

The Wall Street Journal

REVIEW & OUTLOOK

Appeared in the Apr. 01, 2017, print edition

Category 5 Flores

A Florida Republican keeps a trial bar payday going for another year.

Florida homeowners might want to remember the name Anitere Flores when they open their next insurance bill. The South Florida Republican this week blocked an effort to stop a plaintiff's attorney scheme that's endangering the state's taxpayer-backed catastrophic insurer and sending premiums skyrocketing.

Citizens Property Insurance Corp., the state-backed insurer, spent years building a fiscal surplus after the active 2004-05 hurricane season. Now the momentum is blowing in the other direction. On Wednesday the insurer announced its first net loss since 2005, to the tune of \$27.1 million. Citizens expects to lose money next year too, and projects an \$86 million loss by 2018.

Citizens attributes the red ink to "assignment of benefit" abuse, which we told you about last month ("Florida's Trial Bar Hurricane," March 15). AOB, as it's known, is a practice whereby lawyers and contractors convince homeowners to sign over their right to sue insurers for certain kinds of home damage. Insurers typically settle these claims to avoid protracted and expensive court battles, and thanks to Florida law they're on the hook for attorney's fees too.

Local plaintiffs firms like Cohen Grossman and the politically connected Trujillo Vargas Gonzalez & Hevia have latched onto this money train, particularly in South Florida, which has a high risk of hurricanes. Citizens estimates that 96% of its total litigation in 2016 originated in Miami-Dade, Broward and Palm Beach counties, where the insurer has a concentration of policies.

Republican state Senators Dorothy Hukill and Kathleen Passidomo introduced a bill in February that would stop AOB abuse by ending attorney fee paydays, among other reforms. But this week Sen. Flores, the Republican chair of the Senate Banking and Insurance Committee, refused to allow the Hukill-Passidomo reform onto the committee's agenda, effectively killing it for this legislative session.

That's a remarkable political choice given that Sen. Flores's South Florida constituents are paying increasingly high premiums thanks to AOB abuse. One private insurer has already stopped writing new policies in the tri-county area, and others could follow, dumping their business on Citizens, the insurer of last resort. Citizens isn't allowed to raise rates fast enough to keep up with the growing risk, which means more potential taxpayer liability.

Sen. Flores declined comment to us, and no wonder. She placed two bills on her committee's agenda sponsored by Democrat Gary Farmer, who used to run Florida's trial-bar lobby. Mr. Farmer's bills would keep the attorney fee game going, among other bad ideas. Floridians had

better hope a Category 5 hurricane doesn't hit the state this year and hobble Citizens even more than their politicians have.