FRAUD, MISREPRESENTATION, AND VARIOUS OTHER LEGALITIES RELEVANT TO THE SETTLEMENT OF TRAVEL AND HEALTH INSURANCE CLAIMS

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UNITED STATES UNFAIR BUSINESS PRACTICE LAWS AND REGULATIONS

All US States have both Federal and State Regulations that govern insurance laws and contracts. These statutes have direct relevance and application to the Cost Containment industry. It appears that this area lends itself to various forms of fraud and misrepresentations by insurers, cost containment companies, and others with vested interests, in order to obtain the lowest rates of claim reimbursements to providers of medical service.

1) UNFAIR METHODS OF COMPETITION AND UNFAIR OR DECEPTIVE ACTS.--The following are defined as unfair methods of competition and unfair or deceptive acts or practices:

c) False statements and entries: -

1) Knowingly;

a) Filing with any supervisory or other public official;

b) Making, publishing, disseminating, circulating;

c) Delivering to any person;

d) Placing before the public;

e) Causing, directly or indirectly, to be made, published, disseminated, circulated, delivered to any person, or placed before the public;

any false material statement.

NB: It is this action of making a false material statement that is most pertinent to this topic.

i) Unfair claim settlement practices:-

1) Attempting to settle claims on the basis of an application, when serving as a binder or intended to become a part of the policy, or any other material document which was altered without notice to, or knowledge or consent of, the insured;

2) A material misrepresentation made to an insured or any other person having an interest in the proceeds payable under such contract or policy, for the purpose and with the intent of

effecting settlement of such claims, loss, or damage under such contract or policy on less favorable terms than those provided in, and contemplated by, such contract or policy; or

3) Committing or performing with such frequency as to indicate a general business practice any of the following:

a) Failing to adopt and implement standards for the proper investigation of claims;

b) Misrepresenting pertinent facts or insurance policy provisions relating to coverage's at issue;

c) Failing to acknowledge and act promptly upon communications with respect to claims;

d) Denying claims without conducting reasonable investigations based upon available information;

e) Failing to affirm or deny full or partial coverage of claims, and, as to partial coverage, the dollar amount or extent of coverage, or failing to provide a written statement that the claim is being investigated, upon the written request of the insured within 30 days after proof-of-loss statements have been completed;

f) Failing to promptly provide a reasonable explanation in writing to the insured of the basis in the insurance policy, in relation to the facts or applicable law, for denial of a claim or for the offer of a compromise settlement;

g) Failing to promptly notify the insured of any additional information necessary for the processing of a claim; or

h)Failing to clearly explain the nature of the requested information and the reasons why such information is necessary.

SOME EXAMPLES RELEVANT TO HOW INSURANCE COMPANIES CAN, AND HAVE CONTRAVENED THE ABOVE US FEDERAL LEGISLATION IN ORDER TO EFFECTUATE AND OBTAIN DEEP DISCOUNTS FROM PROVIDERS OF MEDICAL CARE;

1) **Misrepresenting to a provider that there is a policy maximum of say, $50,000.00USD, when in actual fact the patient has a policy maximum of 10 Million.**

2) **Misrepresenting to a provider that a patient is deceased, when in fact the patient is alive and well.**

3) **Misrepresenting to a provider that a claim is deniable, when it is not.**

WHEN INSURERS, THIRD PARTY ADMINISTRATORS, ASSISTANCE COMPANIES, OR EVEN COST-CONTAINMENT COMPANIES CONTRAVENE THE ABOVE US FEDERAL LEGISLATION, ALL PARTIES INVOLVED OPEN THEMSELVES TO COMMITTING FRAUD.

An example relevant to the travel insurance industry:

Mr. Smith, a Russian Citizen, who can speak little English, before traveling to Florida from Moscow, purchases a policy of travel insurance from XYZ Insurance Ltd. His insurance covers him for $10million in medical expenses. Mr. Smith has a serious heart attack and is taken to ABC Medical Center for treatment. He undergoes lengthy surgery, and is kept in ICU for 7 days before being transferred to the regular cardiac ward for 10 days. In total he is an inpatient at ABC Medical Center for 17 days. His final bill upon discharge is $350,000.00USD.

XYZ Insurance LTD has to deal with Mr. Smith's hospital bill for $350,000.00USD. In order to mitigate the loss they send the claim to their Cost Containment Company who attempts to negotiate a settlement with ABC Medical Center. In doing so, the Cost Containment Company offers the hospital $50,000USD as a full and final settlement, falsely stating that Mr. Smith has a policy maximum of $50,000USD. This false statement obviously is intended to coerce submission and acceptance of the settlement offer by the provider.

THE ELEMENTS OF FRAUD ARE:

1) **The defendant made a false statement regarding a material fact;**
   EXAMPLE - Telling the hospital that Mr. Smith only has an insurance policy with coverage of $50,000USD (when in actual fact the patient has 10Million worth of coverage), and that is all that the hospital can expect to be paid.

2) **The defendant knew or should have known the representation was false;**
   EXAMPLE - The insurer or their agent knows full well that the insurance coverage is 10Million

3) **The defendant intended that the representation would induce the plaintiff to act on it;**
   EXAMPLE - The insurer knew that the hospital would accept $50,000USD as the alternative was to pursue Mr. Smith in Russia for the funds. The mindset in the submission being that $50,000USD is better than nothing.

4) **The plaintiff suffered damages in justifiable reliance on the representation.**
   EXAMPLE - Had the hospital known the full extent of Mr. Smith's benefits they would have been able to settle for a more equitable amount than the $50,000USD that they were coerced into accepting.