



## What is an Assignment of Benefits (AOB)?

The concept of Assignment of Benefits (AOB) originated in medical billing and moved to the personal injury protection (PIP) auto coverage before appearing in homeowner's property insurance claims. An AOB is an agreement that, when signed, transfers ("assigns") the rights of the policy to a third party. An AOB agreement is legal, but sadly, they are often misused.

## Here is a common example of how AOBs are misused in homeowners insurance:

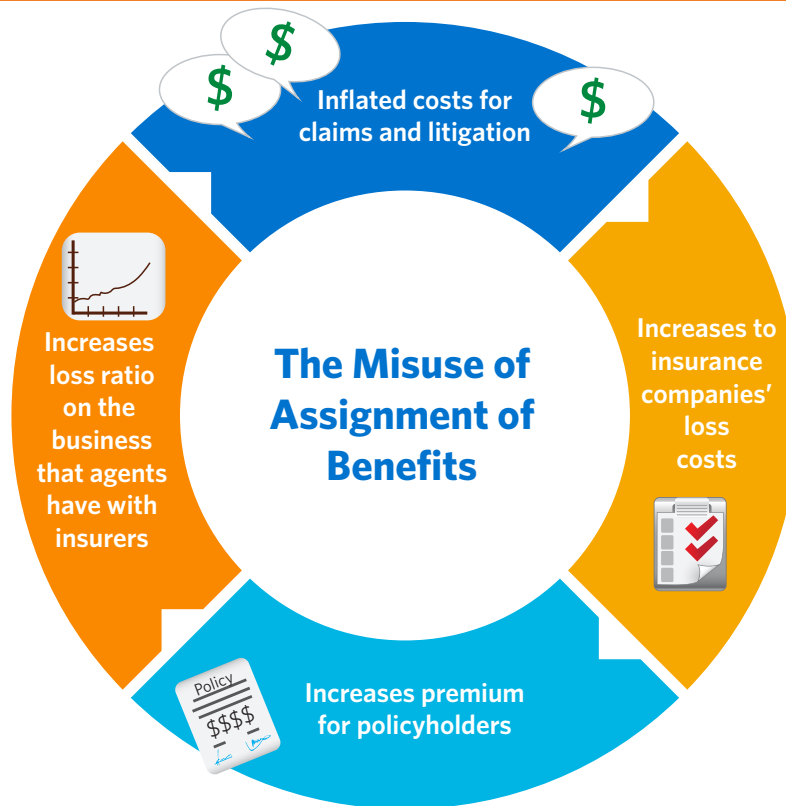
1.	2.	3.	4.
A water pipe bursts and floods a home. When damage like this occurs, homeowners can be highly stressed and there's heightened urgency to stop the leak and repair the damage.	Rather than calling the homeowners insurance company first, the homeowner (often in a state of panic) calls a plumber to stop the water and repair the damage.	The plumber then calls a water extraction company to repair the water damage and often receives a referral bonus from the company for contacting them.	The water extraction company comes in to "save the day" and asks the homeowner to sign this "agreement" with the promise that they will take care of everything.
			

The water extraction company often over repairs the damage, which inflates the cost of the claim. The company repairs the damage before the insurance company has a chance to assess the damage making it difficult to determine the claim settlement. In some cases, the scope of the damage repair is beyond what is covered by the policy and the homeowner receives a bill for the difference. Often, all of this takes place *before* the insurance company is notified.

## Magnitude of the Problem with Assignment of Insurance Benefits to Unscrupulous Licensees

Security First Insurance is now averaging one AOB-related lawsuit a day or approximately 350 AOB-related claims per year. On average, a claim containing an AOB costs \$3,500-\$7,500 more than a claim without an AOB. The abuse of AOBs costs the entire industry roughly \$50 million a year.

This is a problem not only for the insurance company that pays more in claims, but for the insured because inflated claims costs are passed on in the form of rate increases to all policyholders. Agents are also affected because these costs drive up their loss ratio.



## Long-Term Solution

Clarify existing law to ensure that if a third party is assigned the benefits of a homeowner's insurance policy, that third party is held to the same obligations that the insured would have had to meet according to the terms of the insurance contract.

## How Can You Help?

We need to increase awareness of the issue and educate policyholders to:

1. Contact their homeowners insurance company first to report the claim and ensure the process goes as smoothly as possible.
2. Never, ever sign a document that they don't fully understand. If they do not understand agreements they should contact their insurance company for more information.

## Other Helpful Resources

Please visit [www.SecurityFirstFlorida.com/AOB](http://www.SecurityFirstFlorida.com/AOB) for more information and links to other valuable resources, articles and news stories on the misuse of Assignment of Benefits.