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1-1-1992

How to Protect Yourself from Insurance Fraud

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Recommended Citation
Whitby, Jilene and Noyes, Marilyn, "How to Protect Yourself from Insurance Fraud" (1992). *All Archived Publications.* Paper 453.
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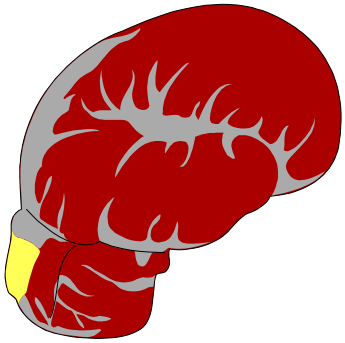

How to Protect Yourself from Insurance Fraud

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1992 FL 249

Insurance is often bought and then set aside until a loss occurs and a claim made. It is then some people find that their policies do not contain all of the coverage their agents described, or they find they have no coverage at all. Sometimes this is caused by fraud or misrepresentation. Most insurance agents and companies are honest, but there have been abuses as in the following complaints received by city and state regulatory officials.

"There's no risk of losing your money," was the phrase used by an insurance agent we will call Bob. Bob targeted retired senior citizens that had set aside nest eggs of at least $20,000. He first approached them to buy nursing home or Medicare supplement policies. Once sold he persuaded them to place their nest eggs in an investment type contract.

Checks for these policies were made out to Bob's agency, deposited into his business account, and then withdrawn for his personal use. As a result, insurance companies did not receive the premiums, and clients, instead of policies, received only assurances from Bob that everything was okay.

When the fraud was discovered, only those with documentation were able to recoup their losses. The necessary documentation included a check, a receipt, application, or policy naming the company that Bob was representing, and also the coverage provided and premium paid. As long as an agent is appointed by an insurer and acts within the limits of their contract the insurer is responsible for the actions of its agent.

As it turned out, many of Bob's clients found themselves lacking the necessary documentation to recover their losses from the insurer. Ultimately they were left to their own devices to recover their money. Many never did.

One victim commented that she would have never loaned a friend $30,000; instead she trusted it to a stranger without investigation or receiving any proof of payment in return. A little prevention would have saved these people a great deal of money and worry.

In one case, many of Don's clients accepted his personal checks to settle claims of losses. Only when the claim payment was delayed were suspicions raised. One client took his suspicions to the State Insurance Department. Through their investigation it was discovered that a policy had never been obtained by the agent for the client.

"Don" had acted as an insurance company, both accepting premiums and providing coverage on claims. This was illegal, and he did not have assets to cover the claims.

Be sure to get a Policy when you pay a premium and be aware of the source of your claim check. Don't accept a check from an agent or insurance agency to cover a claim. Both the policy and claim check should have the name of the insurance company.

You can protect yourself against such loss by asking questions and being cautious.

GET INVOLVED! Take an active part to insure that fraud is not part of your insurance transaction, whether it is coverage for your home, automobile, life, or health.

1. **DECIDE WHAT INSURANCE YOU CAN AFFORD.** Insurance is protection against financial catastrophe. Weigh your risks of loss against possible costs, consider what you would be willing and able to assume, then shop for the most protection for your money. Re-evaluate needs as your circumstances change.

2. **DON'T BUY SOMETHING YOU DON'T NEED.** Don't buy hastily. Understand what you are buying. You are the best judge of what you need. Be sure that you understand the insurance offered to you and how it will meet your needs. Often people buy more than one policy covering the same type of occurrence. Find out if you are buying duplicate, unnecessary coverage.

3. **SHOP AND COMPARE.** Get more than one quote. Compare costs and benefits. Which will be the best for you? Coverages are available with many different companies at many different prices.

4. **TAKE YOUR TIME.** Don't be pressured. When in doubt, make no promises or commitments, no matter how promising the deal looks. It is far better to wait and be sure than to act hastily and be sorry later.

5. **GET ANOTHER OPINION.** Don't ask just anyone. Ask someone that understands the type of insurance you are interested in.

6. **DON'T BE FOOLED BY TECHNIQUES** used by some to give validity to a sale. For example, name dropping, references to the religious standing of the salesperson, etc. Don't allow these techniques to influence your decision. The merits of the product should stand alone.

7. **KNOW WHO YOU ARE DEALING WITH.** Is the agent and insurance company licensed to do business in Utah? Is the agent authorized to represent that particular company? If in doubt, ask the agent to see his license, or call the Utah State Insurance Department for verification of the licensure of both the agent and company.

8. **CHECK THE STABILITY OF THE COMPANY.** This can be done in at least two ways. First, review the information about the company in either the "Best's Insurance Report" or "standard and Poor's" report at your local library. Both use a gradation system. Second, review the company's annual financial report filed with the State Insurance Department.

9. **DON'T PAY CASH.** When possible, checks should be made payable to the insurance company. If a check must be made out to the agency, be sure to identify somewhere on the check which insurance company is providing coverage.

10. **OBTAIN PROOF OF PURCHASE.** Like any other purchase, you should request a receipt. If possible, in an insurance transaction, you should also obtain a copy of the application and review it. The receipt and application need to identify the name of the insuring company and the effective date of coverage.

11. **GET A COPY OF THE POLICY.** Never, never fail to get a written policy, or in the case of group health insurance, a certificate.

12. **READ YOUR POLICY,** especially the fine print. Some policies have a free examination period in which you can review the policy and return it without penalty. Be sure that all of the salesperson's promises, the application and other literature given to you are reflected in the policy. If not, call the company or agent to make the changes necessary before the free look period ends. Ultimately the buyer is responsible to know what he/she buys. Read the policy. If you don't understand it, find someone who does, or call the State Insurance Department for help.

13. **CHECK INTO POLICY DELAYS.** Normally, your policy should be delivered to you within 30 days of the date of application. If it is not delivered, contact the agent or company and obtain a written reply of the reason for the delay. If you do not have a policy with 60 days, contact the State Insurance Department.

14. **REPLACING INSURANCE.** Make certain the coverage you are buying to replace another policy contains similar or better benefits. Don't allow one to lapse before a new one becomes effective.

15. **KNOW THE PENALTIES** for withdrawing money from a life insurance policy or an annuity plan, or canceling any type of insurance policy.

16. **KEEP TRACK OF YOUR INVESTMENT**. If you have purchased an annuity or live insurance policy for investment purposes, monitor it regularly. Be sure to get status reports from the insuring company at least annually.

For further information call the Utah State Insurance Department in Salt Lake City. Local libraries have reference materials on insurance, or check with your county Cooperative Extension Service.

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Issued in furtherance of Cooperative Extension work, Acts of May 8 and June 30, 1914, in cooperation with the U.S. Department of Agriculture, Robert L. Gilliland, Vice President and Director, Cooperative Extension Service, Utah State University. (EP/07-95/DF)