

WMI Mutual Insurance Company

✎ Important Notice ✎

To: All Employer Groups
From: David Leo, President & CEO
Date: January 15, 2013
Re: Ineligible Participation in the WMI Group Health Plan

It has come to our attention that there may be instances where employers are allowing individuals to participate in their group health insurance plan even though the individuals do not satisfy the eligibility requirements of the policy. There are many ways in which this might occur, but the most common are: (1) allowing an employee to participate in the plan even though he or she does not actively work the required number of hours or otherwise satisfy the employer's eligibility criteria; (2) allowing an ineligible family member to participate in the plan; (3) allowing a terminated employee to remain on the plan after termination or retirement; (4) allowing an employee's former spouse to remain on the plan; (5) allowing an employee's dependent child to remain on the plan after the child no longer qualifies as a dependent; or (6) adding a relative's child or a grandchild that does not satisfy the criteria of a dependent under the policy.

Federal and state laws are clear that individuals who do not satisfy the eligibility requirements of a group health insurance policy are prohibited from participating in the plan. This is true whether the individual is an employee or a dependent, and regardless of whether the employer is aware of, or otherwise allows, the improper participation to occur. Any person who illegitimately participates in a group health insurance program can be charged with insurance fraud and subjected to criminal and civil penalties. These charges and penalties, along with the possibility of regulatory action by the United States Department of Labor, may also be levied against companies and individuals who knowingly or willingly allow or participate in this conduct.

In addition to the potential criminal and civil liability, it is important for financial reasons that employers maintain the integrity of the insurance policy's eligibility criteria. Specifically, WMI contracts with licensed reinsurance companies to provide financial protection for claims once they reach a certain dollar amount. When a person's claims hit the reinsurance retention level, the reinsurer will usually perform a detailed audit to ensure coverage eligibility before they accept liability on the claims. If the reinsurer discovers an individual was ineligible to participate in the plan but was improperly allowed to participate, it is quite possible that the reinsurer will deny the claim and leave the employer (and other involved individuals) holding the bag.

If ineligible individuals are currently participating in your company's group health insurance plan, WMI strongly urges you to immediately discuss this matter with your legal counsel and to take appropriate action to rectify this problem.