

Be wary when signing Assignment of Benefits

Local 10 News viewer says insurance claim wrongfully denied

By [Judy Reich](#)

Posted: 2:37 PM, December 07, 2015 Updated: 6:17 PM, December 07, 2015

Video here: <http://www.local10.com/consumer/call-christina/dangers-of-signing-assignment-of-benefits>

PEMBROKE PARK, Fla. - Navigating insurance claims after an unforeseen disaster like a flood from a broken pipe can be tricky.

Local 10 News investigative reporter Christina Vazquez got a call from viewer after she felt that her insurance claim was wrongfully denied.

The woman signed an Assignment of Benefits, or AOB, with her contractor thinking that the water damage in her bathroom could quickly be repaired and not cost her any money out of pocket for repairs.

Critics argue AOB's are rife with abuse and fraud, and drive up insurance premiums for Floridians. Here are some things consumers should know before signing an Assignment of Benefits with a contractor.

"It was just black stuff. It wouldn't come out to easily," Alba Mejia said in her Miramar home.

Mejia didn't think that black stuff in her bathroom was a big problem but wanted to take care of it. So she responded to an ad she saw in a flyer.

"The bathroom was embarrassing with that black stuff bordering the floor of the shower, so I saw an ad -- 'ugly bathroom no problem,'" Mejia said.

According to Mejia, the advertisement she responded to was from a restoration company who told her the black stuff was mold. They said her insurance would take care of it.

"They got the papers, went over it, called me the next day said, 'Yes, it's going to be handled,'" Mejia said.

She signed an AOB, authorizing the restoration company to bill the insurance company directly. That's because signing an AOB means your insurance claims check goes directly to the contractor so the consumer does not have to pay in advance.

"It was very clear when I called them, it said not a penny out of pocket," Mejia said.

But after the demolition and bathroom was dried out it was another story.

"Then silence and then like, OK what are going to do here," Mejia said.

After a long silence, Mejia's insurance company did respond with a decision.

"The insurance company finally said, 'No, we're not going to cover it. But we are going to pay for what they already did,'" Mejia said.

That left the Mejia family with an inoperable shower and no money to fix it.

For some consumers, AOB's are an enticing way to handle a repair you want performed quickly. However, attorney Matt Scarfone, who represents insurance companies, warns that there are potential pitfalls, including losing control of the process.

"You lose the right to payment for those services and you don't have the same incentive as other homeowners to negotiate the price and to make sure the services are being rendered are necessary," he said.

"(What) homeowners often don't realize are those instruments will routinely also say that if the contractor cannot recover from your insurance carrier they can still recover from you individually," Scarfone said.

That's why Citizens Property Insurance Company has been trying to curtail the use of AOB's, saying they are driving up insurance premiums for homeowners. At a recent Board of Governors meeting in September, Citizens Property Insurance Corporation asked for changes to insurance policies for non-weather related losses.

Those changes included a mandatory managed repair program and a public relations campaign "Call Citizens First." The campaign encourages consumers to report the damage prior to signing contracts with those willing to take an AOB.

In October, [Florida Sen. Dorothy Hukill of Port Orange introduced SR 596 changing the laws about AOB's](#). Those include limiting AOB's to \$2,500 per occurrence to mitigate or repair damage, notifying insurance carriers within three business days after performing work and providing an estimate of proposed services and materials used.

Additionally, the legislation requires contractors using AOB's to warn customers that they may be giving up rights in their insurance policy and protects against invoices that exceed estimates.

In the case "One Call Property Services v. Security First Insurance," the Fourth District Court of Appeals upheld Assignment of Benefits as lawful even when an insurance policy contains a provision barring assignment of the policy.

Mejia is disputing her insurance company's denial and has filed a complaint alleging a breach of the insurance contract based on the premise that the claim was wrongfully denied and is, in fact,

a covered peril as contemplated by the insurance policy. Mejia also believes that the payment to the water mitigation company, but not to the insured, violated the terms and provisions of the insurance policy.

"They said I'm going to deal with the insurance company. I thought I did everything right," Mejia said.

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