Insurance Fraud 101

The insurance industry has, as of late, faced an onslaught of fraudulent activity. The passage of the health care reform bill has left many Americans confused as to the future of this particular facet of insurance. Unfortunately, con artists and fraudsters are finding numerous ways to capitalize upon the confusion of the uninformed.

Insurance fraud is certainly not a new problem. For years there have been individuals who have attempted to sell fake policies and pocket premium payments. A sharp increase in the number of communication methods has simply increased the number of ways that scammers have been able to steal the money of unsuspecting Americans. Unfortunately, the costs of these scams are passed on to consumers in the form of increased premium payments. A recent report issued by The Southwestern Insurance Information Service indicates that “the average American is paying about $950 each year to subsidize insurance fraud.”

To curb this growing problem, Americans need to understand common types of insurance fraud and ways they can help prevent fraud from occurring.

Health Insurance Fraud

The recent overhaul of the health care system in the United States has sparked a rise in the number of health insurance scams across the nation. Scammers are finding a number of unique ways to capitalize upon the fact that the new legislation could eventually require all Americans to have coverage. There is still a great deal of confusion surrounding the details of the health care plan, making it easy for con artists to convince unsuspecting Americans that the false information they provide is actually the truth.

Some fraudsters have been going door to door selling fake policies, while others have chosen the Internet as their medium of choice. A recent AP article reports that the pitch of several door-to-door scammers is that there is only a short amount of time to secure insurance coverage under the new health care plan. Therefore, the con artists claim, individuals need to have a policy written immediately. However, in all actuality, it will be nearly four years before Americans will see an increase in the number of readily available policies - and the government does not have plans to sell policies door to door. Similarly, in Idaho, con artists have been operating under the guise of representatives directly from the government selling health insurance policies.

Fake Policies or Companies

Another type of insurance scam that occurs is the sale of fraudulent policies. The Coalition Against Insurance Fraud says that it has seen numerous cases involving individuals who sell insurance products from companies that have never been in existence. Scammers may invent fake companies with names just slightly different than real businesses. Others pose as representatives from legitimate insurers and create policy documents that appear to be from those companies. An individual in Michigan managed to con 500 people by selling fraudulent $40 automobile policies. He used his home computer and printer to create policy documents that included the names of reputable companies and agents.

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2http://www.startribune.com/business/89994622.html?page=1&c=y
5http://www.naic.org/Releases/2009_docs/insurance_fraud.htm
What You Can Do to Protect Yourself

There are a number of ways that you can protect yourself from falling victim to an insurance scam. The following tips may help you to avoid losing your hard-earned money to a professional con artist:

♦ **Work with a reputable company and agent.** One of the key ways to avoid being ripped off by a scam is to always work with a reputable insurance company. Do your research – the NAIC, Better Business Bureau, and your state insurance department can provide you with extensive information on a wide array of insurers. You should also obtain any coverage you need through a well-respected agent that holds a license in your state. Don’t be afraid to ask a potential agent for references, or ask friends or family who they would recommend.

♦ **Utilize technology.** Conduct business with a company that provides online account access. Using online services can help quickly detect whether anything is amiss with your policy. Most major insurers now offer access to comprehensive policy information online. Policy holders can view the specific details of each of their policies, review payment history, and even print ID cards. If you notice that your payment is not posted shortly after it is made, or that you can't view a new policy shortly after it is written, a red flag may need to be raised.

♦ **Watch for warning signs.** The National Association of Insurance Commissioners and the Coalition Against Insurance Fraud have both published several warning signs that may indicate fraudulent activity at an insurance company. For example, a major red flag should be raised if you purchase auto insurance and your insurance company does not provide you with an insurance card. Concern is also warranted if a copy of your policy is not received shortly after it is written.

♦ **Use common sense.** If it seems too good to be true, it probably is. If someone offers you unbelievably low premium payments or insists that you should enroll in their policy immediately, be wary. A little bit of common sense can go a long way in ensuring that you aren’t the next victim of insurance fraud.5

Educate yourself against unscrupulous operators, and avoid becoming a victim of fraud. Don’t be victimized. Contact ANPAC’s Special Investigations Unit at 1.800.333.2861, report fraud online, or call the NICB’s 24-hour hotline at 1.800.TEL.NICB.

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