



Make state insurance reform work for customers, not just companies | Editorial

If the Florida Legislature helps insurers save money by changing “assignment of benefits” — where policyholders let a contractor negotiate directly with the insurer — customers should get to reap the savings, too.

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The [Florida Legislature](#) may be about to grant the insurance industry one of its biggest wishes. If so, consumers must get a guarantee of lower rates.

That [wish](#) is to change the assignment of benefits (AOB) system. House Bill 7065 passed that chamber last week by a vote of 96-20. The companion legislation, Senate Bill 122, has passed the required three committees. No floor vote has been scheduled.

Assignment of benefits occurs when a policyholder allows a contractor to [negotiate directly](#) with an insurer. The homeowner usually makes no upfront payment to the contractor. This can occur with homeowners insurance or auto coverage. It is most common in health care, where doctors and hospitals negotiate fees and rates.

Critics contend — and research appears to show — that some contractors inflate their bills and hire lawyers when the carrier refuses to pay, leading the company to settle even when it has done nothing wrong. As a result, companies say, they have to raise rates. Most recently, insurers have blamed what they consider excessive claims for water damage and auto glass.

With residential or commercial policies, the House bill would require the contractor to give the insurer a copy of the assignment agreement within three business days after it is signed or work begins, whichever comes sooner. With auto policies, the contractor would get just one day.

Among other things, HB 7065 also would require contractors to provide written, itemized cost estimates. If the claim were for water damage, the contractor would have to provide proof of certification by what the bill analysis calls a “nationally recognized standard.”

Policyholders could rescind the assignment, and the contractor would have to tell policyholders that the assignment could result in the contractor suing the insurer. That part seems designed to make policyholders worry that a carrier would drop coverage.

Insurers tried unsuccessfully for the last six years to change the AOB system. During an industry webinar last summer, one panelist opined that carriers need to “educate” the Legislature. “It’s hard for our elected officials to believe that our insurance companies are trying to do the right thing,” said Lisa Miller, a former deputy insurance commissioner who now lobbies for – surprise – insurance companies. “But those companies are doing right every day by their policyholders.”

Insurance Commissioner David Altmaier praised passage of the House bill. Again, that’s no surprise. The Office of Insurance Regulation has pushed AOB changes for years.

In 2017, Altmaier testified at a legislative hearing that property insurance claims had increased on average by 28 percent between 2010 and 2016. Residential water claims had gone up 46 percent. Altmaier blamed assignment of benefits, the use of which had risen from 5.7 percent in all claims to nearly 16 percent.

Similarly, the House bill presumes that insurance companies always act in good faith with their customers. Recent history, however, shows why this presumption is wrong.

Some carriers have used claim filings as an excuse to drop policyholders. Others already require policyholders to use company-designated contractors. If the work doesn’t satisfy the customer, too bad for the customer.

The Legislature also has done repeated favors for the insurance industry — especially property insurers — since Hurricane Andrew in 1992. Among other things, legislators exempted sinkhole and mildew coverage from all-perils policies and allowed companies to file for annual rate increases of as much as 15 percent without a full hearing.

Rep. Evan Jenne, D-Hollywood, voted against HB 7065. In an interview with the Sun Sentinel Editorial Board, Jenne acknowledged that some people abuse the assignment of benefits system. “It’s a problem,” Jenne said. “There’s a debate about how big. It involves less than one percent” of all assignment of benefits cases.”

The sticking point for Jenne was that the bill would guarantee a rate decrease only for customers of Citizens Property Insurance Corp., the state-run insurer of last resort. Citizens, Jenne said, writes only seven percent of all homeowner policies. If that guarantee applied to all customers, Jenne added, he would support the bill.

Something similar happened in 2012, when the Legislature debated auto insurance reform. A bill to limit payments in minor collisions brought insurers an estimated \$2 billion in savings. The bill sponsor wanted to require proportional decreases in rates. Instead, the insurance industry resisted. The final bill contained only targets.

We agree that insurance abuse can drive up rates. This time, however, the Legislature should strike the compromise that it failed to strike in 2012.

If changes to assignment of benefits save insurers money, the companies should not get what Jenne calls “a windfall.” Customers should get cheaper policies. They shouldn’t have to wish for them.