

# Saving Money on Your Insurance

BY JOSE MONTE MAYOR

## *Unauthorized Health Care Plans Are No Bargain*

**T**HOUSANDS OF TEXANS and their employers recently learned a painful and expensive lesson: Beware of unlicensed health insurance plans.

You can call the Texas Department of Insurance (TDI) at

**1-800-252-3439**

or check the company profiles on our Web site

**[www.tdi.state.tx.us](http://www.tdi.state.tx.us)**

to learn if a health insurer is legally authorized to do business in Texas. If it's not, look elsewhere for health coverage for yourself and/or your employees.

If you suspect a health plan is fraudulent, call TDI's Insurance Fraud Unit at

**1-888-327-8818.**

When the cost of health care coverage rises steeply, as it has recently, unauthorized insurers multiply. Their sales pitches of lower rates for full coverage are hard to resist.

Eventually, however, unlicensed health insurers stop paying claims, as several thousand members of two plans prosecuted by TDI learned in 2001. One plan's members and their doctors are having to deal with the plan's bankruptcy trustee in the hope of getting pennies on their claim dollars. TDI issued an emergency cease-and-desist order to halt sales by the other plan after learning it was not paying claims.

Failure to get a license before selling insurance is a red flag that signals a deliberate intention to break the law and defraud customers. The Texas Legislature takes unauthorized insurance so seriously that it made it a third-degree felony. Federal agencies also have prosecuted unauthorized insurers for such crimes as mail fraud and wire fraud.

Unauthorized health insurers often claim, falsely, that they are employer-sponsored plans shielded from state licensing and regulation by the federal Employment Retirement Income Security Act (ERISA) of 1974. Another disguise is that of a labor

union health plan, also exempt under ERISA. Sham unions do not engage in legitimate collective bargaining and exist only to market fraudulent health plans.

The U. S. Department of Labor's Pension and Welfare Benefits Administration can confirm whether a purported ERISA plan has made the filings required of such plans.

Virtually all legitimate multiple employer benefit plans are licensed by TDI or are covered by licensed insurance companies. Because legitimate ERISA health care plans, including union plans, are available to eligible employees as a job-related benefit, they are not sold by agents. Some unauthorized insurers have recruited licensed agents to sell their health plans. The fact that an agent is licensed is no guarantee that a plan he or she is selling is legitimate.

Here are some tips to protect yourself and/or your employees from fraudulent health plans:

- Be skeptical if you're offered coverage that boasts unusually low premium rates.
- Make sure the plan is insured by a licensed insurer. Ask for the insurer's name and check the benefits booklet to see if it names a licensed insurer. You can verify claims that an insurance company is backing the plan by contacting the company.
- Contact TDI's Fraud Unit if an agent offers you a union plan, invokes ERISA or claims not to need a license because the coverage isn't insurance or is exempt from regulation.
- Be wary if salespeople and promotional literature seem deliberately to avoid the word "insurance" or other insurance terms, or if they claim that the plan is not insurance, and, therefore, is exempt from regulation.
- Don't be misled by an insurance company name or logo on plan materials. Such an insurer may simply provide administrative services or "stop loss" coverage that pays only when claims exceed a certain amount. ★

### **Editors:**

- *If you need further information, call:*  
**Texas Department of Insurance  
Public Information Office  
(512) 463-6425**

*We welcome your questions and suggestions about this column.*