

Sally's home was damaged by smoke in a recent field fire. A contractor came to her door offering to provide a bid. The contractor seemed nice and his bid covered more items than in a bid from another contractor. The contractor said he could start immediately but was from out of state and needed money in advance to purchase materials. Sally gave him \$1,500 but the contractor never came back and stole her money.

Although this is not insurance fraud, it is a common occurrence; especially in cases where many homes have been affected by a natural disaster such as a wind storm, flood, fire, or other disaster.

Those convicted of the crime face fines, legal fees, restitution, even prison time. Not to mention a wide range of personal and professional consequences, such as job loss, harm to reputation, and relationships. It is a crime that goes on your permanent record.



UTAH INSURANCE DEPARTMENT FRAUD DIVISION

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CONTRACTOR and HOMEOWNERS INSURANCE FRAUD

IS A SERIOUS CRIME.



Utah Insurance Department Fraud Division



Rod's roof to his home was damaged by a windstorm. A roofing contractor was in the neighborhood and offered to provide a bid. In an effort to have insurance cover replacement of the entire roof, the contractor bent over additional shingles. Rod decided this was ok, because if the additional damage was not present, his insurance company would have only paid to repair a small section of his roof.

A strong storm blew the shingles off Tom's house. When the insurance adjuster inspected the roof, Tom also said some siding was damaged during the storm, even though the siding had been damaged prior to Tom's purchase of the house.

The water line to Julie's toilet broke while she was on vacation, flooding her home. After learning about the broken water line she called her insurance company and increased her coverage limits and lowered her deductible. Julie waited a week, then reported the broken water line to her insurance company.

THE CRIME...

Fraud takes place when someone knowingly submits an inflated claim or causes additional damage as part of a homeowners or renters insurance claim.

The most common types of contractor or homeowners insurance fraud in Utah involve:

- inflicting additional damage in an effort to get more items repaired or replaced;
- asking a repairman to "cover the deductible" by increasing their estimate or bill;
- forging supporting evidence, such as repair bills or receipts, often in cooperation with a crooked contractor, plumber, repairman or public adjuster to obtain a larger settlement;
- contractor using substandard parts while charging for premium parts;
- contractor taking off with money paid up front by the consumer, without performing the work; and
- contractor failing to pay subcontractors or suppliers, leaving homeowner with the bill.

CONSEQUENCES...

Unfortunately, scenarios of contractor and homeowners insurance fraud are played out all too frequently in Utah.

Homeowners Insurance Fraud is most often a felony. Violators can spend up to fifteen years in prison and pay up to \$10,000 in fines, in addition to restitution to insurance companies. Other costs associated with homeowner fraud include court costs and legal fees. But, worst of all is the stigma associated with a felony conviction and the limitations that may apply for a lifetime.

An unscrupulous contractor may steal your money, leave you with substandard repairs that won't last, and may fail to pay suppliers who may place liens on your home.

If you fail to communicate with your insurance, you may discover they will only cover a small portion of your bill and you will be liable to pay the rest to the contractor.

PREVENTION...

You can avoid becoming a victim of a contractor scam or worse, being charged with insurance fraud by doing the following:

- never falsify or inflate your actual damage;
- always get repair estimates from two or three reputable contractors;
- avoid using a contractor who offers to cover your deductible by inflating his estimate;
- make sure your contractor is licensed and has liability insurance;
- make sure you obtain a written contract which specifies payment terms, completion time, summary of work to be done, clean up, and any guarantees;
- don't pay a contractor a large amount of money in advance; and
- avoid contractors who use high pressure tactics such as offering discounts for that day only, telling you the repair is urgent, telling you to assign your insurance benefit rights to them.