

Context Florida (Online News)

Opinion

Bogus claims are boosting Floridians' insurance premiums

By Michael Carlson

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Last year, Florida broke a record by going 10 straight years without a major hurricane. Residents heaved a sigh of relief that another storm season came and went without any major damage to our state.

But not everything is calm as we enter this year's hurricane season, starting June 1.

Rampant abuses involving Assignment of Benefits, or AOB, are costing consumers more money, threatening the state's property insurance market and, if left unresolved, could become our next big storm.

While Florida has gone a decade without a hurricane to affect our insurance rates, an explosion in questionable, non-catastrophe claims filed by water extraction firms, roofers and other vendors is resulting in higher premiums for all residents.

Assignment of Benefits is a legal tool that allows repair vendors to receive payment from insurance companies for work they perform at a policyholder's home, without the homeowner having to pay money upfront. However, in the past decade, unscrupulous trial lawyers and vendors have taken advantage of AOB to take control of a homeowner's policy, then inflate the scope and cost of claims and sue the insurance company if it refuses to pay the jacked up bills.

AOB abuse has skyrocketed in the past decade as shady trial lawyers and vendors looked for ways to boost revenues in the absence of significant storm damage. Between 2005 and 2014, the number of AOB-related lawsuits grew nearly 1,000 percent, reaching more than 90,000 in 2013-14. What began as a problem in South Florida is now rapidly spreading statewide.

The issue is seriously affecting Citizens Property Insurance Corp., the state-run insurer. Last summer, Citizens said it was forced to raise premiums for South Florida policyholders because of an avalanche of non-weather-related water damage claims and AOB litigation. Now, Citizens warns it may have to boost statewide rates by up to 10 percent annually, if AOB abuse persists.

Meanwhile, in April, the state's fourth-largest private homeowners' insurer said it needs to raise rates an average of 15 percent statewide due to a surge in water loss claims and AOB lawsuits. Other private insurers are expected to follow suit, meaning consumers statewide are being pick-pocketed by AOB scammers because state legislators have allowed abuses to grow unchecked.

Clearly, AOB abuse is already bad and growing. Add a hurricane into the mix in 2016 and insured losses – not to mention the impact on consumers' wallets – could be incalculable.

The Personal Insurance Federation of Florida, whose members write more than 20 percent of all homeowners' policies in the state, has been seeking legislative reforms to AOB abuse for

four years.

This past session, Sen. Dorothy Hukill, R-Port Orange, and Rep. Matt Caldwell, R-Lehigh Acres, introduced legislation that would have provided important protections for consumers while allowing vendors to be paid for legitimate work. But each year, key reforms have been blocked by unscrupulous trial lawyers and repair vendors who are working together to profit from this scheme.

PIFF is working closely with the Consumer Protection Coalition, which was formed earlier this year to address AOB abuse before it becomes a full-scale crisis for consumers and businesses. Led by the Florida Chamber of Commerce, the coalition is a broad-based group of business leaders, consumer advocates, real estate agents, construction contractors, insurance agents and insurance trade groups united in stopping these bad actors from increasing consumers' costs and hurting the stability of Florida's insurance markets.

As we enter another hurricane season, AOB abuse is looming in the background. It is real, growing and already hurting the pocketbooks of Florida families.

Let's hope the wind doesn't blow this season and make this problem dramatically worse. And let's hope that members of the state Senate and House who opposed reasonable reforms this spring will finally recognize that their constituents are paying for their inaction and pass real reforms that protect consumers in 2017.

Michael Carlson is the president of the Personal Insurance Federation of Florida. Column courtesy of Context Florida.

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