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## Personal Insurance Federation of Florida Decries Demise of Legislation to Curb Assignment of Benefits (AOB) Abuse

TALLAHASSEE, Fla. (March 11, 2016) – Lawmakers’ failure to pass Assignment of Benefits (AOB) reform this legislative session is harmful to Florida’s consumers and adds fuel to the abusive practices that are spreading statewide, the Personal Insurance Federation of Florida said today.

Legislators stalled Senate and House bills that would have created new protections for homeowners to keep them in control of their insurance policies and not become victimized by unscrupulous trial lawyers and home repair vendors seeking to pad their profits.

“To say that we’re disheartened on behalf of our policyholders is an understatement,” said Michael Carlson, executive director of the Personal Insurance Federation of Florida. “It’s discouraging and troubling that lawmakers have once again failed to crack down on AOB abuse in the face of mounting evidence that the problem is hurting a growing number of Florida’s homeowners.”

PIFF, whose insurance company members write more than 20 percent of all homeowner policies in Florida, has been advocating for AOB reform for the past four years as the number of AOB-related lawsuits against insurers has skyrocketed. Dishonest vendors, often unlicensed water remediation companies and shady roofing firms, are increasingly using AOBs to take control of a homeowner’s insurance policy, then inflate the cost of repair work and file lawsuits against the insurers who question the amount of the claim.

The proposed legislation, introduced by state Senator Dorothy Hukill, R-Port Orange and state Rep. Matt Caldwell, R-Lehigh Acres, provided important protections for consumers not addressed under current law. It would have allowed policyholders to rescind the AOB agreement within three days without paying a penalty. It also would have required a written estimate of any work done with an AOB. Additionally, third-party assignees would have had to notify insurance companies within three days of when an AOB is signed so they are aware repair work is being done.

Additionally, Hukill’s bill would have stopped home repair vendors from obtaining the policyholder’s right to one-way attorney fees in litigation with the insurance company. These one-way fees were placed into state law as a way to ensure a level playing field between the policyholder and their insurer in a dispute. Allowing a third-party business to acquire these fees creates an incentive for shady home repair vendors to file lawsuits with almost no risk, because if they lose, they are not required to pay legal fees. Reforming these one-way attorney fees is essential to stopping an escalating trend that has already

seen tens of thousands of AOB lawsuits filed against insurers since the 2004-2005 hurricane seasons. Prior to that, AOB lawsuits were almost unheard of.

“Clearly, this legislation would have created commonsense protections for homeowners and insurance companies,” Carlson said. “Without these bills, none of that will happen. The bad actors will continue to abuse the system for their own financial gain, at a cost Florida families.”

Both Citizens Property Insurance Corp. and the Florida Office of Insurance Regulation recently released reports documenting the problem of water-related damage claims and AOB abuse. If current trends continue, they expect consumers could face rate increases of 10 percent annually. Citizens already said it is raising premiums about 8 percent for policyholders in South Florida because of the explosion in AOB lawsuits from Broward, Miami-Dade and Palm Beach counties.

PIFF joined the Consumer Protection Coalition, led by the Florida Chamber of Commerce, to push for AOB reform this legislative session. The coalition is a broad-based group of business leaders, consumer advocates, real estate agents, construction contractors, insurance agents and insurance trade groups dedicated to ending AOB abuse.

The coalition intends to pursue issue again during the 2017-18 session in the hopes that a future Legislature will take the necessary steps to curb this issue before it become a full-fledged consumer crisis. After 10 years without a major storm, Florida’s insurance rates should be going down, not up because of abusive schemes.

“The Legislature’s inability to advance meaningful reform this session just kicks the can down the road until the problem grows for another year and becomes even more egregious,” Carlson said. “We made considerable progress educating people on the issue this year, and we’ll keep pushing for change next year. We’re not stopping.”

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