

Finding fraud after Hurricane Harvey

Disasters bring out the best and worst in people.

By: Patricia L. Harman

Events like Hurricane Harvey definitely bring out the best in people as they demonstrate their resiliency and capacity to care for those whose lives have been devastated.

But they also give fraudsters the opportunity to take advantage of the situation.

Over the next few weeks and months, creative individuals will find new ways to steal money, resources, belongings and other items from victims of Hurricane Harvey and the companies, individuals, institutions and government agencies seeking to render aid.

"Claims and fraud will touch every line and type of insurance, and that is typical with what we've seen with every major natural disaster that's occurred in recent memory," says Dan Draz, principal of Fraud Solutions, which is headquartered in Naperville, Ill. "Someone will try and exploit a very bad situation for personal gain."

Keep reading to learn more about common frauds that unfold in the aftermath of a catastrophe.

No. 7: The kindness of strangers

One of the first scams to arise early after a major catastrophe involves individuals who are collecting money for hurricane relief. People are extremely generous at times like this and willing to contribute whatever they can to help those who have lost seemingly everything. Fraudsters may reach out online, on the telephone, via email or even face-to-face, using the same approaches as legitimate organizations. Any charity or group that does the following should probably be avoided:

Can't prove that the contribution is tax exempt.

Thanks you for a donation you don't remember making.

Pressures you into contributing.

Asks for cash donations or requests that money be wired

A safe way to make sure your money is going to where you intend following a disaster is to contribute to a well-known organization such as the American Red Cross or the Salvation Army. Most organizations can be researched online or by calling the charity directly. If someone contacts you, ask which charity they represent, how much of your money will actually go to the organization and suggest that they send you a notice in the mail. Do not provide a credit card or bank account

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**Coalition Against
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number until you have had a chance to verify the legitimacy of the organization.

Phishing scams are also seeking to exploit the disaster. Enterprising thieves are using social media and emails that include links for people to click on in order to make a donation to hurricane victims. The links either lead to a phony website where the thieves attempt to steal your credit card information, or they release a virus that could steal far more from the data on your computer.

No. 6: Policyholder fraud

Sadly, some insureds will try to take advantage of the situation when working with an insurance company. "Some flooded homeowners will try to soak their insurers," explains Jim Quiggle, director of communications for the Coalition Against Insurance Fraud (The Coalition), which is based in Washington, D.C.. "Insurers will do their level best to make homeowners whole, though will be on high alert for cons once rebuilding starts and claims start pouring in."

Quiggle gives some examples of the kinds of fraud adjusters should be aware of as they handle their claims. "Floodwaters may sweep many possessions away, giving dishonest homeowners a chance to claim they lost expensive bling they never owned. Phantom or inflated jewelry, big-screen TVs, sound systems and

other goods all could be claimed."

Other types of policyholder fraud involve staged claims for a non-event. "There might be damaged claimed that never happened, such as water never actually reached their residence and yet they file a water damage claim," says Draz. "There may also be potential healthcare claims associated with floodwater, mold, viruses and the like, or injuries associated with the flooding itself."

"The vast majority of claims will be honest and forthright," adds Quiggle. "Yet natural disasters inevitably inspire opportunists to exploit the vast flooding with inflated claims for damage and ruined possessions. These people may assume insurers are stretched too thin to look deeper into their phone claims. The goal is a quick buck at insurer expense."

No. 5: Beware of storm chasers

Fraudulent contractors will also prey on homeowners. Interestingly, after a large catastrophe, people who have no business working as contractors think they can make a lot of money by pretending to do all sorts of home repairs. These bad actors should not be confused with legitimate companies that are insured, bonded, have well-trained staffs and may be from out of town because they are part of a much larger network and are bringing in additional resources to help a local company that is inundated by the amount of work to be done.

Legitimate contractors frequently bring their own supplies, resources, manpower, tools and whatever else they may need in order to work in an area for weeks at a time. Some jurisdictions require out-of-town contractors to have various licenses before they can work in that state.

Some things for policyholders to keep in mind when it comes to working with contractors:

You decide which contractors to work with for any repairs.

Do not feel pressured to sign a repair contract.

Get more than one bid for any work so you know the value of the job.

Never pay cash or write a check for the full amount of the contract up front. Most companies will allow you to pay in installments or wait until the work has been completed satisfactorily before making the final payment.

Get referrals and check references. Ask if they are members of any trade associations and then verify that information on the organization's website or by calling them directly.

Check with the Better Business Bureau to see if any complaints have been filed against that company.

Ask if they are licensed to work in Texas.

Don't sign any blank contracts.

No. 4: You're cancelled!

One of the frauds currently making its way across Texas involves robocalls telling policyholders that their premiums are past due. The FTC says that homeowners and renters have been getting calls saying they need to submit payment immediately to maintain their coverage. The FTC advises against making any type of payment and recommends that policyholders contact whoever sold them their policy or the insurance company directly. Individuals who have a policy with the National Flood Insurance Program can contact the NFIP directly at 1-800-638-6620. FEMA also has a Disaster Fraud Hotline to report fraud: 1-866-720-5721.

No. 3: Fraudulent business claims

Businesses may also try to take advantage of the situation by filing false claims based on inflated inventories, exaggerated lost wages or revenues, workers' compensation claims or disability claims, says Draz. "Fraudulent claims could also be filed for losses associated with looting or other activities."

Business interruption claims require documentation to support the claim and can take several weeks to compile. The adjuster will want to know what the average sales are, the amount of inventory involved and other specific details to provide a full picture of the business and the losses sustained.

No. 2: Adjusting the loss

Staff adjusters and independent adjusters are either already on site or will be on their way as soon as the airports reopen. They will be setting up appointments with policyholders and meeting with them to review and adjust their losses. Staff adjusters and independent adjusters usually represent a specific insurance company. There is no charge to the policyholder for their services.

Public adjusters purport to represent the policyholder and may charge them as much as 15% of the total value of the insurance settlement for their services according to the Insurance Information Institute. In some cases a state insurance department will establish percentage limits that public adjusters may charge.

"Some public adjusters may try to exploit the confusing flood aftermath with insurance schemes," advises The Coalition's Quiggle. "Most are honest, but the bad apples could be a big problem for insurers and desperate homeowners."

Quiggle adds that "crooked adjusters will swoop in from out of town and knock on doors, seeking contracts they'll turn into inflated repair claims that spike their commissions. They may be unlicensed in Texas, and prey on homeowner desperation to put their lives back together."

Policyholders should also be cautious about the contractors public adjusters recommend to them. "Public adjusters might charge an illegally large

fee and then disappear without managing the claim," cautioned Quiggle. "Some may refer homeowners to shady contractors who pay the adjuster a kickback. This illicit deal-making can leave the luckless homeowner with shoddy or inflated repairs the insurer might not cover."

Insurers will be working as quickly and efficiently as possible to ensure their policyholders receive the information and financial support provided in their insurance policies. Coverage will be determined by the terms of the policy.

"Claims will be paid as promptly as possible to help make distressed policyholders whole," adds Quiggle. "Insurers then may return for a closer look at paid out claims that displayed bright red flags of a possible con. If a claim is an obvious dodge, the insurers may investigate before paying out. These are situational decisions that insurers may have to make amid watery havoc they're trying to manage."

No. 1: Can I sell you a used car?

Some enterprising crooks will find a way to purchase flooded vehicles, clean them up and then resell them as "used" cars. In this case it really is buyer beware.

Definitely check the vehicle inspection number (VIN) to see what type of prior damage the vehicle sustained and what kinds of repairs it may have had in the past. Doing some simple checking with a service such as CARFAX, it's easy to learn the rest of the story about the used vehicle you're considering purchasing.

Disasters like Hurricane Harvey do bring out the good in people, as evidenced by the outpouring of support — financial, practical, emotional and otherwise — that we've all seen this week. However, there will also be a few folks who want to game the system and use it for their own nefarious purposes. Being a little cautious probably isn't a bad thing in this case.