

Insurance Fraud



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Get Help from TDI

For insurance questions or for help with an insurance-related complaint, call the **Texas Department of Insurance (TDI) Consumer Help Line** at **1-800-252-3439** or visit our website at **tdi.texas.gov**.

Visit **HelpInsure.com** to shop for automobile, homeowners, condo, and renters insurance, and **TexasHealthOptions.com** to learn more about health insurance and your options for coverage.

What is Insurance Fraud?

Companies, agents, adjusters, doctors and hospitals, or consumers commit insurance fraud when they lie or misrepresent facts for financial gain.

Since companies divide the costs of claims among policyholders, fraudulent insurance claims drive premium costs up. Each year, insurance fraud costs consumers an estimated \$150 billion, an average of almost \$1,000 per family in additional insurance premiums.

Reporting Suspected Fraud

If you know or suspect that someone has committed insurance fraud, Texas law requires you to report it within 30 days. The law protects you from any retribution or liability for reporting fraud.

If you suspect fraud, or think you've been a victim of insurance fraud, report it to the TDI Fraud Unit. You can report fraud online or by calling our toll-free Consumer Help Line. Report fraud involving Medicare, Medicaid, or drug or health care discount programs to the **Texas Attorney General's Consumer Protection Hot Line** at **1-800-621-0508**.

Insurance Fraud Schemes

Unlicensed Insurance

It's illegal to sell insurance in Texas without a license. (The only exception is for surplus lines carriers, which are out-of-state companies that insure unusual or hard-to-place risks. Surplus lines companies must still register with TDI to do business in Texas, and they must be licensed in their home state or country.)

Unlicensed companies rarely meet the state's minimum financial requirements and may not have the money to pay claims. The company will collect your premiums and might even pay a few small claims so you'll continue paying your premium. Then, when you have an expensive claim, the company could disappear and leave you with no coverage and expensive bills to pay.

Consumers and small businesses who have trouble finding or affording insurance can be vulnerable to these schemes.

Prevention tips:

Make sure your agent or company is licensed or registered to sell insurance in Texas. If you have health coverage through your employer - especially if you work for a small employer - it's still a good idea to make sure your insurance company is licensed. You can learn an agent or company's license status by calling the TDI Consumer Help Line or by viewing company profiles on our website.

When you check a company's license status, be sure you know the company's exact

name. Unlicensed companies often use names that are similar to the names of licensed companies. If you find even a small difference between the name a company provides and the name TDI has on record, please tell TDI immediately.

Health Care Provider Fraud

Doctors and hospitals commit fraud when they over-bill insurance companies for services they provided, bill for services they didn't provide, or perform unnecessary tests and procedures.

Prevention tips:

- Ask questions to make sure the treatment your doctor recommends is necessary.
- Be skeptical if a doctor recommends any new, unusual, or experimental procedure.
- Review your bills and the explanation of benefits (EOB) statement from your insurance company to make sure that you were charged only for services you received. If you find a difference in the bills and the services you received, contact your insurance company.

Auto Accident Fraud

People commit auto accident fraud by padding their claims or filing a claim for an accident or theft that never occurred. Another scheme is to cause a collision and make it look like it was your fault.

One common scheme is the swoop and squat. It involves two partners in separate vehicles. The squat car pulls directly in front of you and slows down. The swoop car comes up from behind, passes, and then swerves in front of the squat car. The squat car brakes quickly, forcing you to rear-end it, as the swoop car drives off.

Prevention tips:

- Insist on calling the police if you're in an accident.
- Get information from the other driver. Get the person's name, address, phone number, license plate, exact insurance company name, and policy number.
- Ask for the names of everyone in the other vehicle.
- If you have a camera or a cellphone camera, take pictures of your and the other vehicles' damages.
- Don't follow vehicles too closely. This will help avoid the swoop and squat.

Fraud against Seniors

Seniors are often targets of insurance fraud, particularly life and health insurance fraud. Seniors are more likely than others to feel they need these coverages, and many worry that they'll become a burden to family if they don't have enough insurance.

Prevention tips:

Be wary of agents who:

- **Contact you unsolicited.** The salesperson probably got your information through a mailing list. Not all agents who contact you are dishonest, but it's a good idea to be cautious.
- **Use high-pressure tactics.** Common tactics include offering a "last-chance deal" or appealing to your emotions. Take your time when deciding to buy insurance and base the decision on your financial needs.

- **Urge you to cash in an existing annuity or life insurance policy to buy a new annuity, life insurance policy, or other investment.** Annuities and life insurance are generally worth more the longer you keep them. Changing to a new annuity or policy during the first three to five years can cause you to lose money.
- **Claim to be from Medicare, Social Security, or another government agency.** The government doesn't sell insurance. Agents who say they're with the government are breaking the law.

Fraud against Businesses

Businesses with risks that are hard to insure and small businesses that have trouble affording coverage can be vulnerable to insurance fraud.

Unlicensed companies often try to sell fraudulent insurance policies to businesses. An unlicensed insurance company might say that it's associated with a trade union, trust, or multiple employer welfare agreement (MEWA). MEWAs are groups that allow small companies to pool their resources to buy inexpensive health plans. Like insurance companies, MEWAs must be licensed to do business in Texas.

An unlicensed insurance company might also say a plan is exempt from state regulation because it's a self-funded or ERISA plan. ERISA plans are authorized by the federal Employee Retirement Income Security Act. While ERISA plans are exempt from most state laws, businesses and organizations create them to cover only their own employees or members. Your business will seldom be sold a valid ERISA plan from an outside company or agent.

Unlicensed insurance companies might also try to sell these types of policies:

- medical malpractice,
- commercial general liability,
- contractor performance bonds, and
- auto liability coverage for truckers.

Prevention tips:

- Beware of unsolicited offers or offers to upgrade coverage.
- Verify with TDI the license or surplus lines registration status of the companies you're considering.
- When buying health insurance, ask the plans to give you references of other enrolled employers. Ask those employers about the plan's benefit payment history and claim turn-around time.

Health Care Fraud

TDI licenses insurance agents, brokers, and companies. Consumers can use an agent or broker to help shop for health insurance. To check on the license status for an insurance agent or an insurance company, call TDI's Consumer Help Line or visit our website.

The federal government oversees navigators and counselors that help consumers shop for insurance in the federal marketplace. To verify that a navigator or counselor is certified by the federal government, call the **federal marketplace** at **1-800-318-2596** or visit **HealthCare.gov**.

Prevention tips:

- Beware of phony health insurance websites or marketplaces that collect your personal information. Make sure the insurance company you buy from exists and is licensed.
- Don't be pressured into changing coverage. If you already have health insurance through your employer or through Medicaid, Medicare, CHIP, or TRICARE, you aren't required to change plans.
- Be cautious of unsolicited emails, phone calls, letters, or anyone who comes to your house uninvited. Don't give your Social Security number or personal information to anyone you didn't contact.
- Ask questions if you don't understand something and take notes. Write down the names of the people you talk to and what they tell you. Get their phone numbers, addresses, and email addresses.
- Take your time to decide. Don't buy anything from anyone who tries to talk you into making a quick decision.
- Don't be pressured into buying coverage. No one should call you or bill you for a tax penalty. You aren't required to have an insurance card. You can't go to jail for not having insurance.
- Don't sign anything you haven't read and don't fully understand.

Mortgage Fraud

Residential mortgage fraud occurs when borrowers make false or misleading statements to get mortgage loans. Mortgage fraud also includes diverting escrow funds at settlement.

Title agent and escrow officers should look for these warning signs to detect possible mortgage fraud:

- excessive or undocumented repair bills, consulting fees, or marketing fees to be paid before or after closing;
- sales price increase shortly before closing with the difference to be paid in a note to the seller;
- request to ignore lender's closing instructions or to disburse funds differently than shown on the settlement statement;
- last minute power of attorney without explanation;
- no funds due from buyer, or cash paid to buyer; and
- buyer required to use a particular broker or lender, or the chain of title includes broker or lender.

Prevention tips:

- Get referrals for real estate and mortgage professionals. Check the licenses of industry professionals with regulatory agencies.
- Be wary of agents who make unsolicited contacts or use high-pressure sales tactics.
- Look at written information, including recent comparable sales and tax assessments to verify the value of the property.
- Understand what you are agreeing to and signing. Review all documents carefully.

Ask an attorney for assistance if there's something you don't understand. Make sure the name on your application is your correct legal name.

- Review the title history to see whether the property has been sold multiple times within a short period. It could mean that the property has been flipped and the value falsely inflated.
- Know and understand the terms of your mortgage. Check your information against the information in the loan document to ensure that they're accurate and complete.
- Never sign a loan document that contains blanks.
- Review your credit report annually. You can get a free credit report by calling **AnnualCreditReport.com** at **1-877-322-8228** or by visiting **annualcreditreport.com**.

Additional Tips to Prevent Fraud

- **Beware of low premiums.** Some schemes promise extensive coverage at a very low price. You can usually save money by shopping, but be cautious of any plan or policy that costs significantly less than others you've priced.
- **Get agent and company information from TDI.** In addition to license status, check company complaint indexes and financial ratings. The complaint index and financial rating help indicate whether a company provides good customer service and is financially stable.
- **Take your time.** Take as much time as you need when buying insurance. Don't let an agent or company representative pressure you into making a decision. If an agent is evasive when you ask about prices, coverage, or payment arrangements, be suspicious.
- **Always pay by check or credit card.** Check and credit card payments can be traced and verified. If you must pay cash, get a receipt that shows the name of the company, the date, and the amount paid.
- **Be cautious of policies sold door to door or over the phone.** Unlicensed companies often use these methods to sell their products. Insist on knowing a company's physical address, and check that the company and agent are licensed. Even though policies sold in person or over the phone are sometimes legitimate, their rates are often higher and they provide less coverage than policies sold by traditional agents.
- **Keep and protect your insurance documents.** In addition to the actual policy, keep a copy of any paperwork you and the company send each other, such as advertisements, receipts, and claim information. Also keep notes of any telephone or in-person contacts with the company, including the name and title of the person you spoke with, the date, and what was said.

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