

Avoiding Frauds and Scams After a Disaster

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 over competition for scarce temporary housing and rebuilding resources and in need of comfort and good news, these people take advantage. Since local professionals are in short supply, a pitch that promises a fast and economical rebuild or repair can sound “too good to refuse” to an uprooted disaster survivor facing a long road to get back home.

The fact that fraudsters know that victims have insurance dollars coming their way makes disaster areas a breeding ground for scams. Your home is likely your most valuable asset and you do not want to make a bad decision that hurts you financially. If an offer seems too good to be true, it probably is.

Examples of real-life scenarios that *may* be scams (A person or business that...)

- Takes your money but doesn't do any work, does shoddy work or doesn't finish the job.
- Offers to rebuild your home painlessly and without your involvement.
- Offers to absorb/waive your insurance deductible.
- Offers to repair or rebuild your home for the amount of your insurer's estimate even though that estimate is far below what other professionals have told you it will cost.
- Is not a licensed public adjuster or lawyer but says they will negotiate on your behalf.
- Can't give you references from previous clients and/or isn't licensed.
- Insists you pay cash up front before they'll begin work.
- Says you'll be part of a special program with preferred pricing.
- Wants to proceed on a “handshake deal” with no written contract.
- Only has a P.O. box or email address, no physical business address.
- Offers to remediate fire debris or mold without reaching agreement with you on the necessary testing or scope of cleaning and repairs that need to be done.
- Gives you references from clients that weren't actually theirs.

While some scams may be easy to catch with basic research, others are more subtle and hard to detect. Some fraudsters are polished professionals who join local Chambers of Commerce and seem to have the

blessing of public officials and/or local community leaders. For example, a well-dressed out of town entrepreneur showed up after the 2017 North Bay, CA wildfires claiming to have successfully rebuilt scores of homes in another wildfire-impacted region. He introduced himself at community meetings for fire victims, claimed to be a “fire survivor” and a “rebuild specialist and natural disaster homebuilder” but reportedly took \$80k from one family and \$60k from another, and is now the subject of a criminal prosecution. ^[1]

In another case, an Illinois contractor arrived in North Carolina after a hurricane, convinced homeowners to assign their insurance benefits to his company, and then provided unfinished and shoddy work that didn’t actually complete repairs for any homes. Because insurance companies had already paid out benefits, homeowners were forced to pay out of their own pockets to get livable dwellings. ^[2]

Be especially wary of sales pitches that come via unsolicited phone calls, text messages or people who come up to you at public events that are aimed at disaster-impacted households. United Policyholders has been providing trustworthy guidance to disaster impacted households and communities through public events since 1991. In that time, we’ve encountered fake nonprofits, “Town Halls” hosted by vendors that have no connection to a government official or agency and a wide range of deceptive practices aimed at convincing disaster survivors they had a magic fix.

[According to the Coalition Against Insurance Fraud](#), insurance fraud steals at least \$80 billion every year from American consumers, and fraud occurs in about 10% of property insurance losses.

Best Practices

- The best reference for any professional is a satisfied customer who is willing to speak with you. Verify professional standing, ask for references and check prior work where feasible.
- Never give out your personal information over the phone, (social security number, FEMA number (if you have one), or your bank information). After disasters, scammers have falsely claimed to be housing inspectors, claim adjusters, building contractors, or SBA or FEMA representatives in order to get access to your personal and financial 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.

- Do not be rushed into signing contracts of any kind.
- Before you hire a builder, it's best to have an attorney review their 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 and when you can cancel the contract or terminate the services and your financial obligations.

Resources

United Policyholders: www.uphelp.org/recovery/state-by-state-help/

Better Business Bureau: <https://www.bbb.org/scamtracker>

State Consumer Protection Agencies: <https://www.usa.gov/state-consumer>

^[1] *California Construction News*, December 14, 2020 “Canadian homebuilder charged with misrepresentation, contracting without a license after seeking California wildfire clients”

^[2] *Insurance Journal*, April 29, 2022, “North Carolina AG Sues Contractor for Deceptive AOB Work after Hurricane”

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