

PENSACOLA NEWS JOURNAL

Florida insurance abuse spiraling out of control: Guestview

Liam Sigaud, Guest columnist Published 8:56 a.m. CT March 14, 2018 | Updated 9:05 a.m. CT March 14, 2018

You've probably never heard of it, but an arcane provision in Florida's statutes is fueling significant spikes in homeowners' insurance premiums all over the state — and earning Florida the dubious distinction of being the nation's worst “judicial hellhole.”

Unscrupulous contractors, aided by their attorneys, are exploiting an insurance provision called Assignment of Benefits (AOB) to enrich themselves at the expense of Florida consumers, and politicians in Tallahassee have done little to mitigate this growing epidemic.

The idea behind AOB is to streamline the billing process by allowing contractors to deal directly with a client's insurance company, saving the policyholder time and trouble. However, these seemingly innocuous provisions have increasingly been exploited by dishonest home repair companies.

Using AOB, contractors can file inflated claims without the policyholder's knowledge. If the insurance company objects to the exorbitant charges, the contractor's attorney can sue the insurance company. But an outdated Florida law gives unscrupulous contractors the upper hand in legal disputes with insurance companies. Under a statute that dates back to the 1950s, if the insurance company loses the suit, it must pay both its own legal expenses and those of the plaintiff. However, if the insurance company wins the case, it must still pay its own legal costs. This unfair system encourages insurance companies to settle more claims, incur more costs, and ultimately charge their customers higher premiums.

Numerous homeowners have been victimized by dishonest contractors using AOB provisions to file padded claims. Eleanor Posner, a resident of Hollywood, says she was pressured into signing an AOB form by a water mitigation company that refused to begin repairs on her home until she signed it. After performing shoddy work on Posner's home, the mitigation company charged her insurance company unreasonable amounts. The insurance company issued payment in the amount that was deemed fair based on a peer review of the invoice, but the mitigation company threatened Posner with the remaining balance. Because of the AOB, she was overcharged and received poor mitigation services.

The last decade has seen a dramatic upswing in AOB abuse, largely due to legislative inaction. In 2007, only 405 AOB lawsuits were filed in Florida. In 2016, more than 28,000 lawsuits were filed — a 68-fold increase.

AOB abuse comes at a cost for all Florida policyholders. As insurance companies face rising legal expenses with no end in sight, they have no choice but to increase prices on their customers. In Miami-Dade County, for example, home insurance premiums are projected to increase by more than \$6,000 over the next five years, unless the Florida Legislature intervenes to address the fraud.

The Florida Senate's recent failure to pass common-sense legislation to fix this issue could cause insurance premium spikes of 25 percent for some homeowners.

This has to stop. Lawmakers who have repeatedly blocked sensible attempts to reform this broken system must be held accountable to voters. Floridians deserve fairness and stability in their insurance markets. In the wake of last year's exceptionally destructive hurricane season, homeowners' insurance claims are rising, and the potential for AOB abuse is greater than ever. Elected officials must act quickly to prevent further harm to Floridians.

Liam Sigaud writes for the American Consumer Institute, a nonprofit educational and research organization. For more information about the Institute, visit www.TheAmericanConsumer.Org.