

Assignment of Benefits Legislation in Florida

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The practice known as the Assignment of Benefits (AOB) is a big problem for Florida property insurers. AOBs have been driving up the cost of property insurance claims in the state for several years.

An AOB is a document signed by a policyholder that allows a third party, such as a water extraction company, roofer, or plumber, to “stand in the shoes” of the insured and seek direct payment from the insurance company. AOBs have become prevalent in water and roof claims across Florida.

AOBs have been a part of Florida’s marketplace for more than 100 years. Loopholes in the way they are used in the marketplace are driving up costs for homeowners across the state due to unnecessary litigation associated with certain AOB claims. According to the Florida Department of Financial Services, there were 405 AOB lawsuits across all 67 Florida counties in 2006, and by 2016, that number had risen to 28,200.

Furthermore, the Office of Insurance Regulation’s 2016 Data Call Study on this issue highlighted that claims with an AOB have a much higher severity than claims without one, and the frequency and severity of water claims has risen since 2010. Frequency increased by 46 percent and severity by 28 percent.

Rising loss trends with respect to water claims are also having an impact on the profitability and rate need of many of the state’s property insurance companies. In 2014, 63 percent of approved rate filings by the Office of Insurance Regulation (OIR) were for a decrease or no rate change at all. In 2016, 73 percent of approved filings were for rate increases.

With the increased frequency and severity of these type of claims and absent any legislative reform, homeowners could begin to see 10 percent rate increases per year going forward.

This issue is a primary legislative priority of the OIR for the 2018 Florida Legislative Session. The OIR supports legislation addressing attorneys’ fees and providing for additional protections for consumers.

Legislative bills have already been filed for the 2018 session. Some of these bills can be supported by the insurance industry, but other bills should be opposed because they do not solve the AOB problem. It is important that all property insurers doing business in Florida advocate for the passage of legislation that will eliminate the abuses associated with AOBs. Please contact us for more information on how we can assist you in advancing legislation to eliminate AOB abuse in Florida.