



**CONSUMER  
PROTECTION**  
COALITION

**Assignment of Benefits (AOB)  
News Editorials**

**2018 and 2017**



The subject of Florida's growing Assignment of Benefits (AOB) abuse has been the focus of several news editorials because of its negative impact on consumers and the stability of the state's insurance industry. The editorials call upon lawmakers to tackle AOB reform to stop the predatory practices that are hurting consumers and increasing the cost of insurance.

What follows is a compilation of editorials that have run in these news outlets:

- The Wall Street Journal
- Tampa Bay Times
- Orlando Sentinel
- Palm Beach Post
- Daytona Beach News-Journal
- Panama City News-Herald
- The Florida Times-Union

PANAMA CITY  
**NEWS HERALD**  
*Where life unfolds daily*

**OUR VIEW: State must reform AOBs**

January 24, 2018

By Panama City News Herald

An Ormond Beach condominium stands as a local exhibit to why Florida needs a major property insurance reform.

As reported by The Daytona Beach News Journal, residents of Ormond Heritage needed repairs done to their high-rise condo complex after Hurricane Matthew. The condo association contracted with Paramount Disaster Recovery to fix a roof and some water damage on the ground floor. But residents wound up getting a lot more than they bargained for.

As part of the agreement, Ormond Heritage gave Paramount the power to negotiate directly with the condo's insurer, a deal known as "assignment of benefits." AOBs can be attractive to homeowners, who are freed from the stressful back-and-forth of the claims process. But they've opened the door to inflated claims, unauthorized upgrades and, at times, blatant rip-offs, insurance professionals claim.

For Ormond Heritage, its AOB opened the door to a costly ongoing legal battle between the vendor and the insurer that, more than a year later, has delayed repairs on the buildings.

Paramount and Ormond Heritage's insurer, Ariel Syndicate 1910, are battling in federal court over whether mold is covered by the insurance policy. The condo residents are powerless and helpless. Jerry Cutter, the current Ormond Heritage association president, told The News-Journal that their condo's insurance premium tripled for hurricane and windstorm coverage.

That's become an all-too-common story in the Sunshine State, where insurers blame abuses of AOB for rising property insurance costs. AOB lawsuits jumped from 405 in 2006 to more than 28,000 in 2016, an increase of 6,800 percent. Before that spike, according to the American Insurance Association, property insurance rates in Florida had either decreased or stayed the same in 63 percent of insurer filings approved by the state. But by 2016 the situation flipped, and 73 percent of approved rate filings were for increases. Florida's Office of Insurance Regulation says rates will increase as much as 10 percent a year without changes to assignment of benefits.

And that was before Hurricane Irma raked nearly the entire state in September 2017, causing more than \$7 billion in insurance losses.

The Legislature needs to restore some sanity to the process, cutting down on fraud and abuse while also protecting consumers from being taken advantage of in AOB agreements.

On Jan. 12 House Bill 7015, sponsored by Rep. Jay Trumbull, R-Panama City, passed on an 82-20 vote. It would give policyholders seven business days to cancel an AOB agreement, impose restrictions on claims and make changes to changes to the state's attorney fee rules. However, a companion bill in the Senate sponsored by Port Orange Republican Dorothy Hukill has yet to be assigned a committee. Hukill's previous attempts at AOB reform the last two years have died.

The Senate needs step up and contribute to a solution. The status quo on AOBs can't hold. The state can't afford more situation's like Ormond Heritage's.

# THE WALL STREET JOURNAL.

## **Protecting Legal Fraud in Florida**

January 21, 2018

By Wall Street Journal

Republicans in the state Senate try to block insurance reform

By The Editorial Board

Florida's Legislature is in session, and for the sixth straight year reform-minded Republicans are trying to shut down a trial-bar scheme that's bleeding property insurers and sending Sunshine State premiums skyrocketing. This fight will speak volumes about the character of Florida's GOP.

At issue is assignment of benefit (AOB) abuse, whereby an insured person signs away insurance rights to a third party, who then sues the insurer. More than 28,000 AOB lawsuits were filed in Florida in 2016, up from 405 a decade earlier, raising costs for insurers and the insured. State regulators estimate Miami-Dade residents insuring a \$150,000 home could see premiums rise more than 40% by 2022, thanks to this man-made litigation flood.

Panama City Republican Jay Trumbull, a leader in the reform effort, filed a bill last year that would change how court damages are calculated and reduce the incentive to file frivolous AOB lawsuits. Florida's House of Representatives passed the measure this month, 82-20, which shows that at least some Republicans will fight the jackpot-justice lobby.

Not so in the Senate, where Republican Anitere Flores chairs the Banking and Insurance Committee. In the last legislative session Ms. Flores, backed by Senate President Joe Negron, let an AOB reform bill introduced by Port Orange Republican Dorothy Hukill languish. This year she's doing it again.

The Miami Republican has, however, been happy to consider a bill by Sarasota's Greg Steube that would forbid insurance companies from including litigation costs in rates and limit their ability to deny claims because of fraud. AOB fraud would skyrocket. Ms. Flores said this month that Mr. Steube's measure "is not a bill the insurance industry loves," but the issue is whether they can operate profitably in the state.

Florida Governor Rick Scott and Insurance Commissioner David Altmaier have been vocal advocates for AOB reform, but they can't act unilaterally to stop the flood of lawsuits. Florida has benefited from its low-tax regime but it can't continue to prosper if it becomes a mecca for looting by lawsuit.

# THE WALL STREET JOURNAL.

## **How Florida Saved Taxpayers**

September 12, 2017

By The Wall Street Journal

These columns are often critical of government, especially when public officials put taxpayers on the hook for future risks. Think Fannie Mae, or federal flood insurance. So it's worth pointing out when a government acts to reduce taxpayer liabilities ahead of a fiscal storm, as Florida did before Hurricane Irma.

The example is taxpayer-backed Citizens Property Insurance Corp., the state-owned insurer that not long ago was a fiscal disaster awaiting the next hurricane. But CEO Barry Gilway told us Tuesday that he's "absolutely confident" that Citizens, which boasts a \$7.4 billion fiscal surplus, "can cover all the claims from Irma." The news should come as a relief to policy holders and Floridians who hold other forms of insurance, all of whom Citizens can tax, under state law, to fill fiscal holes.

The Tallahassee-based insurer's good fortune is due to a mix of luck, in the form of 12-year lull in major hurricanes, and some important reforms that weren't always popular when they were made. Since taking the CEO job in June 2012, Mr. Gilway, backed by Chairman Christopher Gardner and Governor Rick Scott, bought reinsurance, built surpluses and aggressively shrank its footprint in the state.

In 2011 Citizens insured 1.5 million policyholders; today it insures 452,000. Private insurers have taken up the slack. This had the benefit of spreading damage risk from hurricanes across the globe via reinsurance rather than keeping it all in Florida.

On current estimates, Citizens could cover a 1-in-100-year storm for \$6.6 billion, at no additional cost to policy holders. If the same storm had hit the Sunshine State in 2011, it would have cost the insurer \$24.5 billion and required an \$11.6 billion assessment to cover the red ink.

That's what happened in 2004 and 2005, the last time big hurricanes hit Florida. Citizens had to levy more than \$2 billion in taxes on policy holders and other Floridians to cover its fiscal shortfall, and Tallahassee also coughed up a \$715 million bailout. As recently as 2005, Citizens still shouldered a \$1.8 billion deficit, a far cry from its surplus today.

Alas, there are no permanent victories when it comes to government-owned enterprises, including in Florida, which has a well-earned reputation as a playground for the plaintiff bar. Citizens and private insurers have recently been flooded with "assignment of benefit" (AOB) lawsuits, in which lawyers convince homeowners to sign away their insurance rights. The lawyers then sue the insurers, who find it cheaper to settle than to take the cases to court, thanks to state courts' liberal interpretation of an obscure statute.

Citizens posted its first consolidated net loss since 2005 in March, at \$27.1 million, due to the cost of AOB litigation. Southeastern Florida residents now pay some of the highest insurance premiums in the nation, and costs are rising by double digits. As Mr. Gilway noted last month, litigation costs have forced the insurer “to seek rate increases again this year for more than half of our 452,000 policy holders.”

Reform-minded state legislators such as Senator Dorothy Hukill and Representative James Grant introduced AOB reform bills this year, but they were blocked by state Senator Anitere Flores, a Miami Republican who controls a key committee. Ms. Flores has doubled down on her pro-trial bar stance, claiming “Citizens has unfairly raised insurance rates on policyholders since 2010, forcing my South Florida constituents to pay \$700 million more in premiums than in actual claims since 2004.”

The real problem is Republicans like Ms. Flores and her protector, Senate President Joe Negron, who will cause Florida homeowners to pay more for Citizens insurance in the coming years. The stars here are Messrs. Gilway and Gardner, who reduced taxpayer liabilities ahead of the storm despite political cheap shots. Now Florida needs to move on tort reform before the next big one hits.

# Tampa Bay Times

## **Editorial: Lawmakers ignore insurance mess**

May 26, 2017

Tampa Bay Times

Florida's badly broken system for filing and settling insurance claims, which is wreaking havoc in the property insurance market, is creeping into auto policies with Tampa Bay at ground zero. Assignment of benefits, which can lead to costly court battles, is driving up rates for thousands of homeowners across Florida, and drivers are starting to feel the pinch too. Lawmakers have done nothing about this mess, so it's up to consumers to be on guard and know what they're signing.

Here's how assignment of benefits works and why it's broken. A homeowner finds a water leak and calls a repair company, which has the homeowner sign a form allowing the company to deal directly with the homeowner's insurance provider. The work gets done and the homeowner avoids the hassle of time-consuming and confusing insurance claims. All good, right?

Wrong. The insurance company doesn't get to inspect the damage before the repairs are done, or even have a say in what repairs are needed. It just gets a bill — a process ripe for fraud. If the insurance company fights the claim, it's on the hook for all legal fees if it loses in court, which is good for plaintiffs' attorneys but no one else. Water damage claims for the state-run Citizens Property Insurance Corp. have exploded by more than 50 percent since 2010, the size of the claims has doubled to nearly \$20,000 and nearly half of them go to court. This just adds up to higher premiums for homeowners.

Now the assignment of benefits scheme and all its attendant problems are seeping into the car insurance realm. It starts with a cracked windshield. A driver contacts an auto glass company, which offers to deal directly with the driver's insurance company. The driver signs the assignment of benefits form and the windshield is fixed. Similar to the property insurance scenario, if the insurance company fights the amount of the windshield repair, the two sides end up in court and the insurer can get saddled with all the

legal fees. The mess can land back in policyholders' laps if they are listed as a plaintiff in a lawsuit, even unknowingly. Some drivers say that when they become entangled in a lawsuit, their premiums soon spike.

The assignment of benefits scourge in the homeowners' market has been mostly concentrated in South Florida but is quickly spreading to Tampa Bay. We're already the No. 1 hot spot for auto glass lawsuits, according to Tampa Bay Times staff writer Malena Carollo, and the numbers keep growing. Hillsborough County alone accounted for 35 percent of cases statewide in 2016. That's not a list the region should want to be atop, and the only current remedy is for drivers to be informed and careful. If you have a cracked windshield, contact your insurance company directly to start the claim process, then follow the claim to conclusion. If you do allow a repair company to negotiate with insurance on your behalf, understand that a lawsuit could eventually be filed in your name.

On a larger scale, however, the costly repercussions in property insurance of Florida's terrible assignment of benefits scheme should serve as a cautionary tale for the auto market. Changes to the law are needed to fix this expensive problem, but lawmakers ignored it again this spring. How much longer can they do nothing?

# Orlando Sentinel

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## **Editorial: With just half a session left, put ideology aside and solve problems**

April 7, 2017

Orlando Sentinel

The Florida Legislature passed the mid-point in its 2017 session this week with action on its biggest issues unresolved. This is not unusual. Legislators normally spend much of the first month in their 60-day session vetting bills in committee hearings and save more of the second month for hard bargaining.

The biggest battle looms over the Legislature's sole constitutional obligation: passing a budget for the upcoming year that begins July 1. The Senate and House have both proposed balanced budgets, but they're \$4 billion apart on spending — mainly because House Speaker Richard Corcoran and his leadership team see an ideological imperative to cut the budget and shrink state government, which is already leaner than in most other states.

This heartless approach would needlessly squeeze funding for core state services, despite a projected surplus in the next budget year. The impact is especially severe in the area of human services, which includes health care and programs serving children and families, seniors, veterans and people with disabilities — the most vulnerable Floridians. The House would spend \$1.5 billion less in this area than the Senate.

In one of the most striking differences between the two chambers, the House budget doesn't include a nickel for the Low Income Pool, a federal and state program to reimburse hospitals for charity care; the Senate allocates \$600 million. Neglecting charity care in the budget won't just add to the burden on hospitals; it also will raise health insurance premiums for businesses and families, and shift costs to local governments.

On higher education, the Senate would increase funding for public universities in the state by \$334

million, while the House would reduce it by \$183 million. The Senate also would boost merit and need-based financial aid by more than \$300 million, while the House would cut it. Failing to invest in higher education will weaken Florida's ability to create and attract high-paying jobs.

For state employees, who are among the lowest paid in the nation, the Senate would provide the first across-the-board pay hike since 2006: \$1,400 for employees making less than \$40,000, and \$1,000 for those making more. Correctional officers and other state law-enforcement officers would receive higher raises. The House budget, meanwhile, doesn't include any money for salary increases. The state will lose good employees if they aren't paid reasonably competitive salaries.

The Senate and House remain deadlocked over funding for Enterprise Florida, the state's top economic development agency, and Visit Florida, the state's tourism marketing agency. Unlike the other categories, neither constitutes a core public service. But inflexible ideology also explains the divide between the two chambers.

The Senate would follow the lead of Gov. Rick Scott and provide \$85 million to Enterprise Florida and \$76 million to Visit Florida. The House, dismissing both agencies as purveyors of "corporate welfare," would eliminate Enterprise Florida and slash Visit Florida's budget by two-thirds. If the two chambers would just meet in the middle, they could free millions of dollars for higher-priority needs, including affordable housing and mental health care.

As the Sentinel's Gray Rohrer reported this week, a long standoff between Scott and the Legislature's leaders over Enterprise Florida and Visit Florida has diverted attention from other issues more worthy of action, including a surge in heroin and opioid overdoses. Deaths rose 80 percent between 2014 and 2015.

Other festering problems are at risk of remaining unsolved without more attention from leaders, including rising workers-compensation costs for employers and property-insurance hikes fueled by abuse of the state's assignment-of-benefits law.

With less than a month scheduled in this year's session, legislative leaders need to put ideology aside and work together to meet more of Florida's needs, and solve more of its problem.

THE DAYTONA BEACH  
**NEWS-JOURNAL**  
NEWS-JOURNALONLINE.COM

**OUR VIEW: Florida must restrain insurance abuse**

April 6, 2017

Daytona Beach News-Journal

Until Hurricane Matthew raked the Atlantic coast last October, Florida had been spared major storm damage since the 2004 and 2005 hurricane seasons devastated homes and businesses — and the state's property insurance industry. That historically long respite was supposed to give insurers opportunity to regain solid financial footing, which should result in lower premiums for consumers.

Unfortunately, those potential savings have been eroded by an increase in what is known as "assignment of benefit" abuse. "Assignment of benefits" agreements or "AOBs," is the practice in which property



owners sign away the task of negotiating with insurance adjusters and collecting payment to the contractors who are doing the repairs. In theory, it appeals to homeowners who can get work done immediately to fix roofs or water damage without having to go through the often lengthy insurance claims process. But in practice it has led to some unscrupulous contractors and attorneys to inflate claims and perform unauthorized upgrades, which they then sue the insurance companies for payment. Insurers often settle these bogus claims to avoid costly court battles, and the price can include paying attorney fees as well.

According to William Large of the Florida Justice Reform Institute, a subsidiary of the Florida Chamber of Commerce, from 2014 to 2015 AOB litigation increased 10.7 percent, and then 21 percent from 2015 to 2016. Last year, Ormond Beach-based Security First, one of the largest property insurance companies in the state, looked at water-damage claims it handled in 2015. While only 15 percent had AOBs, those claims cost an average of twice as much as normal water-damage claims.

Citizens Property Insurance Corp., the state's taxpayer-backed insurer, slowly built up its reserve funds following the 2004-05 hurricane seasons and has shed more than a million policies as the private market improved. However, last week Citizens announced its first net loss since 2005 — \$27.1 million — and that it expects to lose another \$86 million by 2018. It attributes much of the red ink to AOB abuse.

Those costs are passed on to consumers in the form of higher premiums. Citizens calculates that in South Florida, where AOB abuse is particularly prevalent, the annual cost of covering just a moderately priced home (\$150,000) is expected to jump by \$1,500 or more over the next five years.

Last year, state Sen. Dorothy Hukill, R-Port Orange, sponsored a bill that would clamp down on AOB abuse, but it died during the session. In February she refiled similar legislation (SB 1038) that would severely restrict AOB agreements and prohibit paying attorney fees. Alas, a competing bill (SB 1218) was filed a week later by Sen. Gary Farmer, D-Fort Lauderdale, a trial attorney. That measure imposes some restrictions on AOB contracts, but also maintains attorney fees and prohibits insurers from passing on such legal costs to consumers when the company loses in court; instead, they must dip into their profits.

While that sounds like a consumer protection, it doesn't reduce incentives to abuse the AOB system, and could wind up discouraging insurers from writing more policies. Tightening the private market would send the state back to the post 2004-05 era when property insurance (let alone affordable coverage) was hard to find, hence the explosive growth of Citizens.

Florida's insurance commissioner David Altmaier opposed the Farmer bill, arguing that paying attorney fees was meant to protect homeowners against large insurers, not to apply to litigious contractors.

Sha'Ron James, Florida's insurance consumer advocate, also expressed concern about the long-term effects the measure would have on insurance rates.

So, of course, last week, Sen. Anitere Flores, R-Miami, chair of the Banking and Insurance Committee, refused to allow Hukill's bill onto her committee's agenda, killing it. Monday, the committee passed Farmer's bill on a 6-2 vote.

The Legislature has allowed AOB abuse to fester for too long, but Farmer's bill is the wrong solution. The state needs to get this right.

*This editorial was also published by the Ocala Star-Banner and Panama City News Herald.*

# Orlando Sentinel

## Insurance losses demand action from state lawmakers: Where We Stand

February 23, 2017

Orlando Sentinel

Hurricane season is still more than three months away, but a different kind of tempest is threatening Florida property insurers, their policyholders and the state's economy.

This month an Ohio firm that rates the financial health of insurance companies announced it would downgrade 10 to 15 Florida property insurers from A to B starting in March. Demotech Inc. cited soaring losses for these insurers from nonweather-related water-damage claims. Cutting these insurers' ratings could jeopardize thousands of their policyholders' federally backed mortgages that require coverage from an A-rated company.

Demotech blamed the losses on the abuse of a century-old state law that allows policyholders seeking home repairs to assign the right to collect reimbursement from their insurers to the contractors they hire to do the work. This assignment of benefits system is intended to spare homeowners any out-of-pocket costs for repairs — which makes good sense. But the law doesn't require contractors to meet the same responsibilities as a homeowner who deals directly with the insurer, such as reporting a claim to the insurer on a timely basis, or allowing the insurer to inspect the damage, or documenting the repairs. Hazards for homeowners also lurk in the system. In some cases, they unwittingly allow contractors to put a lien on their property to cover any balance unpaid by the insurer.

And contractors — especially those in Southeast Florida filing claims for repairs to water damage from leaking pipes or appliances — have been hiring attorneys to pursue payment for their claims. Under another Florida law, the attorneys are guaranteed reimbursement for their costs if the insurer loses in court

— a legal advantage that gives them more leverage to get paid. The number of these lawsuits shot up from 405 in 2006 to 28,000 last year, according to Florida's chief financial officer, Jeff Atwater. A handful of law firms and attorneys have been taking the bulk of the cases.

Citizens Property Insurance Corp., the largest insurer in Florida, says its cost from assignment of benefits claims has risen more than fivefold since 2011. Fewer than 15 percent of its water-damage claims in 2011 resulted in lawsuits, but almost half did last year. The average payout for the company of a litigated water claim is three to six times higher than one handled without a lawsuit.

Insurers argue that the assignment of benefits law is being exploited to encourage and inflate claims and generate legal fees. Representatives for contractors and attorneys insist the problem is being exaggerated by insurers who don't want to pay the benefits they owe, and by those who would try to repeal the law, which remains a formidable tool to force insurers to cover claims promptly. But the numbers from Citizens back up insurers' arguments about the severity of the problem.

The frequency of nonweather-related water-damage claims from Citizens' policyholders in Miami-Dade, Broward and Palm Beach counties has increased by more than 50 percent since 2010. The company says no other factors — including the age, location or construction type of the homes involved — can explain the extent of the increase. Meanwhile, Citizens' average cost for those claims from the three counties has almost doubled over the same period.

And according to Citizens, the practice is spreading to other parts of Florida, including the Tampa and Orlando metropolitan areas.

Insurers in Florida that lose money this way will hike premiums on policyholders to recoup their losses. A higher cost of living for Florida homeowners will hurt the state's economy. It's especially bad news for low- and moderate-income policyholders who might already be struggling to afford insurance.

Citizens has made changes when issuing or renewing policies to curb abuse of the assignment of benefits law. For example, it is requiring the company's inspection or approval before permanent repairs begin, and capping the cost of emergency repairs without approval.

State legislators, who will convene next month for their annual 60-day session, can do more. There are reasonable proposals that would preserve the law, but require contractors to meet the same responsibilities as policyholders before proceeding with repairs, and protect homeowners from getting stuck with the bill when insurers won't pay. Those would be a good start.

Curbing the abuse of the assignment of benefits system belongs among the top priorities for legislators in 2017. It's time to calm this storm.

# Tampa Bay Times

## **Editorial: Water claims spell trouble for Florida property insurance market**

February 16, 2017

Tampa Bay Times

A steady drip usually signals bigger trouble, and this is no exception. Insurance claims and lawsuits for water damage are climbing, and the mess is spreading from South Florida to Tampa Bay. That means trouble for private insurers and the state-run Citizens Property Insurance Corp. And that means trouble for homeowners facing rising property insurance rates and the possibility of being forced to switch insurers.

When there's water damage, there's often a broken pipeline. In this case, it's a broken system for filing and settling insurance claims under a process called assignment of benefits. As Citizens president and CEO Barry Gilway described it this week to the Times editorial board, here's the problem: A homeowner finds a water leak in his or her house and calls a repair company. The repair company asks the homeowner to sign a form that allows the repair company to deal directly with the homeowner's insurance company. For the homeowner, this sounds great: The repairs are made, the company deals with the insurance company to get paid and it's all good.

Except it's not good for the insurance company. Gilway says Citizens often doesn't get a chance to inspect the damage. It doesn't get a say in what repairs are made or supporting documentation for the repairs. It gets a bill, and it relies on a consultant to determine whether the bill falls within an acceptable range. That's like paying for car repairs without seeing the damage and knowing whether it needed a new fender or paint for a scratch.

Those aren't the only problems tied to the assignment of benefits system. Many homeowners don't realize that when they sign the form, they often allow the repair company to put a lien on their home if the company's costs aren't fully covered by the insurance payment. And if Citizens or other insurers fight the claim from the repair company in court, the insurer pays all the legal fees if it loses. That has led to a

lucrative cottage industry for a handful of law firms.

The numbers tell the story. While the number of Citizens policies has dropped in South Florida, the frequency of water claims has risen by more than 50 percent since 2010. During the same period, the size of those claims has nearly doubled, to almost \$20,000 in 2016. Other warning signs the system is broken: More than 6 in 10 water damage claims don't reach Citizens until 23 days after the damage occurred. Nearly half of the claims now go to court, and the number of claims submitted with a lawyer involved from the start has soared.

The problem stretches beyond Citizens. Florida-based insurers who took hundreds of thousands of policies out of Citizens are experiencing similar issues with water claims. That is a key factor in an insurance rating company warning this week that it will downgrade its financial stability rating of 10 to 15 companies. That could be a problem for thousands of homeowners whose federally backed mortgages require property insurance to be A-rated and who could be forced to find new coverage. And all of this means Citizens expects to add more than 50,000 policies this year after years of declines.

The Florida Legislature has avoided the assignment of benefits issue for several years, but now lawmakers cannot ignore the continuing rise in water damage claims and the serious consequences for homeowners and the insurance market. The system is ripe for reforms that would better protect homeowners and insurers. When homeowners let the repair companies deal with their insurer, they need to understand the risk, and the insurer needs the same rights as homeowners in dealing with the claims.

# The Florida Times-Union

## jacksonville.com

### **Friday Editorial: Insurance reform leads agenda of Florida Chamber**

January 26, 2017

Florida Times-Union

This is an era when sensibly moderate agendas are increasingly hard to find.

But “sensible and moderate” usually describes the type of agenda rolled out each year by the Florida Chamber of Commerce.

And it aptly characterizes the list of priorities that the chamber plans to pursue during the Florida Legislature’s upcoming session.

“Our main focus is to keep Florida competitive in every way,” said David Hart, the chamber’s executive vice president, during a recent session with the Times-Union editorial board.

That theme is obvious in the chamber’s current legislative agenda, which offers common-sense proposals that deserve serious consideration by Florida lawmakers.

The chamber’s overriding top priority, Hart said, is to urge legislators to make reforms in the state workers compensation system.

Hart declared that it has become so rife with abuse and manipulation that the average Florida employer is facing a whopping 14.5 percent increase in its worker-related insurance rates.

“We’re seeing the highest (rate increases) in the Southeast,” Hart said, noting that it could lead countless Florida businesses to raise prices, decrease employee benefits, freeze hiring or even lay off staff.

And while the rising insurance costs are hurting Florida businesses and taxpayers, Hart suggested, “law firms across the state are (opening up) workers compensation offices because they see a pot of money” they can earn by exploiting the current crisis.

Granted, Hart is likely indulging in a bit of hyperbole with that jab at the legal industry.

But there’s a reason why the U.S. Chamber of Commerce has determined that only six states have worse legal climates for business than Florida — and one factor is surely the dramatic rate hikes that state businesses are absorbing to protect themselves against workers compensation claims.

It’s an issue that lawmakers should address in a constructive manner when they convene in March.

Hart also told the editorial board that the chamber will seek Legislature support to reduce property insurance fraud, a problem he said has reached epidemic proportions and threatens a wide swath of businesses across Florida.

“It’s driving up costs for everyone,” Hart said.

Hart said that while the overwhelming majority of construction and home-repairs firms in Florida are reputable, there is a small but significant segment that has perfected the art of trolling neighborhoods (particularly after bad weather), convincing homeowners that their properties need work — and then offering to do the jobs at cheap rates if the residents agree to sign away the “assignment of benefits” rights in their property insurance policies.

Once they have those rights, Hart said, the unscrupulous firms send grossly inflated claims to insurance companies — and then rely on equally dubious lawyers to file time-consuming legal actions if the insurers balk at paying the excessive charges.

Too often, Hart said, insurers find it easier to simply pay the money and make the con artists go away.

“We need to tighten up legal (loopholes) that are causing this dramatic increase in fraudulent, false cases,” Hart said.

Here again, the chamber is pursuing a rational remedy for a problem that has grown to an irrational level.

And here, too, it’s an issue that deserves to be properly addressed by the Legislature during the upcoming session.

Too often, this state has been a hotbed of fraudsters on many fronts. It requires continual vigilance to stop them.

common-sense values

On these and other issues — including its reasonable call for Florida officials to not overreact to the recent “Let’s pay Pitbull to promote our state” controversy by cutting funds for tourism campaigns — the Florida Chamber of Commerce should be applauded.

It is taking the right approach by focusing on three words that our state should always embrace:

- Sensible.
- Moderate.
- Competitive.

*This editorial was also published by The Gainesville Sun.*

# The Palm Beach Post

## **Editorial: Time to bring water damage claims abuse under control**

February 5, 2017

Palm Beach Post

It is possible, or even likely, that Florida is at a critical juncture when it comes to dealing with abuse of the legal right called “assignment of benefits,” or AOB.

A quick reminder: AOB is when distressed homeowners sign contracts for emergency repairs (such as a broken water pipe), typically without knowing they’ve forfeited all of their insurance rights and benefits including the right to sue. This allows the contractor to bill the insurance company directly and get the proceeds directly.

These AOBs have understandably grown in popularity because they allow homeowners to hire contractors quickly to repair damage and, for the most part, can help force insurers to properly pay claims.

But they’ve also become increasingly controversial as unscrupulous attorneys, and contractors and repairmen defraud the system by inflating costs — mostly on water damage claims — and filing lawsuits when insurers balk at paying.

The Florida Legislature has played at fixing this problem for the past few years as the pace of these water damage claims picked up — jumping 50 percent from 2010 to 2016 at Citizens Property Insurance Corp. alone.

We understand and applaud lawmakers’ caution toward making broad, sweeping changes to a decades-old system created to help desperate homeowners. But they should understand that doing nothing has only allowed the problem to fester and put hundreds of thousands of homeowners, already paying the highest average insurance rates in the country, at risk of paying more.

What’s at stake are “10 percent annual rate hikes for the next many, many years,” Citizens CEO Barry Gilway told the Post Editorial Board on Wednesday.

Gilway, and Citizens governing board chair Chris Gardner, said that unchecked abuse of AOBs by a cadre of contractors and lawyers — especially in Palm Beach, Broward and Miami-Dade counties — will cost Citizens an estimated \$100 million loss in its Personal Lines Account (PLA) this year. And that number could rise to \$200 million in 2018, he added.

“Moreover,” Gilway warned, “we now see this problem spreading beyond South Florida.”

Plaintiff’s attorneys and contractors argue this is all a bit of hyperbole on the part of Citizens. And the insurers have indeed been singing this song to whoever will listen for a couple years now.

Yes, there are “bad actors” in the system. But focus on those bad actors, namely unregulated water remediation companies that do the cleanup work when a washing machine overflows or water pipe breaks, attorneys and contractors say.

Also, Citizens has other problems that are likely contributing to its financial status. As the Post’s Charles Elmore pointed out previously, the state’s insurer of last resort is still carrying an administrative cost structure built for about 1.5 million customers despite having shrunk to less than 500,000, and it is spending nearly \$300 million a year on private reinsurance despite a \$7 billion surplus and the backing of a state hurricane fund.

And Florida Chief Financial Officer Jeff Awater didn’t do Citizens any favors on Thursday, when he told attendees at the Florida Chamber Insurance Summit, that his office has was not seeing a significant surge in cases involving water damage.

But there are areas of agreement between the sides, such as notification to the insurer in three to five days after a contractor has agreed to work on a claim.

Gilway and Chambers said unlike in previous years, all insurers are backing a bill being drafted by Sen. Dorothy Hukill, R-Port Orange. The state’s Office of Insurance Regulation and Insurance Consumer Advocate Sha’Ron James are taking the lead on pushing the bill during session.

Good. Because this isn’t about any of them. This is about homeowners. And it’s time for everyone to finally get on the same page.