



# Is it Legal for a Roofer to Waive or Absorb my Insurance Deductible?

As a large well respected roofing contractor, Turner Roofing has completed tens of thousands of insurance restoration projects over the years. Our sales staff and estimators are regularly asked if it is possible for us to “*cover the deductible*” on an insurance claim for roof repairs. The short answer is “No, Turner Roofing does not “pay,” “cover,” “handle,” “waive,” or “take care of” the home owner’s insurance deductible. **That practice is viewed as both unethical and illegal.**

## At Turner, we choose not to compromise our ethics

As a reputable company, this puts us in a difficult and awkward position because we know that is not what the homeowner wants to hear.

Homeowners are often approached by seemingly legitimate contractors and told that it is “*perfectly legal*” for them to cover the deductible on insurance repairs. Some roofers even make it a common practice.

With more than 50 years in this industry, we see a disconcerting trend of contractors bending the rules, trading deductibles for repair work, or using other questionable tactics to win your business.

In the end, it’s just what the roofing industry has become: small contractors with low overheads providing shoddy work, cheap materials and kicking back money to customers because they can’t provide a service that is



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worth the meager insurance proceeds they are collecting. **Throw in the fact that it's illegal to siphon money from an insurance claim to the homeowner and it becomes clear why 80% of roofing contractors are out of business within 2½ years** (2008 BBB)

However, at Turner Roofing we refuse to compromise on our ethics.

Unlike many of our competitors, we plan to be here forever. We do not cut our costs by cutting corners or using cheaper labor and materials to make up for the discounted service offered by others.

Instead, we invest the time to educate our customers on the legal and reputable insurance claim process. Helping our customers obtain the correct and legal reimbursement amount from their insurance carrier.

In addition... We offer you The Turner Pledge. (Add Link once new website is online)

## History - Then & Now - It used to be perfectly legitimate

**In the past**, “absorbing” an insurance deductible would have been perfectly legitimate for a roofing contractor. As recently as 15 years ago, homeowners were given lump sum payments by their insurers when a loss occurred; the deductible was simply removed from that total. In fact, it was not only legal for the homeowner to keep the deductible; it was entirely up to the consumer whether the repairs had to be completed at all.

**Today insurance claims work differently.** As most homeowners have Replacement Cost Value (RCV) provisions in their insurance policies, insurers have limited their exposure to RCV insurance claims by breaking down payments into multiple parts. Today, instead of receiving a lump-sum payment for work to be completed, funds for a roof replacement often come in as many as 4 separate checks. Some even bear the name of the mortgagee of the property as a cosigner.

In some cases, the only way to get all of the money from an insurance claim is for a licensed contractor to actually bill the insurance company AND the mortgage company (if there is a mortgage on the property) for the completed work.



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## But, Is It Legal?

Let's get down to the brass tacks... Is it legal or ethical for a contractor to waive a deductible?

Some claim it's all up for interpretation and discussion. Some draw a distinction between "legal" and "ethical."

Here, at Turner, the choice is clear. We value our reputation. We stand by the court's interpretation.

Here are a few examples in laymen's terms:

If a contractor knowingly misleads or inflates an estimate to cover the cost of the deductible, then that is considered insurance fraud. For example, if a homeowner had a deductible worth \$1,000 and the damage is estimated at \$10,000, \$9,000 should come from insurance and \$1,000 from the homeowner.

Now let's say a contractor knowingly inflates the damage to \$11,000. The financial responsibility of the carrier increases to \$10,000, and the contractor does the repair without the homeowner deductible. Knowingly misrepresenting an estimate to allow for an increase in carrier payouts is insurance fraud. There are significant criminal penalties for this type of fraud and hurts all parties involved.

The carrier pays more immediately and has to increase rates at a quicker pace (the FBI states that the cost of insurance fraud is over \$40 billion a year). You, the insured, could potentially be held liable for the fraud and the uncertain nature of the completed work.

See... Oklahoma Criminal Statute for "Insurance -

[Section 1662 - Fraudulent Claim Upon Insurance Contract for Payment of Loss](#)



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The contractor will also be subject to obvious legal ramifications, loss of license, and the potential of losing his brands good name should they be caught.

Finally, the insurance restoration industry as a whole will be affected by continuing to support a practice that is ethically wrong.

**But what if the contractor gives a discount** to a homeowner to do work that happens to be the same amount of a homeowner's deductible?

From the previous example, the contractor fixes the property by only using the \$9,000 provided by the insurance carrier and not collecting the \$1,000 from the homeowner. In that case, the actual amount supplied from the carrier will only be \$9,000, as that is what was agreed upon in the homeowner's policy. The other \$1,000 is a "new customer discount" or an "advertising discount." In other words, a contractor is "paying" a homeowner \$1,000 for their marketing.

In that case, one could argue that the homeowner and contractor need to fill out a 1099 because income was made on the marketing services. This type of financial transaction could also be considered "Tax Fraud".

When you dive into the above scenario further, it is the insurance carrier's responsibility to pay for the value of the damaged property, minus the deductible. If the contractor can do the work for \$9,000, then the insurance carrier theoretically should have paid \$8,000 and the homeowner the remaining \$1,000. Not only is this scheme considered "Tax Fraud", it could also be considered "Insurance Fraud" by inflating the price of the initial estimate.

## **The Law In Oklahoma Is Clear**

How do other states that constantly deal with property insurance claims view a contractor paying a deductible? What is their stance on the issue?



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In Missouri, Senate Bill 101 states, “Under the act, contractors who perform roof or other residential exterior work are prohibited from offering to pay, in any monetary form, a homeowner’s insurance deductible as an incentive to encourage the homeowner to hire the contractor.” That sounds pretty black and white. A contractor cannot pay the insured’s deductible, including marketing or advertising fees.

In Colorado, Senate Bill 38 states, “A roofing contractor that performs roofing work, the payment for which will be made from the proceeds on a property and casualty insurance policy issued ... shall not advertise or promise to pay, waive, or rebate all or part of any insurance deductible applicable to the claim for payment for roofing work covered.” Again, this sounds very clear cut.

Even in Texas, one of the least regulated states, the Better Business Bureau (BBB) released a report stating, “The BBB recommends that roofing contractors and consumers alike exercise caution in participating in such programs (waiving deductibles). 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.” In other words, an ethical contractor would not allow their customer to actively participate in potentially fraudulent activities. Why would a homeowner want to work with a contractor who promotes insurance or tax fraud?

Having a contractor “pay,” “cover,” “handle,” “waive,” or “take care of” the deductible is viewed as both poor business practice and illegal.

No one wants to be told they’re lying, cheating or committing some kind of crime for asking what seems to be a perfectly reasonable question. All we can do is explain the insurance claim process and let homeowners determine for themselves what is a legal and ethical business practice.

In the end, it’s just what the roofing industry has become: small contractors with low overheads providing shoddy work, cheap materials and kicking back money to customers because they can’t provide a service that is worth the meager insurance proceeds they are collecting. **Throw in the fact that it’s illegal to siphon money from an insurance claim to the**



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homeowner and it becomes clear why 80% of roofing contractors are out of business within 2½ years (2008 BBB).

So how is it that so many roofing contractors are “waiving” deductibles?

Well, in the simplest of terms, they’re fibbing to the insurance and mortgage companies.

A homeowner’s insurance policy is a contract between the homeowner and the insurance company. Per this contract, homeowners trade annual premiums in exchange for protection from catastrophic damages to their properties minus a deductible.

Just as you would have the legal protection if your insurance carrier were in breach of contract and refused to pay a claim, your insurer has legal protection from you if you fail to meet your obligations (i.e. you or your contractor provide inaccurate information to save on your deductible or premiums).

In the end, if your insurer were to catch you or your contractor, my guess is that your contractor wouldn’t take all of the blame.

So be cautious with contractors like these. If it doesn’t bother them to defraud an insurance company, then chances are, they probably won’t lose any sleep over cutting corners on your project. Or worse yet, they may not care that they are putting your name on a falsified invoice that they provide to your insurer.

Bottomline, remember the old adage: “If it sounds too good to be true- it is,” At Turner, we urge you to do your research and choose a company with a long track record of customer satisfaction. Better yet... Turn To Turner, with their Better Business Bureau - A plus rating.

No matter who you choose... Don’t let your guard down; check references, never give money to a contractor before the materials show up, and make sure you’re not getting put in a situation where you may be breaking the law just to get a “better deal.”

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Years

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If you still have questions, we urge you to contact the Oklahoma Insurance Department.



Direct Link: [https://www.ok.gov/oid/Anti-Fraud\\_Unit/antifraudconsumers.html](https://www.ok.gov/oid/Anti-Fraud_Unit/antifraudconsumers.html)

Also See:

The Law In Oklahoma - Oklahoma Criminal Statute for "Insurance Fraud" (Title 21):

*\*Note: Claimant Fraud is most often investigated by the Attorney General's Office*

[Section 1662 - Fraudulent Claim Upon Insurance Contract for Payment of Loss](#)