

The Center for Economic Justice

NEWS

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Consumer Organization Urges State Insurance Regulators to Protect Consumers from Phony Insurance Sales

Center for Economic Justice Says NAIC Should Adopt Unauthorized Transaction of Insurance Criminal Model Act

Agents' Groups Should Stop Opposition to Essential Consumer Protections

The Center for Economic Justice (CEJ), a non-profit consumer advocacy organization, today urged state insurance regulators at the National Association of Insurance Commissioners (NAIC) to help protect consumers from phony insurance sales by adopting a model law making it a felony to operate, promote and sell phony insurance.

CEJ Executive Director Birny Birnbaum said, "Criminals will find it harder to promote and sell phony insurance, if the NAIC adopts the Unauthorized Transaction of Insurance Criminal Model Act – and if individual states, in turn, make the model act into actual law in the states."

The key provision of the model law is to make the promotion and sale of phony insurance a felony. This action not only matches the nature of the crime with the tremendous harm phony insurance inflicts on consumers, but gives regulators and law enforcement the stronger tools need to combat the fraud perpetrated on consumers.

According to the Government Accountability Office (GAO), between 2000 and 2002, phony health insurance schemes collected millions in premiums and left over 200,000 policyholders with over \$252 million in medical bills.

Mila Kofman, Associate Professor at Georgetown University and a national expert on health insurance scams, said “Although states have shut down these schemes, to-date there have been few state or federal criminal prosecutions. Unless state prosecutors can prove fraud – very difficult with insurance – operators, promoters, and agents that sell phony insurance to businesses and America's workers and families are not held accountable for their actions.”

Operators of these schemes are often repeat offenders and unless held accountable criminally, they go on to set up new phony insurance entities victimizing more people.

"State civil actions don't deter these scam artists – civil actions are merely the price of doing business," according to Birnbaum.

Some insurance agents' groups are opposing the model act and lobbying insurance commissioners not to adopt it.

“Unscrupulous agents should be held accountable for selling phony insurance.” Birnbaum said. "The agents' groups should not be opposing this essential consumer protection and should not be trying to protect the action of a few that tarnishes the good work of most agents.”

CEJ and other consumer organizations urge the NAIC to stand up to these agents and hold rogue agents accountable for selling phony insurance by adopting the Unauthorized Transaction of Insurance Criminal Model Act – and working in their states to make it the law of the land.

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The Center for Economic Justice is a Texas nonprofit corporation dedicated to protecting the interests of minority and low-income consumers on insurance, credit and utility matters. Web Site: www.cej-online.org