

# CitizensAdvisor



## AOB legislation critical for consumers

TALLAHASSEE, FL – Rising water claims, assignment of benefit abuse and litigation are destabilizing the Florida property insurance market and threaten to reverse the progress made by Citizens Property Insurance Corp to provide rate decreases to its policyholders.

Without legislative action, the Office of Insurance Regulation will have little choice but to approve Citizens premium increases and rate hikes in excess of 10 percent a year for private companies. Meanwhile, Citizens policy count will begin to swell as private insurance companies exit regions of the state.

The bottom line is consumers will pick up the tab, especially in South Florida. Without reform, a Miami Dade policyholder with \$155,000 in coverage will see rates increase from \$2,926 to \$4,712 by 2022. In other regions, Citizens will no longer be able to reduce rates.

“Florida homeowners will pay higher premiums for years to come unless statutory changes are made to stop the tide of rising water loss claims, assignment of benefit abuse and increased litigation that left unchecked will make it even more difficult for more people to own a home,” said Chris Gardner, Chairman of Citizens Board of Governors.

Following stability and while losses from other perils like fire have remained level, the frequency of water claims statewide has risen by roughly 50 percent since 2010. That increase comes even though Citizens policy count has dropped significantly.

Meanwhile, the severity of water claims in the TriCounty area (Palm Beach, Broward, and Miami Dade) has nearly doubled from \$10,301 in 2010 to \$19,966 in 2016. Outside of South Florida, the average water claim has increased from \$6,736 in 2010 to \$7,540 last year.

Citizens has ruled out factors such as age of home, construction type or geographic region, concluding instead that abuse involving assignment of benefit and increased litigation are driving up claims costs.

Litigation is especially problematic because the average litigated water claim costs Citizens between \$25,000 and \$30,000, up to five times more than a water claim that is handled without litigation at a cost of \$6,000 to \$9,000.

As a nonprofit entity, Citizens must pass on increased losses to policyholders in the form of higher premiums. This situation is especially troublesome for low and moderate income policyholders, who are least able to afford it.

A bill (SB 1038) sponsored by Sens. Dorothy Hukill, R-Port Orange, and Kathleen Passidomo, R-Naples, provides meaningful benefit for consumers by protecting them from a small but growing group of unscrupulous contractors and mitigation companies that take advantage of a stressful situation for their personal gain.

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February 27, 2017

### Events

**March 1 @ 9:30 a.m.**  
[Alliance of Delray](#)  
South County Civic Center

**March 29 @ 9 a.m.**  
[Citizens Board of Governors](#)  
Sheraton Orlando North

### Spotlight



**Steve Bitar**  
Chief of Underwriting  
and Agency Services

### Policies in Force

**460,499**  
as of February 17, 2017

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More importantly, the proposal returns a well-intended statute to its original purpose to protect ordinary homeowners who challenge “deep pocket” insurance companies in court. Increasingly, that law is being used by businesses to sue insurance companies, a scenario never intended under the original law.

### Key Points of SB 1038

- Require vendors accepting an assignment of benefit to adhere to the same policy requirements to which a policyholder must comply.
- Prohibit vendors working under an assignment of benefits (or any variation) from seeking fees under the one-way attorney fee statute when litigation occurs.
- Require that the assignment agreement contain a written, itemized, per unit cost estimate of the work to be performed by the assignee.
- Require that an assignment agreement be provided to the insurer no later than three (3) business days after an assignment of benefits is executed by the policyholder.
- Limit assignments to only the work being performed (not the entire claim).
- Provide consumer protections including the ability to revoke the assignment and notice in writing as to what insureds are signing and what rights they are giving up.
- Prohibit an assignment from containing cancellation fees, check processing fees or overhead and profit charges in estimates.
- By accepting an assignment of benefit, a vendor agrees to have no recourse against a policyholder, including the placement of a lien on the property, for services rendered under the contract. A vendor’s only recourse is through the insurance company.

### Quick Links

[Newsroom](#)

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[Online Sunshine](#)

[The Florida Channel](#)

[Board of Governors Materials](#)



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**Citizens Is Ready**

Customers can report a claim 24/7 with Citizens’ toll-free Claims hotline **866.411.2742**

## Citizens’ Legislative and External Affairs division welcomes session intern



Ryan Kennedy is from Tampa, Florida and has attended school at Florida State since August 2013. Now a senior in his last semester, he will be graduating with a degree in International Affairs this May. The first week as an intern at the Tallahassee headquarters was a great learning experience, it included shadowing Candace Bunker, Manager of Legislative & Cabinet Affairs, during a meeting with Senator George Gainer, meeting President/CEO Barry Gilway and getting a glimpse into the Citizens culture. After graduation, he plans to use his education and experience at Citizens to pursue a career in government or international business.

# Insurance 101

What is assignment of benefits?

Have you or someone you know had someone knock on your door and claim they can get you a free new roof? Have you ever called a plumber and been told they wouldn't make repairs until you signed a contract that allows them to deal directly with your insurance company? Have you ever gotten a phone call from someone offering to get you a large insurance payout for damages you didn't even know you had? If so, you may have encountered an assignment of benefits contract.

Assignment of benefits (AOB) is a contract between an insurance policyholder and a third party, such as a roofer or a water remediator. The AOB transfers control of the claim benefits to a third party. This includes all responsibility for dealing with the insurance company to evaluate damages, present your claim, settle your claim and receive payment.

Homeowners often are told during an emergency service call that repairs only can begin if they sign an AOB. If asked to sign an AOB, be aware that once you do:

- You will have limited authority to deal with your insurance company directly.
- You will have little or no say over the work performed.
- You will have little or no say over the settlement payment.
- If you are unhappy with the quality of the work, you cannot withhold payment.
- You cannot comparison shop for the best quality and price.
- If you believe the service provider has inflated your claim or misrepresented damage and repairs, you have limited recourse.

Instances of AOB abuse are on the rise, particularly in South Florida. In these situations, the contractor may begin permanent repairs on your home before notifying your insurance company or allowing it to inspect the damages, and may even inflate the loss to your insurance company without your knowledge. If your insurer does not agree with the scope of damages or amounts charged, work may not be completed, leaving you with unrepaired damage. If repairs have been made, the service provider may charge you for whatever amount your insurance company did not approve, and can even place a contractor lien on your property for the unpaid balance.

You can avoid AOB pitfalls by calling your insurance company as soon as you become aware of or suspect any damage to your home. Most insurers in Florida have a 24/7 claim reporting hotline and some may offer contractors 'on-call' to provide emergency mitigation services for claim situations that require immediate action to protect your property from further damage. This can save you time, money and hassle. Once you report a claim, stay in contact with your insurance company claim representative until your claim is fully resolved to ensure that repairs are completed to your satisfaction.

Finally, be cautious of unsolicited vendors canvassing your neighborhood offering "something for nothing," such as a free roof or large insurance payouts, and never sign a contract you do not fully understand. Consult your insurance agent or insurance company for guidance on your coverage. If someone is offering something too good to be true, it probably is.



## News Links

[Editorial: Time to bring water damage claims abuse under control](#)  
Palm Beach Post

[Editorial: Water claims spell trouble for Florida property insurance market](#)  
Tampa Times

[Editorial: Insurance losses demand action from state lawmakers: Where We Stand](#)  
Orlando Sentinel

[Action 9 investigates hidden insurance rate hikes](#)  
WFTV/Orlando

[Leaky pipe problems pose risk to Florida homeowners insurance](#)  
Miami Herald

[Fight against insurance claims abuses takes aim at attorney fees](#)  
Sun Sentinel

[Thousands of Florida mortgages could be at risk because of insurance abuse](#)  
Miami Herald