

Aflac sued for alleged fraud, worker exploitation

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The class-action lawsuit alleges that Aflac pushed selling policies to customers without their knowledge, authorization or consent by forging their signatures. (Image: Shutterstock)

Nine former employees of Aflac Inc. are claiming pervasive fraud and other misconduct at the Columbus, Georgia-based insurance company, including pushing them to use sales tactics akin to those of the Wells Fargo scandal, as well as “ruthlessly” retaliating against whistleblowers.

The draft of the class-action lawsuit, provided by the plaintiffs’ attorney, Dimitry Joffe, alleges that Aflac:

- Churns an army of sales associates every year, keeping the accounts that they had managed to open during their short tenure at the company for itself as house accounts.
- Directs every aspect of what its sales associates do and how they do it – but misclassifies them as independent contractors rather than employees to avoid the need to pay payroll and unemployment insurance taxes on their behalf and to provide them with employment benefits.

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- Places an “incredible pressure” on its sales associates to meet unrealistic sales goals, which most of them cannot meet without resorting to improper or outright fraudulent underwriting techniques encouraged or condoned by Aflac, such as selling policies to customers without their knowledge, authorization or consent by forging their signatures; illicitly bundling standalone insurance policies; and falsifying applications in order to sell policies to unqualified customers.
- Ruthlessly retaliates against its associates who blow the whistle on these fraudulent practices and report them up the ladder to the very top of its hierarchy.
- Deceives its shareholders and regulators by manipulating its key operational metrics and by cannibalizing its own pre-existing accounts in order to report “new” policies and to create an illusion of growth.

One of the plaintiffs is Martin Conroy, who began working for Aflac in 2004, became a district sales coordinator for Aflac in 2007, was honored as a President’s Club Member -- the highest honor Aflac bestows -- four times, and received numerous state and national awards and recognitions during his successful career at Aflac, according to the lawsuit.

At the end of 2015, after Conroy reported a fraud whereby Aflac’s regional representatives had been knowingly issuing policies to the New York City employees not qualified for such policies in violation of the state insurance regulations, he was stripped of team members and accounts and ultimately forced out of Aflac, the lawsuit alleges.

On Friday, Aflac released a statement:

“Recent media stories regarding Aflac contain false allegations made by a very small group of independent contractors. Aflac intends to aggressively fight these allegations beginning with filing for their dismissal. The unfounded articles allege claims including insider trading, fraudulent sales and financial manipulation. The company has investigated these claims and found them to be without merit.

“Mr. Conroy and the individuals involved with these unfounded claims are not employees of Aflac and as such can be part-time and licensed to sell with other companies as well. Mr. Conroy has formerly served as an Aflac district sales coordinator and has realized financial benefits through his association with Aflac. It should also be noted that these allegations are coming from fewer than 10

individuals among up to 70,000 independent contractors and brokers licensed to sell Aflac products.

The insider trading, fraudulent sales and financial manipulation claims alleged by the individuals have been investigated by the company and an independent special committee of the company's board of directors.

“Aflac has a long history of operating with transparency and integrity, having been named by Fortune Magazine as one of the Best Companies to Work For for 19 consecutive years and a World’s Most Ethical Company by Ethisphere for 11 consecutive years,” the statement concludes.

Separately, the former employees, acting as Aflac shareholders due to small distributions of Aflac stock as part of their compensation, in December filed a derivative shareholder lawsuit accusing former Aflac president Paul Amos II, the company’s board members and others of insider trading while knowing of the “pervasive fraud” committed at the company and not doing anything to remedy it. The lawsuit was filed in the federal court for the Southern District of New York, Joffe says.

The Intercept first broke the story about the lawsuits on Thursday, writing that the former employees in November showed Aflac executives a draft of the class-action claim in an attempt to settle the dispute out of court. However, the company then filed for a temporary restraining order in both Georgia and New York, citing the forced arbitration clause in all employee contracts.

The Georgia court ruled that Aflac could compel arbitration and stop the lawsuit from being filed, according to The Intercept. However, Aflac put the draft complaint into evidence in the Georgia case without requesting that it be placed under seal.

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