

NJ Supreme Court Rules: Insurance Fraud Cases Belong in Court, Not Arbitration

Litigation Alert

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Keith J. Roberts, Esq.
Member and Chair, Litigation



Shannon Carroll, Esq.
Member, Litigation

BRACH | EICHLER LLC
Counsellors at Law



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On July 21, 2026, the New Jersey Supreme Court held that New Jersey Insurance Fraud Prevention Act (IFPA) claims and RICO based fraud claims are not subject to the personal injury protection (PIP) arbitration process.

The Court's decision was a brief and blanket affirmation of the January 9, 2025, New Jersey Appellate Division decision by Judge Robert J. Gilson.

In *Allstate v. Carteret Comprehensive Medical Care, et al.*, Middlesex County, Docket No. L-1469-23, the trial court dismissed the insurance carrier's IFPA complaint based on the New Jersey No Fault Law's arbitration provision. This trial court ruling was in line with the Third Circuit decision in *GEICO v. Mount Prospect Chiropractic Center, P.A.*, 98 F.4th 463 3d Cir. (2024).

The Appellate Division reversed the trial court decision with the instruction that the insurance carrier is permitted to pursue its claims in the Law Division with a right to a jury trial. In so doing, the Appellate Division addressed the Third Circuit *Mount Prospect* opinion and found that it did not fully consider the legislative goals of the New Jersey No Fault Act and the IFPA.

Allstate's appeal was bolstered by amicus curiae briefs filed by, among others, the New Jersey Department of Banking and Insurance, the New Jersey Insurance Fraud Prosecutor and the Insurance Council of New Jersey. The defendants appealed the Appellate Division decision, and the Supreme Court granted certification and held argument on January 22, 2026.

The Supreme Court's decision will impact clients with pending insurance fraud cases and investigations in New Jersey. For example, several state and federal cases were stayed, pending a final determination in this case.

We recommend that individual clients reach out to discuss how to best respond to this decision.

Keith J. Roberts, Esq., *Member and Chair, Litigation*, kroberts@bracheichler.com or 973-364-5201

Shannon Carroll, Esq., *Member, Litigation*, scarroll@bracheichler.com or 973-403-3126

Authors

The following attorneys contributed to this insight.



Keith J. Roberts

Member

Litigation, Healthcare Law

973.364.5201 • 973.618.5585 Fax

kroberts@bracheichler.com



Shannon Carroll

Member

Healthcare Law, Litigation

973.403.3126 • 973.618.5988 Fax

scarroll@bracheichler.com