

Stopping home repair scams starts with understanding how they work.

How Assignment of Benefits (AOB) Abuse Happens

A homeowner wakes up to a water leak in her kitchen and calls a plumber.

"Oh, no!"

PLUMBER

"You should hire a vendor to handle clean-up and damage mitigation."

Secretly, the vendor pays the plumber.

"Thanks for the referral, buddy!"

The vendor asks the homeowner to sign some forms.

"Sign here. I will handle the claim with the insurance company!"

The homeowner doesn't know it, but her insurance rights are transferred to the vendor in the form of an AOB. Her legal rights to any claim or lawsuit are gone.

The vendor does the mitigation work, and sends the insurance company an invoice.

The insurance company sees inflated fees and questionable charges.

The insurance company pays only the reasonable amount, or -- if warranted -- denies the vendor's claim.

"This bill is unreasonable. We had no chance to come out and adjust this claim or even talk with the homeowner about the damage."

The vendor's lawyer gets paid if the insurer settles the lawsuit or loses in court.

"Why are my insurance rates higher?"

The vendor hires a lawyer to sue the insurance company in the name of the homeowner.

The cost of the claim and the lawsuit must be included in the insurance company's rates.

