



Did You Know?

According to the [Office of the Insurance Consumer Advocate](#),

- In South Florida, the average AOB claim costs more than \$32,000, nearly triple the average of non-AOB claims.
- AOB claims totaled 28,000 in 2016, up from 834 in 2010 and 405 in 2006.

According to the [Office of Insurance Regulation](#),

- The frequency of water claims rose 46 percent and severity increased 28 percent between 2010 and 2015.

According to [Personal Insurance Federation of Florida](#)

- 549 of the 562 AOB lawsuits received by Citizens' Insurance in December 2014 came from Miami-Dade, Broward, and Palm Beach.
- Water claims represent half of all new reported claims for Citizens but 75 percent of all litigation. In South Florida, water claims represent 93 percent of litigation.

REFRESHER: PCB JDC 18-01 PROPERTY INSURANCE ASSIGNMENT AGREEMENTS

BACKGROUND

PCB JDC 18-01 revises the process and requirements for assigning benefits of a property insurance policy to a third party.

Last session's assignment of benefits (AOB) bill, CS/HB 1421, passed the House, but died in the Senate. It was reintroduced with nearly identical language, by the Judiciary Committee and Rep. Trumbull and was reported favorably out of the Judiciary Committee on November 14, 2017.

The bottom line: PCB JDC 18-01 aims to prevent third parties from receiving higher payouts and causing higher litigation costs, which are ultimately paid by consumers in the form of higher premiums.

BILL HIGHLIGHTS

- The bill defines an assignment agreement as a written instrument which assigns post-loss benefits of a residential property insurance policy to a contractor, water remediation company, or other vendor who performs either emergency or non-emergency repairs on the covered property.
- The bill establishes requirements related to the execution, validity, and effect of an assignment. The bill provides that AOBs must:
 - Be executed in writing by a named insured and the assignee;
 - Allow the policyholder to rescind within seven days of execution, without penalty (the policyholder will be responsible to pay for work performed before the agreement is rescinded);
 - Require the vendor to provide the insurance company with a copy within three days after it is executed or work has begun, whichever is earlier;
 - Include a written, itemized, per-unit cost estimate of services and, if the estimate includes water restoration services, provide proof that the vendor is certified by an entity that requires services to be performed according to a nationally-recognized standard;
 - Relate only to the work to be performed by the vendor; and
 - Contain notice of the right to rescind the agreement and that, by executing the AOB, the policyholder is giving up certain rights that could result in litigation by the vendor against the insurance company.
- The bill also establishes the following requirements to enforce an AOB:
 - Vendors are required to give insurance companies at least 10 business days' notice before filing suit on a claim, but may not serve such notice before the insurance company has made a determination of coverage



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according to the timeframes allowed by current law.

- The notice must specify the damages in dispute, amount claimed, and any pre-suit settlement demand and include an itemized bill.
- The insurance company must respond in writing within the 10 days by making a settlement offer or requiring the vendor to participate in alternative dispute resolution as allowed under the policy.
- If the vendor and insurance company fail to settle and litigation results, the bill provides the exclusive means for either party to recover attorney fees.
 - If the difference between the judgment and the settlement offer is less than 25 percent of the disputed amount, then the insurer is entitled to attorney fees.
 - If the difference between the judgment and the settlement offer is at least 25 percent but less than 50 percent of the disputed amount, neither party is entitled to fees.
 - If the difference between the judgment and settlement offer is at least 50 percent of the disputed amount, the vendor is entitled to attorney fees.