

# Property Insurance Reforms Could Keep Down Premium Costs

By

[Lloyd Brown](#)

February 8, 2016 - 9:00pm



Never underestimate the ability of the legal class to find new ways to extract money from the insurance industry – and indirectly from the consumer.

The most recent example is related to an esoteric process known as “assignment of benefits.”

It was a well-intended way for homeowners to get work done on their homes expeditiously. Then trial lawyers and contractors with less than honorable intentions found it could be used to generate huge profits.

When a homeowner signs an assignment of benefits form it allows a third-party, such as a roofing repair or water extraction company, to deal directly with the company that insures the home.

After the rash of hurricanes in 2004-2005, insurance companies began noticing rather large claims from South Florida, an area notorious for shady legal actions.

Further investigation showed not only large claims but claims for work never done.

Citizens Property Insurance Corp., a state-run company, looked at the data and found reason for concern, and since 2013 a worsening situation that was spreading to Tampa Bay and other areas of the state.

Why should anyone care? Because the additional costs are pushing up insurance rates not only for victims of the scam but for everyone else.

The Florida Chamber of Commerce put together the Consumer Protection Coalition, which says the number of assignment of benefits lawsuits statewide went from 9,424 in 2005-06 to 92,521 in 2013-14. Citizens recently was forced to raise insurance premiums more than 8 percent in areas

of South Florida because of the sharp rise in lawsuits growing out of non-weather-related water damage claims.

Citizens said dubious water damage claims and lawsuits generated by the assignment of benefits were the single reason rates rose in Miami-Dade County, where water loss claims now account for more than half of every premium dollar collected. Otherwise, nearly all policyholders would have seen a rate decrease.

Lawyers enter the picture after the shady contractor overcharges. The insurance company balks and the lawyer sues the insurance company.

There is a reform bill in the Florida Legislature this year, (SB 596 sponsored by Sen. Dorothy Hukill and HB 1097 sponsored by Rep. Matt Caldwell), making its way through the committee process.

Among other things, the legislation would require homeowners to notify the insurance company of their loss before signing an assignment of benefits form, except in emergencies. Thus, the company can confirm the extent of the loss. The insured person also would be notified that he might be signing away legal rights and could cancel the agreement within a reasonable time.

Honest contractors note that they don't need an assignment of benefits form in order to get paid by the insurance company. They support the proposed reform.

Preventing fraud may put shady contractors out of business and adversely affect attorney income, but also would help keep down the cost of insurance in Florida. Most consumers would consider that a fair trade-off. And don't weep for the lawyers. They'll scrape by.

*Lloyd Brown was in the newspaper business nearly 50 years, beginning as a copy boy and retiring as editorial page editor of the Florida Times-Union in Jacksonville. After retirement he served as a policy analyst for Florida Gov. Jeb Bush.*

## Comments

[Permalink](#) Submitted by C Breeze on February 9, 2016 - 9:36am

Is it any wonder that Wm Shakespeare said "Let's kill all the lawyers!" (even "way back then"... Nothing much changes; it just seems to always get 'Progressively' worse as time goes by...)

[Permalink](#) Submitted by Robert Warner on February 9, 2016 - 6:19am

Nothing like another layer of litigation to choke a functional system to death. I keep thinking buzzards picking over the remaining bones of a carcass.