

INSURANCE COUNSELOR

Insurance Consumer Information Sheet

Auto Insurance Fraud - Buyer Beware!

As an owner of a car registered in the State of Michigan you are required by law to carry no-fault auto insurance. Also, you must give proof of this insurance to the Secretary of State's Office at the time license plates are purchased and each time you renew your vehicle's registration.

Unfortunately, there are people who try to take advantage of this situation at the public's expense. One method which has come to the Insurance Division's attention involves phony insurance agents offering "good deals" on auto coverage. In return for a minimum deposit, usually \$25 to \$50, these "agents" will give you a document which looks like a certificate of no-fault insurance. The document might pass for proof of insurance when presented to the Secretary of State's Office at the time you buy your license plates. However, you would not have no-fault coverage. Drivers who are victims of this type of fraud usually find out when it is too late, after they have had an accident and after their "agent" has disappeared. The Office of Financial and Insurance Services (OFIS) may refer cases involving phony agents to local law enforcement agencies for possible criminal prosecution.

There are also drivers who purchase phony insurance certificates knowingly to avoid paying the cost of no-fault insurance coverage. A person caught driving without no-fault coverage could be guilty of a misdemeanor and subject to a fine of not

less than \$100 nor more than \$500, imprisonment of not more than one year, or both.

Unlike the previously described situation involving phony agents, the other most common no-fault fraud involves actual agents licensed to sell insurance in Michigan. These agents will also issue you a document representing proof of insurance in exchange for a minimum premium deposit. The document may also make it possible for you to purchase your license plates or register your vehicle, but unless the agent forwards your premium deposit along with your application to the insurance company, you may have difficulty in collecting on a claim in the event of an accident. In these cases, the agent simply fails to notify the company of your application and proceeds to pocket the deposit and other premium payments.

When brought to the attention of OFIS, agents operating in the manner outlined above will have action taken against them to revoke their licenses and may have to pay restitution. Also, a referral will be made to the Criminal Division of the Attorney General's Office or the local county prosecutor for prosecution.

THERE ARE NO GUARANTEED METHODS TO AVOID BEING TAKEN IN AN INSURANCE FRAUD, BUT HERE ARE SOME TIPS TO REDUCE THE CHANCES:

1. Buy from a reputable agent.
2. Talk to several agents before buying -- see what the market has to offer and be careful if a rate looks exceptionally low when compared with others.
3. Ask to see the agent's license -- it should be displayed in the agent's place of business. To check if an agent is licensed, contact the Agency Licensing Section of OFIS at (517)373-0234.
4. Look for an established place of business. Beware of small shops displaying no-fault insurance signs in their windows for extremely low rates, especially those located close to branch offices of the Secretary of State.
5. Beware of anyone trying to sell you auto insurance in an unusual situation, such as on a street corner, in a bar or restaurant, or while in line waiting to purchase your license plates.
6. Beware of the agent who insists on cash payment of a premium or premium deposit.
7. Make premium payments by a check made payable to the insurance company, **not** to the agent or agency.
8. Always get a written receipt following the payment of your premium that includes the name of the insurance company **and** the agent and/or agency.
9. If you do not receive a policy within two weeks of applying for insurance, contact the insurance company, and if necessary, OFIS at the address or phone number listed at the bottom of this sheet.

IF YOU SUSPECT THAT YOU HAVE BEEN THE VICTIM OF A PHONY OR DISHONEST AGENT, REPORT YOUR PROBLEM TO:

Office of Financial and Insurance Services
Investigation Section
(517)373-3718