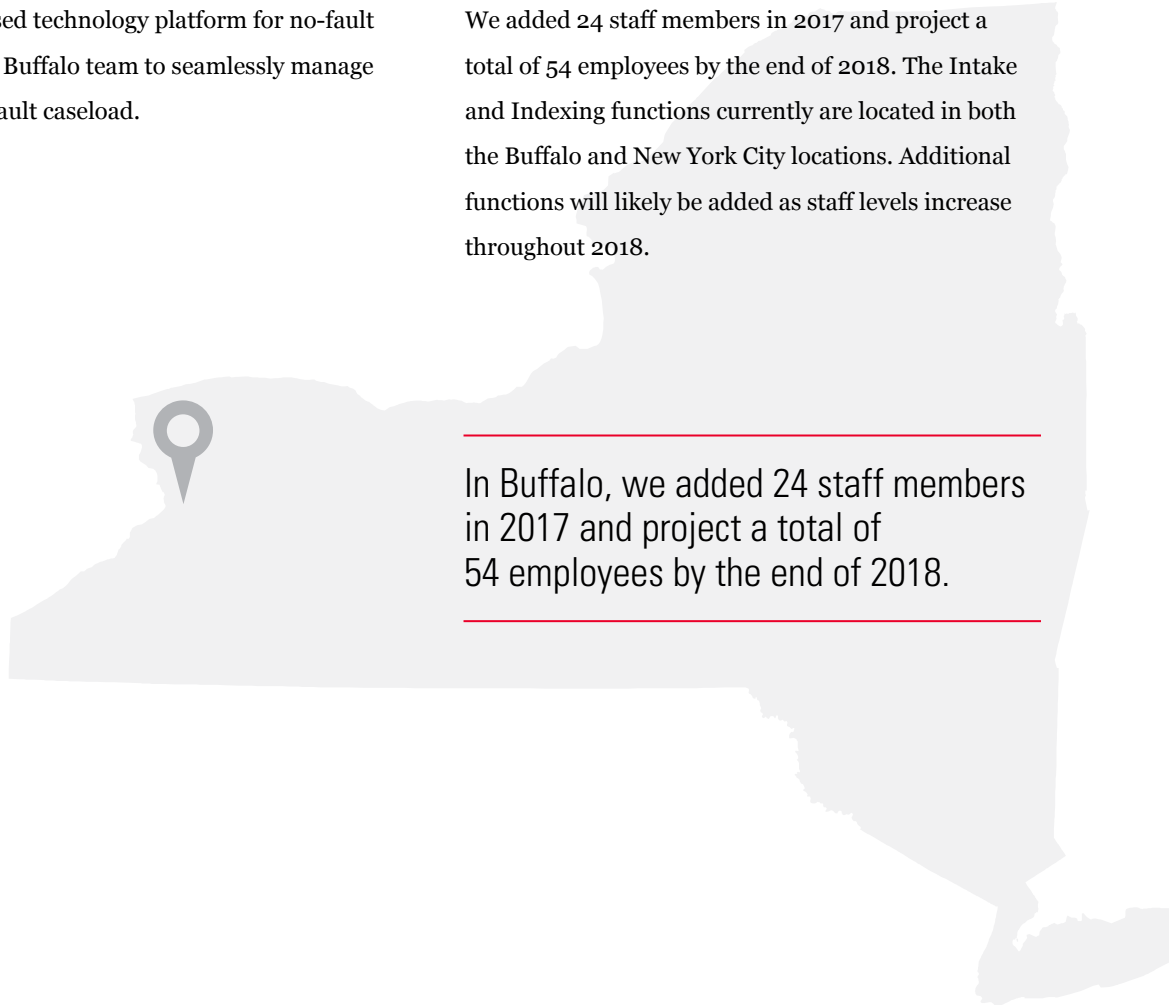
Settled Near Hearing Dashboard Last Updated: 4/13/2018 8:20:09 AM



BUFFALO OFFICE OPENING

The New York State Insurance Program’s (NYSI) Buffalo location opened in October 2017. NYSI operates the Buffalo and New York City locations with the approach of “one program, two locations.” The AAA’s cloud-based technology platform for no-fault users allows the Buffalo team to seamlessly manage its growing no-fault caseload.

The downtown Buffalo location at 250 Delaware Avenue provides local support for the upstate caseload while providing the opportunity to reinvest revenue back into New York State and its local communities. We added 24 staff members in 2017 and project a total of 54 employees by the end of 2018. The Intake and Indexing functions currently are located in both the Buffalo and New York City locations. Additional functions will likely be added as staff levels increase throughout 2018.



In Buffalo, we added 24 staff members in 2017 and project a total of 54 employees by the end of 2018.

OUTREACH

We continued expanding outreach and communication efforts in 2017 in a number of different areas.

Some highlights from 2017 include:

- Conducting a roundtable with the user community in Buffalo to introduce our “one program, two locations” outlook on case management.
- Managing client relationships by having a greater staff presence at arbitration hearings.
- Holding offsite gatherings with groups of no-fault and SUM arbitrators.
- Assisting the Department of Financial Services with arbitrator CLE training.
- Collaborating with members of the arbitrator panel to deliver a quarterly newsletter highlighting program initiatives and abstracts related to recently issued awards.
- Producing quarterly surveys and direct customer contacts.
- Meeting regularly with program users.

STAFF

With the opening of our newest case-management center serving the user community in Buffalo and surrounding areas, staffing levels have increased to 189 employees. Of the 189 employees, 24 currently are located in the Buffalo office. Further expansion of staff in Buffalo will allow us to manage program costs while continuing to provide high levels of service. Almost 90% of customers surveyed in 2017 expressed satisfaction with the quality of service and indicated they would recommend the AAA.

Staff Training

Staff engagement and professional training continue to be areas of importance for the AAA. Our conciliation staff was given a customized, interactive 40-hour mediation training with experienced, in-house certified mediators to help facilitate interactive classroom-style exercises. Staff also was trained on the use of business intelligence reporting to increase resolutions and also help manage different areas of operations.

The AAA partnered with the New York Peace Institute to deliver a two-day onsite training course to staff members interested in further developing effective communication skills.

Almost **90%** of customers surveyed in 2017 expressed satisfaction with the quality of service and indicated they would recommend the AAA.

In 2017, the AAA also implemented an important company-wide initiative focused on security awareness, providing tools and training to staff to help identify potential data security threats that can negatively impact the organization and customers. This data security initiative has brought greater staff awareness across the entire organization.

PROGRAM COSTS

The AAA has worked diligently to control costs associated with the no-fault and SUM programs over the past several years. The per-case assessment includes the AAA administrative cost and the arbitrator cost.

The DFS and the Advisory Budget Committee approved 2017 per-case assessments for conciliation, arbitration and SUM. The per-case assessments for conciliation and arbitration are \$17 and \$268, respectively. The SUM assessment is \$878 per case, a decrease of \$195 from the prior year.

The charts on the following pages display the annual insurance carrier costs per case in all three programs since 2008.

Table 6: Total Cost Per Case In Conciliation

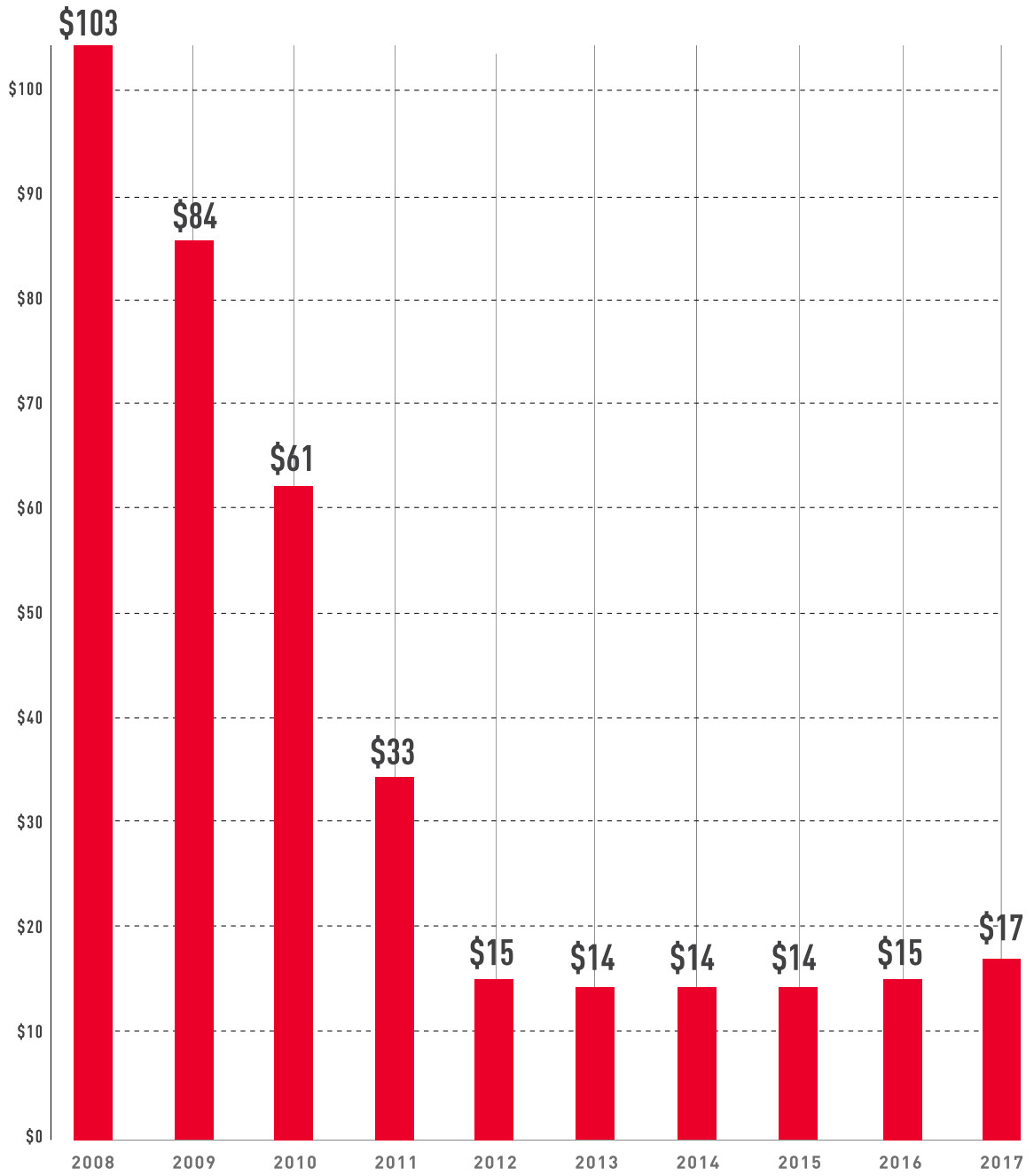


Table 7: Cost Per Case In No-Fault Arbitration

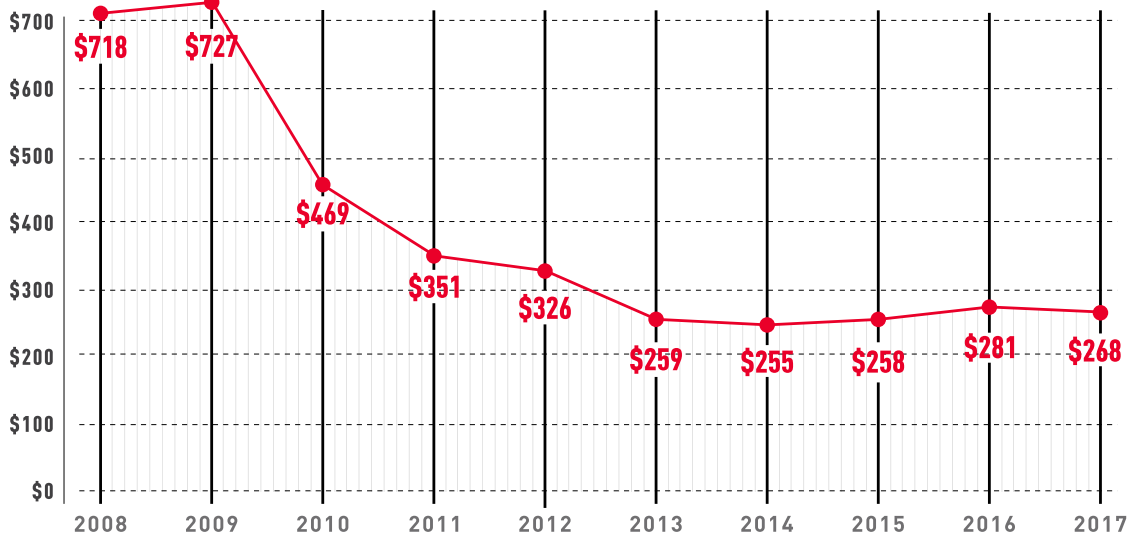
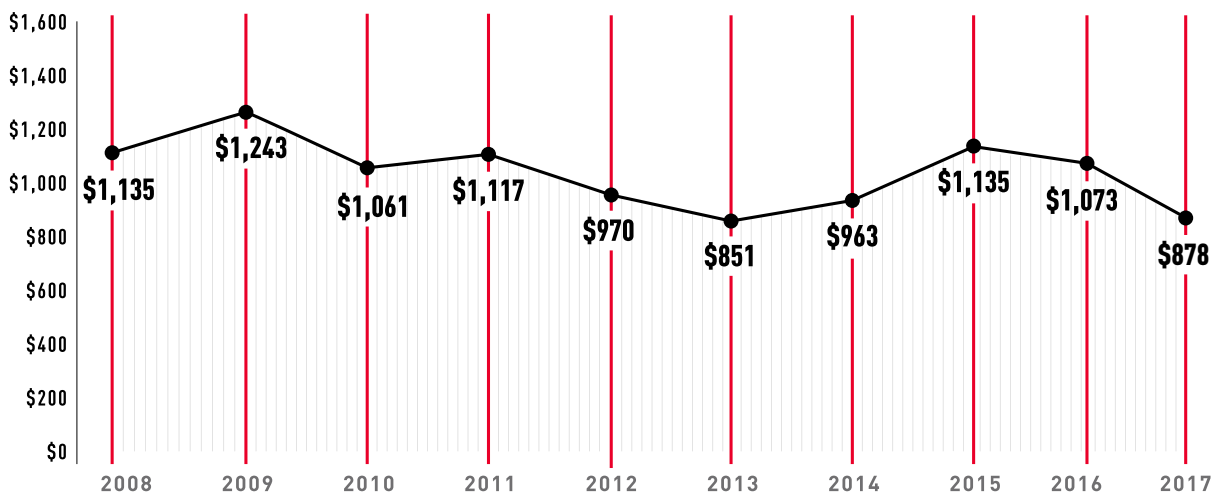


Table 8: Cost Per Case in SUM Arbitration



CONTACT US

Please feel free to contact us with any questions or concerns.

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