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Citizens Property Insurance Corporation

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Major South Florida newspaper calls on lawmakers to “finally get serious” on Assignment of Benefits reform

TALLAHASSEE, Fla. (Sept. 1, 2016) – A metropolitan newspaper in South Florida, *The Palm Beach Post*, is calling on state lawmakers to “finally get serious” on stopping insurance scams related to Assignment of Benefits, saying the abuse is threatening to increase costs for everyone.

In an editorial posted online Aug. 30 and published in print Aug. 31, the newspaper validated the position of the Consumer Protection Coalition that AOB abuse has led to a spike in inflated non-weather-related water claims and frivolous lawsuits that impact the affordability and accessibility of insurance.

Specifically, the editorial blames unscrupulous lawyers and remediation firms for the recent request by Citizens Property Insurance Corp. for a 6.8 percent rate increase statewide. For homeowners in Palm Beach County, a hotspot for AOB abuse, the proposed increase is 9 percent.

The editorial offers further proof that AOB is harming consumers and, if not addressed immediately, will result in higher insurance rates statewide. The Consumer Protection Coalition urges lawmakers to enact meaningful reform in the 2017 legislative session to rein in these abusive practices.

Below is a copy of the editorial.

The Palm Beach Post

<http://www.mypalmbeachpost.com/news/news/opinion/editorial-florida-water-scam-is-soaking-consumers-/nsPGD/>

Editorial: Florida water scam is soaking consumers, must be plugged

Published Aug. 31, 2016

State-backed Citizens Property Insurance Corp. is looking for a 9 percent increase from Palm Beach County homeowners – and an average 6.8 percent statewide – even though there hasn’t been a hurricane in more than 10 years.

The reason has nothing to do with the ravages of nature. Look instead to the greed of some lawyers and unscrupulous building contractors.

As both the insurance industry and consumers' advocates tell it, the South Florida region has been inundated with inflated claims and frivolous lawsuits involving simple water damage – the kind you get when your washing machine overflows — and the abuse of a legal right called “assignment of benefits,” or AOB.

AOB lawsuits work like this: You have a leaky pipe and you call a water mitigation company for emergency dry-out services. The company sends a technician and, while drying out the house, presents you with documents to sign, including an AOB, by which you forfeit your insurance rights and benefits. This allows the contractor to bill the insurance company directly, and get the proceeds directly. You see it as a convenience. The contractor and lawyer see it as a gravy train.

The lawsuits arise when the insurer denies a claim because some of the losses aren't covered by the policy. The water mitigation company now has an unpaid bill, so it sues the insurer. A lawyer is happy to file suit because it can charge big, “one-way” fees: if the claimant wins, the insurance company pays. But if the insurer wins, it can't collect its legal fees from policyholders. In other words, claimants have nothing to lose by filing suit.

Those legal fees often add thousands of dollars to claims, which are themselves based on inflated invoices.

The insurers usually decide to settle the cases because it's cheaper than fighting the lawsuits.

The cases are running rampant, particularly in South Florida. “In Miami-Dade County, Citizens Insurance says that one in six homeowners had water damage last year – one in six! And we didn't have a hurricane,” Mark Wilson, president of the Florida Chamber of Commerce, told the Palm Beach Post Editorial Board.

AOB lawsuits involving homeowner property claims skyrocketed 2,700 percent from 2005 to 2014, says the Personal Insurance Federation of Florida. This March alone, Citizens was sued 1,000 times. And the pace isn't letting up.

Michael Carlson, executive director of the Personal Insurance Federation, said this is happening in no other state that his member companies operate in.

Inevitably, the cost gets passed on to policyholders. By law, Citizens can raise rates no higher than 10 percent a year. But in Palm Beach, Broward and Miami-Dade counties, Citizens says “actuarially sound” rates ought to rise up to 189 percent. So the requests for rate increases will keep coming.

And it's not just Citizens. “The overall Florida market will also suffer, especially if the state is hit by a serious catastrophe,” writes Insurance Journal. Private insurers, seeing a significant rise in AOB claims, “say hikes

of as much as \$1 billion will be needed.”

The Florida Legislature had a chance to fight this problem by putting in some safeguards. But three bills to reform the abuses died in committees in the last legislative session. The same thing happened the three previous years, with the insurers out-lobbied by water remediation companies, contractors and lawyers.

So yes, as regulators mull the Citizens request — a public hearing period ends Thursday — we avidly hope they keep the increases as slight as possible.

But in the long run, consumers will be far better served when lawmakers finally get serious about cracking down on a budding scam that is quickly showing the potential to raise prices for everybody.

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The Consumer Protection Coalition is a broad-based group of business leaders, consumer advocates, real estate agents, construction contractors, insurance agents and insurance trade groups pushing for reforms to end Assignment of Benefits (AOB) abuse. Learn more about the Coalition at www.FightFraud.Today.