



Bill Snapshot

CS/HB 1421: Property Insurance Assignment Agreements

A property insurance assignment agreement, or an assignment of benefits (AOB), is a legal tool that allows a third party to collect insurance proceeds owed to the policyholder. In other words, the AOB allows a third party (often a repair person or company) to “stand in the shoes” of the policyholder (the property owner) with respect to the insurance agreement. AOBs are commonly used when a homeowner experiences water damage – such as a leaky pipe, overflow from a sink, or damaged kitchen cabinets – and contacts a contractor or water remediation company for assistance.

Insurers have been experiencing a higher percentage of litigated claims involving AOBs, which generally result in higher payouts and higher litigation costs than claims not involving an AOB.

CS/HB 1421 aims to prevent these higher payouts and higher litigation costs, which are ultimately paid for by consumers in the form of higher premiums.

The most notable provisions of the bill are as follows.

The bill defines assignment agreements.

- An assignment agreement is 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 property.

The bill establishes requirements related to the execution, validity, and effect of an assignment agreement.

- The bill provides that AOBs must:
 - be executed in writing by a named insured and the assignee;
 - allow the policyholder to rescind the agreement 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of execution, without penalty (the policyholder will be responsible to pay for work performed before the agreement is rescinded);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 of the assignment agreement within three days after the agreement 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

LAST SEEN:

HB 1421 was reported favorably out of Insurance & Banking Subcommittee.

Sponsor:
Rep. Grant, J.

CURRENT STATUS:

On Special Order Calendar for Week 8

HEADED TO:

The Floor



HOUSE MAJORITY OFFICE

FLORIDA HOUSE OF REPRESENTATIVES



REPRESENTATIVE RAY RODRIGUES, MAJORITY LEADER

- contain notice of the right to rescind the agreement and that, by executing the assignment agreement, the policyholder is giving up certain rights that could result in litigation by the vendor against the insurance company.

The bill establishes requirements to enforce an assignment agreement.

- Vendors are required to give insurance companies at least 10 business days' notice before filing suit on a claim, but may not be served before the insurance company has made a determination of coverage 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.