

AOB Myth vs. Fact

Myth:

There is a statewide AOB crisis impacting all property insurers in Florida and property insurers are going to leave the state.

Fact:

Just 4 of more than 100 companies offering insurance in the State of Florida represent 1,589 consumer complaints or over 40% of the water consumer complaints. (Citizens, State Farm, American Integrity and Universal Property.)

Myth:

OIF Commissioner Altmaier continues to say he has repeatedly reviewed complaints data and has not seen any indication of policyholders filing an excessive number of complaints against insurers. *“Based on our review of information we have of the market conduct of our carriers, we do not appear to have a systemic pattern of insurance companies delaying, denying, or underpaying claims. -- David Altmaier Florida Insurance Commissioner Senate Banking and Insurance Committee, Feb. 4, 2019, 00:41:53*

Fact:

Florida leads the country in insurer complaints, with a majority of the complaints being a result of, surprise -- delays, denials and unsatisfactory settlement offers. The complaint numbers documented on the NAIC's complaint database.

<https://eapps.naic.org/cis/>

Here's a sample:

Complaints from 2018:

Universal P&C: 1,148 (125% increase)

Citizens Property: 734 complaints (161% increase)

**Source: NAIC Complaint Database*

Myth:

Litigation is increasing and claims with an assignment of benefits are more likely to result in litigation because of AOB abuse by contractors.

Fact:

Insurers and Citizens in particular, like their changes of avoiding paying claims (and keeping their costs down) by denying claims and heading to court then going through the appraisal process.

Litigation has become a business practice for insurers which they then turn around and put on consumers in the form of higher premiums.

In 2009 Citizens removed/limits appraisals in policies because, “Citizens has more confidence in the judicial system in the appraisal process.” *Citizens ‘Actuarial and Underwriting Committee Meeting’ May 11, 2009.*

“Civil litigation frequently results when we do not pay insurance claims in the amounts or at the times demanded by policyholders or their representatives...Management believes that any liabilities that may arise as a result of these legal matters will not have a material adverse effect on our financial condition or results of operations.” -- *Universal Insurance Holdings, U.S. Securities and Exchange Commission Form 10-K, 2017 Annual Report.*

Myth:

There is an AOB crisis in Florida that is resulting in an excessive number of lawsuits, driving up insurance rates statewide.

Fact:

Citizens and private property insurers have refused to provide clear claims data that would directly correlate the number of denied claims with AOB usage/abuse and subsequent suits and the prevailing party in AOB suits and/or instances of settlement.

In response to the public records request, Citizens has declined to provide individual claims data, citing privacy concerns. It has yet to respond with a general picture of settlements before and after a lawsuit has been filed. (*Source: Capitol News Service, February 11, 2019.*)

Myth:

Sen Brandes referenced in debate stating that Citizens alone was getting 1,000 suits per month.

Fact:

What Sen. Brandes is referencing is the 13,363 total lawsuits Citizens received in 2018. However, **only 3,631 suits** (27% of the total) involved AOBs. – *Source: Citizens Powerpoint to Sen. B&I entitled Carrier Litigation Expense – Page 4.*

Myth:

Chair Broxson’s references 150,000 AOB lawsuits in his closing during Senate Banking & Insurance Committee meeting February 11, 2019.

Fact:

This is an apparent reference to the Florida Justice Reform Institute (FJRI) report entitled: *Restoring Balance in Insurance Litigation – An Update on the abuse of Assignments of Benefits and its Correlation with One-Way Attorney’s Fees*. Chart on page 10. However, the chart, entitled *All Lawsuits in Database vs. Total AOB Lawsuits* lists the number at 152,553 for “total overall suits.” This appears to include PIP suits.

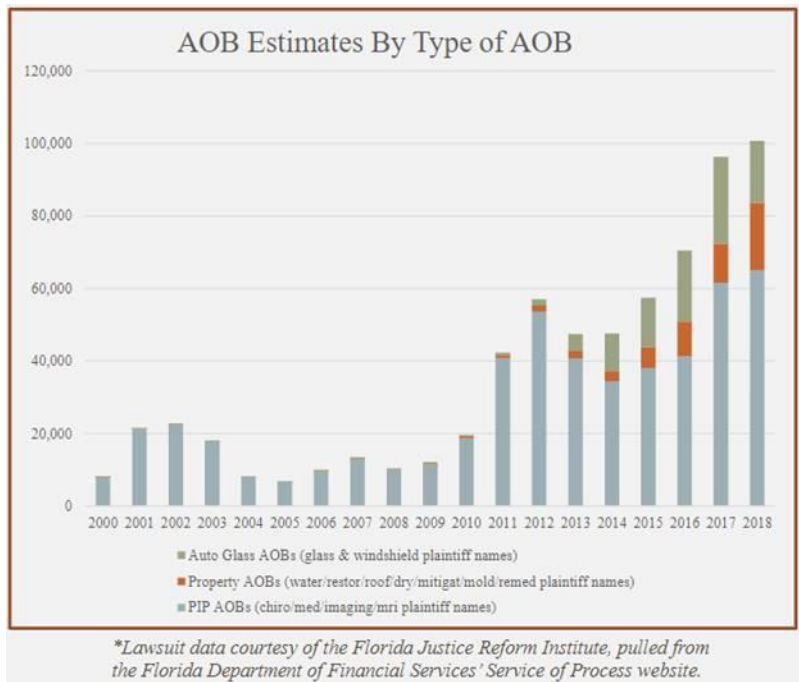
In fact according to the same report: “A search of AOB litigation demonstrates sharp increases in AOB litigation corresponding with the “PIP Crisis.” -- *An Update on the abuse of Assignments of Benefits and its Correlation with One-Way Attorney’s Fees, p. 9. This is a PIP crisis, not an AOB crisis.*

Additionally, carriers, OIR and Citizens have presented staggeringly different numbers of AOB lawsuits, all citing DFS as the source.

The following chart was provided to Senate Banking & Insurance during AOB presentations by Justice Bell, appears to list the total number of AOB suits in 2018 just at 100,000

First, the chart is confusing (and likely intended to be.) A closer look tells a different story. Looking at the chart key:

- Green is Auto Glass AOBs -- About 10,000 suits
- Orange is Property AOBs (water restoration, roof dry mitigation, mold remediation etc.) -- About 20,000
- Blue is PIP AOBs -- A majority of the suits more than 60,000, more than half of all AOBs in 2018.



Second, the above chart seems to indicate 100,00 AOB lawsuits, however, according the chart presented by Citizens and also citing DFS as the source, the number of total property lawsuits was **82,633** with the total AOBs being 21,052. So what is the 100,000 lawsuits making up the total presented to the Senate committee and referenced by Chair Broxson?

CITIZENS **Carrier Litigation Expense**

Litigation has been increasing steadily for all carriers.

	2013	2014	2015	2016	2017	2018
Citizens Property Insurance Company						
All	9,146	9,525	7,653	10,061	7,624	13,363
AOB	860	1,062	1,250	3,242	2,718	3,631
AOB %	9%	11%	16%	32%	36%	27%
All Other Carriers						
All	18,270	22,122	30,167	31,790	41,524	69,300
AOB	4,613	4,820	6,645	5,968	9,772	17,421
AOB %	25%	22%	22%	19%	24%	25%
Total All	27,416	31,647	37,820	41,851	49,148	82,663
Total AOB	5,473	5,882	7,895	9,210	12,490	21,052
Total AOB %	20%	19%	21%	22%	25%	25%

Data source – DFS LSOP 2013-2018 Q4

Note: 2018 Q3 data includes Hurricane Irma which represents around 60% of all new Litigation for Citizens Property Insurance in 2018.

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If you do the math....The “AOB Crisis” Doesn’t Add Up:

According to the Office of Insurance Regulation there are currently 6.2 million property insurance policies in force in Florida, this included private insurance carriers and Citizens Property Insurance Corporation.

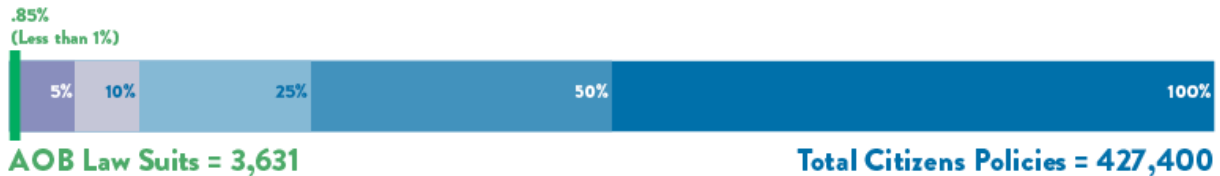
Based on this and Insurance Commissioner Altmaier and Citizen’s Barry Gilway own testimony consider the following:

Citizens Total Policies = 427,400

Citizens “AOB lawsuits” (2018) = 3,631

427,400 (Citizens Policies) = .85% (AOBs suits are less than 1% of Citizens policies)

3,631 (AOB suits)



All private insurers “AOB lawsuits” (2018) = 17,421

All Private AOB - 21,052 + All Citizens AOB 3,631 = 21,052

6.2m (Total Policies in FL) = 0.340% (AOBs suits are in less than 1% of all policies.)

21,052 (Total AOB suits)

