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BBB Cautions Public on Roofing Deductible Assistance Programs

Homeowners should be cautious in considering offers from roofing contractors with promises like "Your Deductible Is Covered," "Free Roof", or "Deductible Waived", warns BBB serving Dallas and Northeast Texas. In addition, BBB advises roofing contractors to be cautious in deciding whether to offer deductible assistance or reimbursement programs, in which homeowners avoid paying an amount equal to their insurance deductible.



BBB's recommendation is based on a study undertaken after roofing contractors as well as homeowners sought guidance from BBB about deductible assistance programs. Inquiries stepped up after the record-breaking hailstorm that hit the Dallas area in June, 2012. The BBB's study, "Roofing Deductible Assistance Programs: Diagram of a Scheme," is available online at <http://tinyurl.com/DeductibleAssistancePrograms>.

"Deductible assistance programs are widely available in a variety of forms, so consumers and businesses may assume there are no questions about whether the offers are appropriate," noted Jeannette Kopko, spokesperson for BBB serving Dallas and Northeast Texas. "However, BBB found serious criticism within the insurance and roofing industries about deductible assistance programs. Based on these findings, BBB urges caution in considering any offer to avoid paying the deductible or an equal amount."

Deductible assistance programs or reimbursement offers take several forms. The programs are "frequently convoluted enough to confuse even savvy consumers that participate in a scheme which usually results in a loss to the insurer," BBB notes in the study. Typical offers, and corresponding concerns, include:

- **Fraudulent quote.** A roofer charges the customer one amount, for example, \$8,500, and the customer submits a fake receipt to his insurance company for a higher amount, perhaps \$10,000. The insurance company is over-charged, and the customer could end up in hot water for insurance

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fraud.

- Advertising reimbursement.** A roofer bills the consumer for the full replacement value (RVC) of the roof at the maximum amount that the insurer will pay, regardless of the actual replacement cost. The roofer then uses a "change order form" to reduce the final price to the consumer in an amount equal to the deductible. In return, the consumer agrees to advertise for the roofer by displaying a sign in the front yard. In short, the insurer foots the deductible costs. Although the advertising agreement may be viewed as secondary, thus side-stepping fraud, the fact remains that the insurance company is overcharged.

The Texas Business and Commerce Code states, in part, that it's an offense to advertise or offer goods or services and to pay a deductible, or a rebate equal to all of part of the deductible. In 1990, however, Texas Attorney General Jim Maddox issued an opinion on the difference between an offer to "pay a deductible" or an offer to "waive a deductible." Although waiving the deductible was seen as technically not the same as paying the deductible, the opinion noted that the practice complies with the spirit of the prohibited practices and has the same result as rebating the amount of the deductible.

Despite these concerns, some roofing contractors offer deductible assistance programs because the plans offer a competitive advantage to help gain customers from competitors who would charge the deductible.

One reason why deductible assistance programs are so attractive to homeowners is that deductibles have been rising in Texas. Previously, deductibles typically were flat amounts. More recently, policies call for deductibles that are equal to a percentage of a home's value, usually totaling much more than flat amounts.

With homeowners saving deductible costs, and roofers gaining customers, who loses out with these programs? Because insurance companies pay out more in claims, homeowners lose out when they pay higher premiums to cover those payouts. Roofing companies that don't offer deductible assistance programs lose business to roofers that do make the questionable offers.

BBB's study notes: "Although the BBB has been unable to find any recent regulatory action taken within the State of Texas against perpetrators of deductible assistance programs, the BBB recommends that roofing contractors and consumers alike exercise caution in participating in such programs. These programs walk along a very fuzzy line of insurance fraud, and neither roofer nor consumer would want to be held liable for such serious allegations."

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