

AOB Has 'Degenerated into a Racket,' Says DeSantis

By

[Jim Saunders News Service of Florida](#)

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As the House and Senate try to resolve the complicated --- and heavily lobbied --- issue, Gov. Ron DeSantis used his State of the State address this week to call for changes in the controversial insurance practice known as “assignment of benefits.”

Assignment of benefits, or AOB, is a major issue in the legislative session that started Tuesday. Insurers contend that abuses of the practice are leading to higher insurance premiums, a position that DeSantis echoed.

“I hope the Legislature passes legislation to reform the issue of AOB, which has really degenerated into a racket,” DeSantis said during the State of the State address, the traditional start of the legislative session.

Later, speaking with reporters, DeSantis said the AOB issue, coupled with storms that have hammered the state, likely will lead to higher insurance premiums.

“I would like to see the abuses pared back,” he said. “I think it’s going to drive insurance rates up. I think the fact that we’ve had bad storms lately, that is going to cause insurance rates to go up. This, I think, just fuels that, and I want to help the insurance market.”

DeSantis’ comments came as House and Senate panels moved forward this week with different bills to try to address the issue. The House Civil Justice Subcommittee passed its version (PCB CJS 19-01) on Wednesday, while the Senate Banking and Insurance Committee approved its bill (SB 122) on Monday.

Assignment of benefits is a decades-old practice that has become controversial in recent years, at least in part because of an increase in residential water-damage claims. In assignment of benefits, property owners in need of repairs sign over benefits to contractors, who ultimately pursue payments from insurance companies.

Insurers contend that the practice has become riddled with fraud and litigation, driving up homeowners' premiums. Plaintiffs' attorneys and other groups say AOB helps make sure claims are properly paid and accuse insurers of trying to lowball amounts for work.

The issue has drawn heavy lobbying, with business groups expressing support for the bills that started moving forward this week. Though the details of the bills differ, they both include restrictions on attorney fees in AOB disputes. Also, the House version would allow insurers to offer policies that would prohibit assignments of benefits.

House Civil Justice Chairman Bob Rommel, R-Naples, described allowing insurers to offer such policies as a "free market option" that could lead to lower-cost policies.



Rep. Bob Rommel

But the House and Senate bills have drawn criticism from plaintiffs' attorneys and group such as the Restoration Association of Florida, which issued a statement Wednesday saying it was "extremely disappointed" in the House panel approving the bill.

"This legislation serves to benefit the big insurances companies and only hampers the work of local mom and pop independent restoration contractors, leaving them at the mercy of insurance carriers who continue to deny and underpay claims," Amanda Prater, a spokeswoman for the association, said in the statement.

DeSantis on Tuesday said he hasn't "picked one bill or the other" to support but expressed confidence that a measure will pass before the legislative session ends in May.

"Both (House and Senate) leaders have told me they are committed to getting something done on it, so I anticipate that we'll get a bill that we'll be able to sign," DeSantis said.