

SENATE FINANCIAL INSTITUTIONS & INSURANCE COMMITTEE

RE: SB 78 An act concerning consumer protection; relating to assignment of rights or benefits to a residential contractor under a property and casualty insurance policy.

February 19, 2019

**Submitted by:
Tony Kimmi
Farm Bureau Financial Services**

Chairman Wilborn, and members of the Senate Financial Institutions & Insurance Committee, thank you for the opportunity to comment on SB 78 regarding abuse of assignment of benefits under property and casualty insurance policies. I am Tony Kimmi and I represent Farm Bureau Financial Services. We are the 3rd largest Homeowners insurer, and the largest Farmowners insurer in the state. We have 274 agents with offices in every county in the state, that protect over 97,000 client/member families in Kansas.

We support SB 78 because, the original intent of the assignment of benefits clause is helpful for those policyholders who want to have a contractor deal directly with their insurer during and after repairs, however, abuse of this clause has become widespread where disaster strikes across the country.

Abuse began in Florida following the hurricanes, and has spread to the Midwest following large wind and hail events. Unscrupulous contractors have obtained assignment of benefit forms and then create severely inflated damage estimates beyond the reasonable and necessary costs to repair insured damage. Lawsuits are filed (in some states by the thousands) to pressure insurers to settle the inflated claims or face litigation expense that in some cases exceed the value of the claim.

Other abuses of the assignment of benefit clause include claims involving water and mold clean up, and the most distressing abuse involving biological scene cleaning after fatalities.

This abuse drives insurance rates up for everyone, and lines the pockets of unethical contractors, as well as clogging the judicial system with meritless litigation. These abuses have significantly impacted the litigation in Florida where this issue began. According to the Insurance Information Institute, there were roughly 1,300 lawsuits related to assignment of benefit claims in 2000, 79,000 in 2013, and 135,000 in 2018. This trend is alarming and does not aid consumers. The costs from these lawsuits are passed directly to the insurance rates of consumers.

The provisions of SB 78 are reasonable and necessary to protect Kansas consumers.

Thank you for the opportunity to present on this important matter.