



CONSUMER ALERT: **PROTECTING SMALL BUSINESSES FROM FRAUDULENT HEALTH PLANS**

At a time when many people are struggling to keep up with rising healthcare costs, another, more costly concern in the form of fraudulent health insurance plans is thriving by victimizing small businesses. Small businesses have been a frequent target of fake insurance scams since employers are always looking to reduce health insurance costs and simply do not have the purchasing power to negotiate more competitive rates for their employees. Here are some tips for small businesses from the National Association of Insurance Commissioners (NAIC) to help protect you and your business from fraudulent health plans.

1. Read the Fine Print

Fake insurance policies can take a variety of forms, but they're almost always marketed to make you *think* you're buying insurance protection for your employees. Read through all of the materials carefully and thoroughly and don't assume a plan is legitimate just because it contains common insurance jargon.

2. Look for Red Flags

To confirm the credibility of a company or agent, look for these warning signs when approached by a company:

- High-pressure marketing and an extreme sense of urgency, telling you that you "must act now" or "this is a one-time offer."
- The company or agent offers unusually low premiums that are considerably below the average price for comparable insurance products on the market (25% or more cheaper than the going rate)
- Promises of generous benefits for your employees, a large network of physicians and expansive coverage of services.
- The application for coverage contains only a few questions. A legitimate company's application is going to be much more thorough and comprehensive in order to accurately quote the coverage based on medical condition.
- There are few coverage limitations. Be wary if the coverage claims it will insure anyone, regardless

of history, age, risks—basically, people with serious medical conditions that other plans would typically reject.

- The sales agent or representative is evasive about answering your questions and isn't forthcoming about important information
- The "health plan" requires a deposit or fee (usually non-refundable) at the time of the application process. This is not a normal health insurance practice.

3. Do Your Homework

Who is responsible for paying the claims? Every entity contracting to take on such risks needs to be licensed, as do their agents. The best way to determine if a company or agent is licensed is to contact your state insurance department.

4. Get more Information

Education is your best defense against fraud. Visit your state insurance department for more information on company and agent requirements. You can link to your state insurance department's Web site by visiting www.naic.org. Click on "State Insurance Web Sites," then click on your state.

5. The Final Word

If it seems too good to be true, it probably is!

The National Association of Insurance Commissioners is a voluntary organization of the chief insurance regulatory officials of the 50 states, the District of Columbia and five U.S. territories. The overriding objectives of state regulators are to protect consumers and help maintain the financial stability of the insurance industry.

If you would like more information, please contact the NAIC Communications Department at (816) 842-3600 or send email to communications@naic.org