

## IN OUR OPINION

# AOBs: The new insurance wrinkle

*Published: Saturday, April 18, 2015 at 6:30 a.m.*

For years Florida residents have been spared the wrath of a hurricane, and last week Colorado State University forecasters predicted calm on the Atlantic storm horizon for 2015. If they are correct, a full decade will have passed since hurricane dread gripped some region of Florida.

But recall that the 2005 season was a doozy. Forecasters documented 30 named storms that year, half of which were full-blown hurricanes, including Katrina, which struck South Florida with more than a glancing blow.

Covering the associated losses that year, on the heels of the hyperactive 2004 storm season, led many insurers to flee the state — an exodus that eventually made the taxpayer-backed Citizens Property Insurance Corp. the largest property insurer in Florida.

Yet the lack of hurricanes has not left the insurance industry unscathed. And in Tallahassee today, a political storm is brewing over a new aspect of insurance coverage. At issue are what's known as an assignment of benefits, or AOBs, wherein the policyholder grants a third party his rights to collect on a claim.

Such a provision has long been a staple of health insurance, for example, when a patient allows a doctor or hospital to seek payment for services directly from the insurer. But AOBs represent a new wrinkle in property insurance and have fed a boom in lawsuits, according to industry advocates.

It works like this: A homeowner suffers damage and the contractor called in to make the repairs demands that the homeowner sign an AOB agreement before work begins. The contractor — not the homeowner — then seeks payment under the policy.

Problem is, industry advocates believe the costs are often inflated. And the contractor sues if the insurer does not respond to his satisfaction. Industry lobbyists say this practice, unheard of a few years ago, borders on routine today. AOBs exclude homeowners from the legal wrangling, yet the volume and duration of lawsuits over these claims, industry representatives say, drives up the insurers' legal costs — which are passed on to policyholders.

Proposed legislation would fix much of the problem. A pair of bills would cap payments to contractors at the first \$3,000 of damages. The measures would also allow for compensating public adjusters, who are hired by property owners to represent their interests counter to the

insurers' adjusters, and lawyers, who would be limited to dispersing payments on behalf of the insured.

Most importantly, the bills void AOBs beyond these points, and if a property owner signs such an agreement, he, and not the contractor, is responsible for seeking payment per the policy.

Sam Miller, executive vice president of the Florida Insurance Council in Tallahassee, said the proposals are not exactly what the industry wants. But, he added, most insurers could live with the provisions as now written, if only because the AOB practice is unregulated. The bills' language has divided lawmakers, however, making passing a fix this year an uphill struggle, Miller said.

Lawmakers need to consider this issue sooner rather than later, and at least should lay the foundation for a fix next session — before our hurricane luck runs out.

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