

Fraud Schemes Can Rise Like a Flood: Be Wary of Scams Perpetrated By Contractors After a Disaster

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NEW YORK, May 12, 2011 ? If your home is damaged or destroyed by a tornado, flood or other disaster, you may be too distraught to be on the lookout for fraud. But disasters can bring out unscrupulous contractors that prey on disaster victims, according to the Insurance Information Institute (I.I.I.).

After a disaster, professionals often go door-to-door to offer their services in neighborhoods that have sustained damage. While many of these business people are reputable, some are not.

?For the many homeowners who have become victims of contractor fraud, it has either forced delays in rebuilding or has completely halted the rebuilding process after a disaster,? said Loretta Worters, vice president with the I.I.I.

Contractor fraud was a major obstacle facing many Louisiana homeowners as they strove to rebuild after hurricanes Katrina and Rita in 2005. According to LouisianaRebuilds.info approximately 9,000 households were affected by contractor fraud over three years after those disasters hit.

The I.I.I. provides these basic guidelines that can help prevent you from being defrauded after a disaster:

Building Official Impersonation

1. Con artists may pose as building inspectors and order immediate repairs that they can do on the side. They may also pose as government officials and demand a fee for processing emergency loan documents. Ask to see identification for anyone representing themselves as a government official. Phone the government agency to verify the identity of the official and whether there is in fact any payment of money involved.

Contractor Fraud

1. If a contractor comes to offer services, ask to see the salesperson's drivers license and write down his or her license number and the vehicle's license plate number.
2. Investigate the track record of any roofer, builder or contractor that you consider hiring. Look for professionals that have a solid reputation in your community. Use a local, licensed, bonded and insured contractor. You can call your Better Business Bureau for help. Also, get references and never give anyone a deposit until after you have thoroughly researched their background.
3. Ask to see any contractor's proof of liability and workers compensation insurance.
4. Occasionally, even licensed contractors develop financial difficulties, have employee or credit problems, or fail to keep their license current. Contact your local contractor license board before signing any contract or advancing any large payments for work.
5. Ask your insurance agent or company representative for a list of reputable contractors if you don't know of any.
6. Do *not* be rushed into signing a contract with any company. Instead, collect business cards and get more than one written estimate for the proposed job. Get everything in writing including cost, work to be done, time schedules, guarantees, payment schedules and other expectations that should be detailed.
7. Never sign a contract with blanks; unacceptable terms might be added later.
8. Beware of building contractors that encourage you to spend a lot of money on temporary repairs. Payments for temporary repairs are covered as part of your total insurance settlement. If you pay a contractor a large sum for a temporary repair job, you may not have enough money for permanent repairs. In most cases, you should be able to make the temporary repairs yourself. Ask your insurance agent for guidance. And remember to keep receipts.
9. Never pay a contractor in full or sign a completion certificate until the work is finished and you are sure the reconstruction is up to current code.

"A common fraud scheme is for a so-called 'contractor' to convince a homeowner that a large deposit must be provided before repair work can begin," said Worters. "Frequently, the job will be started, but not completed and these con artists are never heard from again. Another is to use inferior materials and perform shoddy work that is not up to code in order to pocket more profit."

While the choice of a contractor or service provider is yours, if it leads to more damage, which an insurer will have to pay to have repaired, the insurer has the option to subrogate against the contractor who did the faulty work—whether the contractor is licensed or not.

If you believe you have been approached by an unlicensed or unscrupulous contractor, or have been encouraged to fabricate an insurance claim, contact your insurance company, the local police or the National Insurance Crime Bureau hotline at 1-800-TEL-NICB (1-800-835-6422). You may also text your information to TIP411, keyword 'FRAUD', and remain anonymous if you so desire.

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