

## **SCAM ALERT: PHONY HEALTH COVERAGE**

by the Coalition Against Insurance Fraud

Con artists are selling phony group health coverage to small businesses and consumers who are looking for lower-priced insurance to beat today's skyrocketing premiums.

These scams are operating in nearly every state. They're stealing millions of dollars from people across America. These swindles can leave you dangerously uncovered when your medical bills need paying — and your health is on the line.

You could be next. Here's what you should know...

1. How the scams work
2. The price you pay
3. 10 warning signals
4. 4 ways to protect yourself

### **1. HOW THE SCAMS WORK**

You're contacted. An insurance agent or other rep may try to sell you group health insurance at rock-bottom prices. You may also receive slick marketing material in the mail, or see enticing ads.

Typically you're promised premiums up to 50 percent below normal — plus superior coverage and a large, convenient network of skilled medical providers.

**Coverage too easy.** The insurance also is easy to obtain — too easy. You need few or no medical exams or medical questionnaires. And you can sign up even if you already have an illness or injury for which other plans turn you down. You may simply have to join an association or union and write out a premium check.

**No licenses.** The agent or rep also falsely insists that federal law exempts the plan from state licensing (in fact states do require licenses). It's an amazing deal — and phony.

**No insurance.** You have no health coverage or provider network. Your insurance company is fake, and the "association" exists only on paper.

Your premium money is being stolen.

### **2. THE PRICE YOU PAY**

You foot the bills. You must pay all medical bills yourself. Many people ended up paying hundreds or thousands of dollars out of their own pockets — including critical treatment such as kidney transplants, chemotherapy and eye surgery.

People have spent their life savings, sold their homes, gone into debt, wrecked their credit and disrupted their lives.

**Health endangered.** Your health also could be in danger. Some people have delayed urgent medical care — threatening to make their illness worse.

**Finance crooked lifestyles.** And what happens to your stolen premiums? The crooked plan's owners spend your money on mansions, vacations, jewelry, large salaries and other luxuries.

### **3. 10 WARNING SIGNS**

Watch for these warning signs of a possible swindle...

1. The coverage costs 25 percent or more below the norm, yet promises generous benefits and a large provider network.
2. The plan readily accepts people with serious illnesses and other medical conditions that other plans normally reject.
3. The insurance has few or no underwriting guidelines – the agent or rep appears almost too eager to sign you up.
4. You're approached by an insurance agent, phone or direct mail. Honest group plans normally are sponsored by your employer — and aren't sold directly to individuals.
5. The plan isn't licensed in your state, and the agent (falsely) assures you the federal ERISA law exempts the plan from state licensing.
6. The plan seems like insurance, but the agent or rep avoids calling "insurance," and instead uses evasive terms such as "benefits."
7. The agent or rep doesn't have clear answers to your questions, seems ill-informed, or avoids sharing information.
8. You've never heard of that health insurance company — and nobody else has, either.
9. You have to join an "association" or "union" to obtain the health coverage. But you get no voting rights, receive no bylaws or other material, and aren't involved in the group's activities.
10. Your hospital keeps calling you to complain that your health plan isn't paying your medical bills. Often the plan's reps keep making flimsy excuses, or stop returning phone calls altogether.

### **4. 4 WAYS TO PROTECT YOURSELF**

Play it safe and smart before buying your health coverage...

1. Contact your state insurance department. Ask if the insurance company is licensed in your state or has a history of complaints.
2. Watch for slight differences in names between an unlicensed and licensed health insurance company. Often the phony name closely resembles a legitimate insurer. One example: The crooked Employers Mutual LLC sounds just like the real Employers Mutual Insurance Company.
3. Never rely on slick marketing literature or high-pressure sales pitches. Check the facts

yourself — call your state insurance department.

4. Back off and ask questions if ...

- the deal sounds too good to be true;
- the agent or rep insists that you buy now;
- the agent or rep sounds evasive when you ask direct questions.

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Check their Web site for many articles that will help you avoid scams on health insurance as well as other types.