

Avoiding post-loss scams

Tip of the Month



Sad to say, there are opportunistic people who have refined the art of going into areas hit by disasters and peddling a range of scams. Knowing victims are vulnerable, stressed, and in need of repair and rebuilding help and good news, these people take advantage. Checking business license status and references is **extra** critical if your property has been damaged or destroyed in a disaster.

The fact that fraudsters know victims have insurance dollars coming their way makes disaster areas a breeding ground for scams. In UP's 31 years of assisting with disaster recoveries, we've seen many people get taken in by sophisticated scam artists who arrive on the scene and promise expedited, cost-efficient rebuilding help. We've seen these scammers join the Chamber of Commerce and gain the trust of residents and local officials, get clients, collect down payments, then disappear. The last thing a disaster victim needs is that nightmare on top of the one they've just experienced. UP and our partners do our best to educate consumers and thwart fraud.

No disaster-impacted household (or anyone else, for that matter) needs a vendor submitting a fraudulent estimate or damaging undamaged property to increase the amount of their insurance claim, but those things happen - and they are costing all of us dearly, [\\$80 billion annually](#), according to the Coalition Against Insurance Fraud. "Don't pad or exaggerate your claim" is a standard part of UP's Roadmap to Recovery guidance.

The information presented in this publication is for general informational purposes and is not a substitute for legal advice. If you have a specific legal issue or problem, United Policyholders recommends that you consult with an attorney. Guidance on hiring professional help can be found in the "Find Help" section of www.uphelp.org. United Policyholders does not sell insurance or certify, endorse or warrant any of the insurance products, vendors, or professionals identified on our website.

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This month, United Policyholders co-presented on [post-disaster fraud](#) with the Coalition Against Insurance Fraud and FEMA at the National Association of Insurance Commissioners 2022 Insurance Summit in Kansas City, MO. In addition to educating the audience on preventing scams, UP identified fraudulent adjusting practices by some insurers. Examples include cookie-cutter reports prepared without inspections, measurements that minimize or omit damage, and settlement offers based on material and labor costs that are far below reality in the region.

Here are a few best practices to avoid frauds and scams:

- Educate yourself at www.uphelp.org, and use our [links](#) to state contractor licensing agencies.
- The best reference for any professional is a satisfied customer who is willing to speak with you and share pictures of their completed project.
- Never give out your personal information over the phone, (social security number, FEMA number or bank account information).
- Advance deposits are commonly required for professional work, but the amount should be reasonable (normally 20-33%). A request for a large up-front payment is a red flag.
- Only use licensed contractors and verify their license status. Always ask to see a vendor's business license and insurance or bonding documents before hiring them.
- Don't allow anyone to rush or pressure you into signing contracts of any kind.
- Before you hire a builder, have an attorney review your contract. Before signing any contract, do your best to understand how and when you can get out of it if necessary. Volunteer attorneys are often available in disaster areas to review contracts free of charge.
- Before you hire professional help with an insurance claim, understand how their fee will impact your available repair/rebuild funds and under what conditions you can cancel the contract or terminate their services and your payment obligation.

For more detailed guidance, read UP's ["Avoiding Frauds and Scams After a Disaster."](#)