

Shopping for Insurance on the Internet

A Message From the Commissioner

The North Carolina Department of Insurance recognizes that insurance is a complex issue and it is our desire to keep consumers informed. This brochure will help explain some of the ways to protect yourself from cyberfraud and security issues when shopping for insurance on the Internet.

Your Department of Insurance is available to assist you with these complicated matters. I want every North Carolinian to know that help is available by calling our toll-free number 1-800-546-5664 or by visiting the Department's at web site www.ncdoi.com.

The Internet is a useful tool to search for immediate answers to your insurance questions or problems. It can be used for researching companies and agents, defining your insurance needs, comparing rates and to apply for many types of insurance. The number of insurance transactions on the Internet is growing every day.

Shopping Smart on the Internet

The basics of shopping for insurance do not change because you are on the Internet. You should gather information, evaluate your needs and purchase coverage based on your research. Keep in mind, if an insurance deal seems too good to be true, it probably is.

You should always deal only with licensed agents and companies (or other eligible insurers). When confirming company and agent information, make sure:

- The company is licensed in North Carolina or listed as an eligible surplus lines carrier (surplus lines carriers must sell through licensed surplus lines agents who certify that the insurance you want is *not* available through a licensed company).
- The agent is licensed in North Carolina and appointed by the company he or she claims to represent (look for a disclosure statement about the states where the agent is authorized to sell).

Buying insurance through companies and agents licensed to do business in North Carolina protects you. People sell insurance without a license for one reason: to defraud consumers.

Here are a few more tips on shopping smart for insurance:

- Shop around, you may find substantial differences between quotes.
- Make sure you are comparing identical coverages when comparing companies.
- Be more cautious if the type of insurance you need recently became more expensive or harder to get and the policy costs far less than what other insurers charge.
- Don't succumb to high-pressure sales tactics, last-chance deals of a lifetime or suggestions that you drop current coverage for another without the chance to check it out thoroughly.
- Check with an accountant, attorney, financial adviser or another individual that is knowledgeable in the field of personal finance before putting savings or large sums of money into any annuity, other investment or trust.
- Get any key information in writing and keep records.
- If you buy coverage, keep a file of all paperwork you completed on-line or received in the mail and signed, as well as any other documents related to your insurance, including the policy, correspondence, copies of advertisements, premium payment receipts, notes of conversations and any claims submitted.

- Make sure you receive your policy — not a photocopy. If you don't, contact the insurance company, not the agent. If you need a company's phone number, call the NCDOI Consumer Services Division at **800-546-5664**.
- If you suspect fraud, call the NCDOI Investigations Division at **919-733-7434**.

The convenience of shopping for insurance on the Internet is appealing. However, you may have some concerns about on-line fraud or sharing medical information and personal financial data on-line.

Cyberfraud

Insurance fraud is nothing new. With the Internet, however, unscrupulous people have a new tool to misuse. It can extend their reach, while making it easier to remain anonymous. They can open or close electronic storefronts in a matter of minutes. Some common schemes are listed below.

- "Imposter" Web site fraudulently using legitimate company logo — an on-line application promises a consumer auto coverage from what appears to be a reputable insurance company. The consumer later learns the company never received the application or payment.
- Premium theft by an agent — an agent who brings in business by advertising over the Internet provides a fake policy or proof of insurance card or simply pockets an annuity or insurance payment.
- Sale of worthless insurance — a Web site offers a small business health insurance and workers' compensation coverage at a low rate, but the small business later learns that the insurance company is fictitious and the policy is worthless.
- A multi-level marketing or "pyramid" scheme — an e-mail or Internet Web site offers various financial incentives, including an insurance policy, to those who pay a membership fee. All the incentives ultimately are designed to encourage recruitment of more members and more cash flow. New members are told they can sell memberships and even borrow money against their insurance policies and use that money to obtain credit cards and certificates of deposit. Members are not told they can borrow only against a policy's cash value, which is usually zero in the first year.

By far the most common schemes involve unauthorized insurance. "Unauthorized Insurers" are companies, plans or other arrangements that give the appearance of being authorized, licensed, registered or approved by state or federal regulators to engage in the business of transacting insurance. In other words, they look and act like legal insurance companies; however, they are unlicensed and may often engage in illegal acts. They often offer substantially lower rates and employ few, if any, underwriting principles. As a result, claims are paid slowly or not at all and cash reserves are non-existent after having been misappropriated by unscrupulous owners. Regulation by state insurance departments and the United States Department of Labor is rigorously avoided and, sooner or later, the entity goes out of business leaving their "insureds" high and dry with unpaid claims and no insurance.

You can check on the licensing status of insurance companies by calling the NCDOI Consumer Services Division at **800-546-5664**. The licensing status of agents may be checked by calling the NCDOI Agent Services Division at **919-733-7487**.

To guard against becoming a victim of insurance fraud, always ask for details that you can use to verify claims made by a company or agent. Notify the NCDOI Investigations Division at **919-733-7434** if somebody tells you an insurance product really isn't insurance and is exempt from state regulations or that they don't need a license to sell a particular type of insurance. This is a common pitch in insurance fraud. If you suspect insurance fraud on the Internet or anywhere, call **919-733-7434** or mail your concerns to the Investigations Division.

Privacy Concerns

The Internet provides access to information, products and services you need but it also may allow companies to collect personal data regarding your finances, health, buying preferences, etc. This information is sometimes shared with others. Safeguard your privacy on-line by following these tips:

- Don't disclose private information routinely. Keep your address, telephone number, Social Security number, e-mail address, credit card number and medical information private unless you know who is collecting the information, why they're collecting it, how it will be used and how disclosure benefits you.
- Look for an on-line privacy policy. Many companies post privacy policies on their Web sites, including how any information collected will be used and protected from improper disclosure. If you can't find a policy, send an e-mail to the webmaster or Web site asking for the company's policy on privacy and information security.
- Decline to allow disclosure to others. Many companies ask whether they can share your personal information with other companies. If you have privacy concerns, let the company know you do not want your personal information disclosed.

Security on the Internet

The Internet is an exciting new medium for shopping. It can pay off; however, to take extra steps to make sure your on-line dealings are secure.

- Use newer, up-to-date browsers that provide the highest levels of security available. Security-enabled browsers encrypt, or scramble, credit card numbers and personal information before transmission. A security-enabled browser also can confirm the identity of the Web site before transmitting and even notify you if it looks suspicious.

TIP: Even with a secure browser, you need to make sure security preferences have been set. If you are about to send credit card or personal information over the Internet, you can be sure your browser is secure if: (1) you see the Web site address location beginning with "**https://**" instead of the usual "**http://**" and (2) the security symbol in the bottom right-hand or left-hand corner of your browser displays the proper security symbol, such as an unbroken key or a closed lock.

- If your browser is not secure or you do not want to submit the information over the Internet, contact the company or agent and ask about submitting it by phone, fax or regular mail.
- Keep passwords private. Use a combination of numbers, letters and symbols. Avoid using portions of your telephone number, birth date or Social Security number.
- Keep records. Print out copies of orders or any forms you fill out on-line.
- Pay with a credit or charge card. In most cases, you are held liable only for the first \$50 in unauthorized charges on your card.
- Deal with companies you know. Anyone can set up an electronic storefront on the Internet. If you're not familiar with the agent or company, ask for more information or references. Avoid any company employee or agent who is evasive.

How to Reach Us

You can reach the North Carolina Department of Insurance (NCDOI), Consumer Services Division at:
 800-546-5664 (toll free in North Carolina)
 919-807-6750 (local or outside North Carolina)
 919-715-0319 (TDD) Telephone Device for Deaf Caller
 919-733-0085 (Fax)

You can find additional information including our complaint form on the North Carolina Department of Insurance Web site at www.ncdoi.com.

The address for the North Carolina Department of Insurance Consumer Services Division is:

Consumer Services Division

North Carolina Department of Insurance
1201 Mail Service Center
Raleigh, NC 27699-1201

Related Publications Available from the NCDOI and its Web Site:

Insurance Fraud in North Carolina

NCDOI 903 (July 02)