

The next major storm in Florida is being created by big insurance



Tyler Chasez

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There is a storm brewing in Florida and it's a result of "Big Insurance" protecting its own bottom line instead of protecting property owners.

As in years past, insurance carriers throughout Florida are pushing the narrative that legitimate claims are jeopardizing the insurance market and driving up property insurance rates. The claim: Repair contractors are targeting homeowners in crisis and abusing insurance policies by using "assignment of benefits" to force them to court to defend against fraudulent claims.

Insurance lobbyists are making a play to remove a right an insured has had for more than 100 years by pushing lawmakers to disallow assignment of benefits in property insurance claims.

An assignment of benefits (or AOB) requires the insurance company to pay insurance benefits to your chosen contractor directly for the repair work your property needs. Later, if there is a dispute over the coverage or payment of the claim, the contractor and insurer deal with it, not the property owners. Legislation ending AOB proposals will force homeowners in to the position of fronting the money out of pocket for repairs, despite their valid insurance claim.

The reality is this: It's not excessive fraud by contractors that is driving up claims, rather it's the business practice of choosing litigation over paying legitimate claims.

According to the minutes from the "Actuarial and

Underwriting Committee Meeting" on May 11, 2009, the state-run insurance company Citizens removed/limited appraisals in policies because, "Citizens has more confidence in the judicial system in the appraisal process."

Need more evidence that heading to court is a preferred business practice over paying out claims by insurers? Consider this:

"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."

That's from an actual annual report filing from Universal Insurance Holdings to the U.S. Securities and Exchange Commission.

A clear indication that the

practice of the property insurers is increasing litigation is that three-fourths of the suits filed are by individual homeowners, not contractors.

In 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 are located on the NAIC's complaint database. (<https://eapps.naic.org/cis>)

Insurance carriers across the board routinely short contractors on legitimate claims, paying them 50 to 75 percent less than actual costs of the work — generating thousands of unnecessary lawsuits that are costing dramatically more than the original claims themselves.

When insurers lose these lawsuits, they pay attorneys' fees, a cost they are passing on to consumers in the form of higher premiums. This "crisis" is self-inflicted.

Bottom line: litigation has

become a business practice for insurers with little to no penalty since the insurers can simply roll those losses back on the exact consumers they have wronged. Florida consumers deserve answers: How much are insurance carriers paying in legal fees when they are losing the majority of these cases? Why are they continuing to deny legitimate claims resulting in lawsuits that often cost double and triple the amount of the original claim? Why are consumers being forced to pick up the tab?

Lawmakers should carefully review, thoughtful and practical changes that will prevent fraud and abuse rather than upending a system that has protected consumers for over 100 years. If not, lawmakers are poised to ignore their constituent interests in their time of greatest need.

Chasez is an attorney practicing in Central Florida, including Volusia and Flagler counties.