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PLUMBERS BEWARE!!

--ACCEPTING REFERRAL FEE'S COULD BE VERY EXPENSIVE--

In Florida, plumber's and other first responders to residential water loss events need to beware! Referral fees are not all they're cracked up to be.

This bad news is due, in part, to a complicated legal, regulatory, and yes, even political matter that lawmakers have failed to resolve for the last six years. It impacts the liability exposure and customer satisfaction levels of plumbers and other entities who respond to a homeowners' call to stop a leak or to remediate a water loss.

Florida is currently besieged by abuse of a legal practice called Assignment of Benefits or AOB. In essence, a homeowner in need of a "dry-out" after a water leak, signs a work authorization form with a water extraction firm. They've likely called a plumbing firm first, to stop the leak and perhaps to replace pipes or valves with new ones that work properly.

Before leaving the scene, the plumber technician, usually without the knowledge of his/her employer, refers the homeowner to a water extraction firm. The homeowner is never told that the plumbing firm isn't making the recommendation, just the technician, and that the water remediation firm he/she recommended has not been vetted by his/her employer, the plumbing contractor.

So, why is the referral being made? Because the plumbing firm's employee is being paid a cash referral fee of \$1500 (sometimes more) for making the referral. He's promised, and receives, cash onsite, so income taxes can be avoided--a violation of the federal tax code.

According to legislative testimony, an additional problem created by this system of "kickbacks" is that far too many of the water remediation firms submit invoices to insurers inflated to cover the referral fee and other bogus charges. Studies by the state of Florida, and private lawsuits confirm that when a referral fee is involved, invoices can be inflated as much as 600% or more.

Here's how the scam works. The on-site plumber technician, probably unknowingly, recommended a water firm that uses AOB (assignment of benefits) in its work authorization contract. This language, usually without the homeowner's knowledge, allows the unscrupulous water firm to receive the homeowner's insurance benefits directly from the insurer and to force payment via a lawsuit paid for with "add-on" attorney fees. This is all done in the name of the homeowner and often without their knowledge.

Workmanship suffers. Unnecessary repairs are performed. Often the scene is destroyed before the insurer can even adjust the loss. Worse, if the insurer doesn't pay, the homeowner is still on the hook and the water firm files a lien.

The homeowner is left in dire straits and may still need remediation. Some areas have been destroyed and/or left unrepaired. The insurer and the homeowner are embroiled in a dispute initiated without the homeowner's knowledge but, filed in his/her name.

The question for plumbing contractors, HVAC companies and others whose employee's may be accepting referral fees from an unscrupulous AOB vendor is: **"WHO IS LIABLE"** for the damage, and out of pocket costs that the innocent homeowner is now responsible for paying?

Only a court of law can answer that question. Typically, however, any and every entity involved, especially the plumbing firm whose employee recommended the unscrupulous water remediator, will be sued to fully reimburse the homeowner.

Plumbing firms, HVAC firms and others first on the scene, need to be fully informed on the perils of referrals and referral fees. In Florida, water firms are not regulated. They have no licenses to suspend or revoke. No statutory standards of conduct and no state regulatory agency responsible for holding them accountable.

Plumbers need to make certain their employees are not recommending water firms that may be abusing Assignment of Benefits in their work authorization forms or that have not been fully vetted.

Claiming you didn't know your employees were making such referrals isn't likely to win your day in court. And even if it did, the expense of such a lawsuit is substantial.

The best defense is, of course, to simply refrain from recommending water extraction firms at all. Explain the reasoning to your customers and urge them to avoid hiring any entity that uses AOB in its contracts.

If you decide you want to recommend a water firm to your clients fully vet them. Make certain they do not use Assignment of Benefits in their work authorization contracts. Hold an office meeting, post warnings in your office and do other things that will help prove you did everything reasonable to keep your employee's from accepting referral fees from any vendor you have not first vetted and specifically approved.

Far too many homeowners are angry and abused by this unsavory AOB practice. Last year there were over 28,000 residential AOB lawsuits in Florida and both the Department of Financial Services (DFS) and the Office of Insurance Regulation (OIR) are stepping up their efforts to protect consumers from this growing scam.

Don't let your plumbing firm become a victim. In the end, it's your reputation and your plumbing business that can suffer the most.

For more information visit the Florida Office of Insurance Regulation (OIR) AOB web page at:

<https://www.floir.com/Sections/PandC/AssignmentofBenefits.aspx>

For a better idea of the abuse that can occur from AOB go to the Consumer Protection Coalition website at: <http://fightfraud.today/resources.html>

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