

When good agents go bad

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The [Coalition Against Insurance Fraud's](#) recently released interim [survey](#) of state insurance fraud bureaus includes some predictable stuff, and a couple of surprises. For instance, it's no surprise that the bureaus reported that all types of insurance fraud were up, and that their operating budgets were down.

What did surprise me, though, was that **agent fraud is the third most prevalent form of fraud being reported by the bureaus**, right behind bogus health insurance and drug diversion:

Suspect cases involving insurance agents increased substantially year-to-date in 2009. A total of 69% of respondents said agent cases were up slightly higher or much higher so far in 2009, while a quarter reported no change. Only one bureau said the number of cases involving agents had fallen in 2009.

We contacted CAIF's [Dennis Jay](#), who minced no words:

*Let me be clear upfront: The vast **majority of agents are honest** and committed to their clients' best interests. But a small and disturbingly growing minority are painting the entire profession as **a bunch of crooks**.*

Survey results and CAIF's own database of agent fraud cases culled from news stories and other sources shows a steady increase in agent cases since 2007 through 2009. "This suggests agent fraud cases may be rising, but also may reflect increased crackdowns by insurers, fraud bureaus, state AGs and other fraud fighters to better detect agent scams," Jay said. "Or it may reflect both trends. At bottom, agent scams are a significant consumer problem, and constant headache for insurers and state regulators alike."

Stealing premiums without buying the promised coverage is one of the most common forms of agent fraud. "It's easy to commit, and can leave clients dangerously uncovered when they have a claim," Jay said. "Some agents

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are selling bogus health coverage, which is spreading rapidly around the U.S. We're also seeing producers selling overpriced life products clients may not need, want or understand. Seniors especially are frequent victims of annuities scams."

Crooked agents also are selling "shady investments in non-insurance areas far out of their insurance expertise, and often without a license," Jay said. "Smaller businesses in high-risk operations also have been sold fake liability coverage or had premiums stolen.

They're vulnerable because liability premiums tend to be high and coverage isn't always easy to find."

Agent fraud is the Mr. Hyde opposite of the Dr. Jekyll of agent-as-expert-consultant, with wise guys using their industry knowledge to exploit the average Joe, Jay said.