

The Coalition: Rebating Deductibles Opens Door To Fraud

Maryland Bill Would Make The Practice A Felony

By: Staff Writer

Paying insurance deductibles to lure consumers into signing repair contracts for damaged autos or homes opens the door to fraud and forces insurance premiums higher, the **Coalition Against Insurance Fraud** told the Maryland Senate Finance Committee today.

"Inducements ultimately will lead to dishonest business practices and damage the vast majority of insurance consumers in Maryland," Howard Goldblatt, the Coalition's director of government affairs said in testimony today.

The committee is debating a bill (SB 736) that makes offering inducements an act of insurance fraud, a felony. The House is considering a companion measure (HB 763). Rebating deductibles is so widespread and damaging that at least half a dozen states have passed similar bills in the last two years.

Shady repair persons such as auto body shops and home contractors often lure unwary consumers into signing contracts by offering to pay the consumer's insurance deductible. This practice typically is a ruse to gain the business and fraudulently bill insurance companies with shoddy repairs.

"The repair person inflates the project's cost to cover the deductible," Goldblatt stressed. "All Maryland consumers pay in the end because insurers will just pass along these inflated claims through higher homeowner and auto premiums."

"The cost of the return of the deductible will be factored into the repair costs, which the insurer will pay," he added. "That added cost will be factored into future insurance premiums of all Maryland consumers."

"Premium rebating also can jeopardize a consumer's safety and wellbeing. The deceptive practice typically is a ruse to set up fraudulent repairs. Shoddy auto repairs could threaten the driver's safety. Fraudulent repairs of any kind may not be insured, thus costing the consumer potentially thousands of dollars. Even if the repairs are insured, correcting the shoddy work inflicts great inconvenience and stress," Goldblatt continued.

Honest businesses that refuse to offer illicit inducements also pay a potentially steep price by competing for contracts on an unlevel playing field.

Word of mouth is enough for consumers to find which repair shop, which contractor, does excellent work," Goldblatt added.



**Coalition Against
Insurance Fraud**

"Small businesses that do not compromise will be put at a competitive disadvantage to those who fraudulently skirt the insurance rules and fair play. This could damage their financial viability or force honest businesses to compromise their own ethics or lose contracts and suffer large financial losses," he said.

Honest repair firms don't need to offer deductible rebating as a lure to fraud.

"Businesses that are well-respected and do excellent repairs do not need incentives for insurance consumers to seek them out. Word of mouth is enough for consumers to find which repair shop, which contractor, does excellent work," Goldblatt added.