

## AOB litigation cost Florida residents \$1.1B last year, insurers say

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TALLAHASSEE — Lawsuits over assignment-of-benefits insurance contracts cost Florida residents \$1.1 billion last year, according to Citizens Property Insurance Corp. CEO Barry Gilway.

Gilway on Tuesday said litigated property insurance claims had tripled in Florida since 2013, forcing carriers to raise rates on customers or even potentially pull business from the state.

"It is a tax," Gilway told the Senate Banking and Insurance Committee. "In southeast Florida, there are companies that for the second year in a row have double-digit rate increases."

Gilway and state Insurance Commissioner David Altmaier said the difference between litigated and non-litigated water claims, where AOB contracts are common, averaged nearly [\\$20,000](#) in 2018.

They multiplied the \$20,000 difference by the increase in litigated AOB claims — 56,000 — to arrive at their \$1.1 billion cost assessment.

Had Citizens increased its rates in line with the rest of the industry, 2019 premiums would have risen by [25 percent](#). State law prohibits Citizens from raising rates by more than 10 percent on average annually.

Were litigation to fall back to pre-2015 levels, Citizens would have little reason to increase rates, Gilway said.

Contractors called the Citizens data "misleading."

"They continue to include attorney fees into the cost of the claims — making it look like contractors are inflating their prices," said Amanda Prater, spokesperson for Restoration Association of Florida, which represents water mitigation specialists.

"Hopefully Citizens will provide the data that will show the actual cost of the repair vs. how much Citizens offers to pay, and then how much they [are] paying in attorney's fees for the cases they lose — which is the overwhelming majority," Prater told POLITICO in an email.

Citizens spokesperson Michael Peltier confirmed that the difference between litigated and non-litigated claims was due to attorney fees and other legal expenses.

The state-run contractors' group could lower its litigation costs by training adjusters and paying their claims, she added.

Last week, Prater's group hosted a [panel discussion](#) wherein Panhandle homeowners discussed problems they've had getting paid for October Hurricane Michael damage.

Banking Chairman Doug Broxson (R-Gulf Breeze) said resolving the AOB issue is one of his top priorities for the upcoming legislative session. He promised to hear all sides of the issue even as Senate Democrats noted that contractors were missing from the day's discussion.

Broxson, an insurance agent, has filed a [broad bill, FL SB122 \(19R\)](#), that would prohibit homeowners from transferring their insurance policy right to attorney fees to their contractors. Contractors and trial lawyers have called the Broxson bill a "[gift](#)" to insurance.

Broxson said he intends to amend the measure so it applies only to property insurance and auto glass. Insurance executives and state regulators say abuse of assignment-of-benefit contracts is driving litigation in those areas.

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