

Coalition: AOB Fraud and Abuse in Florida Demands Solution This Session

By

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Thursday's Consumer Protection

Coalition press conference

The Consumer Protection Coalition spared no words at an elaborate press conference before the Florida House Thursday, calling on lawmakers to protect state consumers and pass meaningful reforms to end Assignment of Benefits (AOB) abuse in the Sunshine State.

“Today, the Consumer Protection Coalition is delivering nearly 2,000 petitions signed by people across the state to our Senate and House leaders,” said Carolyn Johnson, director of business, economic development and innovation policy with the Florida Chamber of Commerce. “These are real Floridians who want real reform on AOB fraud and abuse, and they want it now. Our coalition is calling on Senate and House leaders to allow hearings on bills that we strongly believe will offer the best protection to homeowners and get at the heart of the AOB problem.”

“We are halfway through the 2017 legislative session, and it appears another year may pass without meaningful reforms to end AOB abuse in Florida,” said Dulce Suarez-Resnick, independent insurance agent in Miami and member of the Latin American Association of Insurance Agents. “Make no mistake: If the Legislature fails to address the growing cancer of AOB for a fifth straight year, Florida’s hardworking families are the ones who will lose. Our leaders have crystal-clear evidence that AOB fraud and abuse is threatening the affordability of home-ownership for average Floridians. For lower-income families and those on fixed incomes, it could literally put the dream of homeownership out of reach.”

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.

Also attending Thursday's press conference were Rep. Rene Plasencia and Office of Insurance Regulation Commissioner David Altmaier.

Some of members' written testimony is given below.

In Miami-Dade County, Citizens Property Insurance Corp. (Citizens) projects that without AOB reforms, the average premium for homeowners will jump from \$9,847 this year to \$15,859 by 2022 -- an increase of more than \$6,000 in five years.

“At the beginning of the year, Citizens announced reining in out-of-control lawsuits over water damage claims and AOB abuse were a top legislative priority,” said Barry Gilway, president and CEO of Citizens. “And, just a week ago, Citizens reported a net loss of more than \$27 million for 2016 -- our first annual loss in 11 years. The reason is the unjustifiable explosion of water loss claims we are facing, AOB abuse and lawsuits that are seriously eroding our bottom line.”

Ninety-six percent of all litigation Citizens faces is coming from the tri-county area of Dade, Broward and Palm Beach. In just the past three and a half years, Citizens has seen the average severity, or payout, from each litigated water claim rise from \$10,000 to \$20,000. In 2011, just 12 percent of the claims Citizens received went into litigation. By 2015, 45 percent have been litigated.

“A cottage industry of trial attorney firms, often partnering with a relatively small group of home repair vendors, are driving the vast majority of lawsuits against Citizens,” said Gilway. “A year ago, we were able to provide rate decreases to most of our customers across the state. This year, 84 percent of our policyholders will see rate increases, because of this water damage claims and AOB litigation phenomenon. Without significant statutory reforms, Citizens will be forced to pass these costs on to our customers in the form of higher rates for the foreseeable future.”

“I’ve seen first-hand the AOB abuse that’s happening in our neighborhoods and reform is urgently needed,” said Ralph Davis, local contractor and president of Streamline Roofing & Construction. “AOB fraud and abuse is driving up the costs of home repairs and is hurting homeowners who are often unaware of the risks they face when they sign an AOB. It’s hurting the reputation of our industry and all of the good roofing firms and other good contractors who don’t use AOBs and who want to stop the bad behavior.”

Added Davis, “Our legislators have heard testimony of plumbers getting paid kickbacks of as much as \$2,500 to get a water remediation firm in the door to convince a homeowner to sign an AOB. That’s just plain wrong. Florida homeowners don’t need to sign an AOB with a contractor to get repairs done, and roofers and other contractors don’t need AOBs to get paid. The system that has been in place for years -- having homeowners direct their insurers to pay us under their policies -- has worked. As a roofer who prides himself in making an honest dollar for an honest day’s work, I am calling on members of the House and Senate to step up and protect Florida consumers from AOB fraud and abuse.”

Marilyn Pearson-Adams, vice chair of public policy for the Florida Realtors, said this: “As a member of the Florida Realtors, I know well that for most Floridians, their home is their largest investment. Home ownership is still the key to the American dream and is vital to building strong communities. Floridians on fixed incomes are particularly vulnerable to increases in the ancillary costs of owning a home, such as property taxes, insurance and maintenance. That’s

why Florida Realtors is so concerned about AOB fraud and abuse, and is standing with the Consumer Protection Coalition in calling for legislative reform now.”

As an example relating to the impact of AOB abuse on middle-class families, state estimates show that in Palm Beach, coverage for a home valued at \$155,000 will rise from \$2,210 this year to \$3,559 in 2022 without reform. In Broward, that premium would jump from \$2,390 to \$3,850.

“It is heartbreaking to see hardworking families scrimp and save to be able to qualify for a mortgage only to learn that these overhead costs end up busting-the-budget,” said Pearson-Adams. “These premium increases, mostly due to AOB scams, are already putting homeownership further out of reach for many families in South Florida and will start to impact families in other areas of the state without prompt legislative action. Florida’s Realtors, who help people achieve dreams and help fuel our state’s economy, are urging the Legislature to act.”

The Florida Chamber of Commerce has warned the Florida Legislature for five years about AOB fraud and abuse. The time to act is clear:

Citizens has posted its first net loss in a decade, largely because of this problem; The Florida Justice Reform Institute has reported that from 2010 to 2016 alone, the number of AOB lawsuits has skyrocketed from about 25,000 to more than 100,000 -- an increase of 300 percent. Worst of all, AOB fraud and abuse is threatening the affordability of home ownership for consumers insured by both Citizens and private insurers.

“There is no question one-way attorney fees are key to what’s fueling this explosion of AOB litigation,” said the Chamber's Johnson. “Plain and simple, we believe the right to one-way attorney fees should remain with the homeowner -- and not be transferred to the water remediation firm, roofer or plumber who solicited an AOB from an unknowing homeowner.

“The bottom line is this: If Senate and House members do not come together to pass meaningful AOB reforms this session, the AOB cottage industry will fleece homeowners even more and laugh all the way to the bank. Expect even more water damage claims. Expect even more lawsuits. And expect even more pain for the constituents or lawmakers, who will hand over their hard-earned dollars because of inaction. The time to act on AOB fraud and abuse is today.”

In addition to the press conference, the Consumer Protection Coalition recently hit the airwaves with a video and radio spot.