

SAINT PETERSBLOG

‘Assignment of benefits’ a bonanza for trial lawyers and vendors, bad for consumers

By [Peter Schorsch](#) -
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Bills are gaining momentum in both the House and Senate and to rein in a rapidly-growing insurance scam in which sketchy trial lawyers and remediation firms are getting stressed-out homeowners to sign over their policy benefits and rights after a burst water pipe or similar home emergency.

[Assignment of Benefits](#) (AOB) is a long-used legal tool meant to allow vendors to get paid promptly for emergency repairs to a home without having to get the policyholder directly involved.

But in Florida’s hurricane-free years since 2005, a cottage industry of lawyers and vendors – mostly water remediation and roofing firms – has emerged and is soliciting AOBs from homeowners as way to fraudulently inflate claims, file thousands of lawsuits against insurers and amass attorney’s fees.

State records show AOB abuse is escalating wildly: In 2005-06, there were 9,424 AOB lawsuits statewide. By 2013-2014, there were 92,521 – an increase of nearly 1,000 percent. Citizens Property Insurance Corp. is facing a **troubling surge** in water claims and lawsuits – in December alone, the state insurer was hit with 562 new AOB lawsuits. In areas of South Florida where abuse is especially bad, claims without an AOB are averaging \$12,000, while claims with an AOB average \$32,000.

Senate and House committees have heard testimony homeowners who sign AOBs are cut out of the claims process and often aren’t aware their policies are being used for lawsuits. In some instances, vendors are filing liens against homeowners or refusing to complete repairs when the insurers question the validity of the work. Legislators say their bills are intended to keep homeowners at the center of the policy benefits they paid for, and to stop the abuse nearly all parties agree is happening.

Sen. **Dorothy Hukill**’s bill, SB 1064, passed the Senate Banking & Insurance Committee by an 8-1 vote Monday, while its House companion, HB 669 sponsored by Rep. **John Tobia**, passed the House Civil Justice Subcommittee, its second committee of reference, by a 12-0 vote Tuesday. Both bills have attracted enough bipartisan support to assure a solid chance of passage.

Just how threatening is this growing AOB scam? In a letter to legislators, the president of insurance rating agency **Demotech** warned it could drive up homeowner's rates, destabilize the finances of smaller domestic insurers taking policies out of Citizens and result in ratings downgrades for insurers.

Lawmakers have heard testimony for three years now about AOB abuse and evidence continues to mount that this could become a crisis, like PIP and sinkhole claims fraud became. Thankfully for consumers, these other issues were addressed by the Legislature before they became full-blown disasters. Hopefully, the same will happen with this one before another hurricane makes landfall and the AOB issue amplifies the havoc for Floridians.

Let's hope lawmakers view these bills favorably when they make their next stops in the Senate Judiciary and House Regulated Affairs committees.