



Southwestern Insurance Information Service

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Deceptive Roofing Contractors Costing Texans Millions of Dollars

Hail, high winds, hurricanes and tropical storms in Texas have for years served as a magnet for unscrupulous roofing contractors, many from outside the state of Texas. They often engage in aggressive and questionable marketing practices enticing consumers into replacement contracts.

The National Insurance Crime Bureau reported the number of questionable insurance claims involving hail damage jumped 202 percent between 2008 and 2009. They also pointed out that fake roof damage claims are most common in Texas, Oklahoma and Kansas. The opportunities are ample in these states, particularly Texas which led the nation in 2009 with \$2.45 billion in catastrophe losses even with no hurricanes striking the state.

According to the Federal Emergency Management Agency, Texas has led the nation in the number of declared disasters for several years.

Let's be clear about one thing. Most roofing contractors are reputable and respected business people whose goal is to provide quality repairs and build a reputation of consumer trust. But, consumers need to be aware of the signs of scams and fraud.

Some common practices of dishonest roofing contractors are offers to recover a consumer's deductible by inflating the claim, distributing marketing materials which make it appear the roofer will help manage their insurance claim, using a teaspoon or a hammer to fabricate damage and asking for full payment before the repairs have begun and then disappearing with the money.

Moreover, inflating a claim represents insurance fraud and that, like all fraud, is not only a crime but ultimately drives up the cost of insurance for everyone.

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The very moment a roofer sends a false invoice signifying a higher dollar amount than actually collected from the homeowner then the roofer has committed fraud which is against the law. If the roofer provides an inflated invoice to the homeowner and the homeowner knowingly submits that to the insurance company, both parties have committed insurance fraud.

Following major hail and wind storms, transient companies descend on impacted neighborhoods. Many of these companies have no obligation to the community in which they are working. They do not have a reputation to maintain because most will be gone once business slows down.

Currently the Texas Department of Insurance is not empowered to actively monitor how roofers conduct themselves in the marketplace. Often these contractors do not have liability or workers' compensation insurance which could result in a consumer becoming the focal point of a civil action should a roofer become injured during the repair process.

Twenty-six states across the country require roofing contractors to be licensed. Other states require roofing contractors to register with a state agency. http://www.roofhelp.com/state_licensing_requirements.htm Texas has no such licensing requirement despite the fact countless other trade people are required to pass exams and obtain a license.

One major Texas newspaper published a lengthy story describing how an unscrupulous contractor took advantage of a trusting 81-year-old woman in North Texas.

http://www.dallasnews.com/sharedcontent/dws/news/localnews/tv/stories/DN-seniorscam_03met.ART0.State.Edition1.4b7ead3.html

Illinois assumed a lead position about 10 years ago by passing a statute which, among other things, requires a roofing contractor to complete an exam, be fingerprinted and post a continuous surety bond in the amount of \$10,000 for a limited license and \$25,000 for an unlimited license.

It is difficult to estimate what unprincipled roofing contractors cost consumers and insurers. But, it is safe to say these types of people will once again descend on Texas preying on unsuspecting citizens the next time a damaging storm impacts the state.

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