

Debunking the Insurance Industry's False Claims about Assignment of Benefits Laws

Issue Overview

Assignment of Benefits (AoB) laws require insurers to follow a patient's request to pay their dentist directly for services rendered. In states where these laws don't exist, insurers selectively reimburse the patient instead of the dentist, creating confusion, unpredictability and additional hurdles for patients.

AoB Advantage for Patients

AoB laws remove financial and logistical burdens for patients seeking care, empowering them to visit the dentist more regularly and benefit from consistent, transparent billing practices. Without AoB laws:

- Many patients seeing dentists of their choice have to pay for care upfront, and wait to be reimbursed by their insurance company. For low income patients who may not be able to pay that cost, this is an insurmountable burden to oral healthcare.
- Insurance companies create an extra hurdle for patients when they refuse to pay their healthcare provider directly, potentially creating strain and distrust between the patient and their dentist, and further discouraging patients from seeking care.

Insurance companies claim that AoB laws inadvertently increase costs for patients by weakening provider networks and allowing patients to see dentists outside their insurance network. **Independent research shows this is simply false.**

Research Results

A health policy research team at The George Washington University explored data from the National Association of Dental Plans (NADP) to track the number of dentists participating in insurance networks in four states before and after passing AoB laws. These data clearly show AoB laws do not negatively affect dentist participation in insurance networks.

State (Year of AoB passage)	Tennessee (2009)	New Jersey (2012)	Mississippi (2013)	South Dakota (2017)
Participating dentists in year of AoB law passage	2,085	6,711	780	558
Participating dentists in 2019	5,395	15,105	2,404	583
Percent change	+159%	+125%	+208%	+4%

Lack of Transparency in Dental Insurance

As part of their research, GWU requested data from numerous dental insurers, but were repeatedly denied. While the insurance industry rigorously opposes the basic measure of consumer protection based on dubious claims, they refuse to provide transparent information that would provide clear answers to the public.

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Assignment of Benefits (AOB)

Have you heard of the term **assignment of benefits**? Do you know how it impacts you? An AOB is an agreement that, once signed, transfers the insurance claims rights or benefits of your insurance policy to a third party.

An AOB gives the third party authority to file a claim, make repair decisions and collect insurance payments without your involvement.

Review the resources below to better understand how transferring your insurance claims rights can impact you and your family.



Legislative Updates

Recent legislative changes **prohibit a policyholder from assigning any post-loss benefits of a residential or commercial property insurance contract issued or renewed on or after January 1, 2023**. Therefore, Assignment of Benefit agreements may not be established for claims made under contracts subject to this new law.

These legislative changes are part of Senate Bill 2-A which was passed on December 14, 2022, during the Legislative Special Session and signed by Governor DeSantis on December 16, 2022.

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What is an assignment of benefits?

An AOB is an agreement that transfers the insurance claims rights or benefits of the policy to a third party. An AOB gives the third party authority to file a claim, make repair decisions, and collect insurance payments without the involvement of the homeowner. AOBs have been used with life and health insurance policies for many years. However, AOBs are now being commonly used in homeowners' insurance claims by restoration companies and contractors. Signing an AOB can be helpful with navigating the claims process, but if misused, it can lead to harmful consequences for the homeowner.

For example, you have a pipe leak in your home that causes water damage. If you call a restoration company to make repairs and sign an AOB that transfers your insurance rights to the company, the company can file a claim on your behalf and be paid directly.

What information must be included in an assignment of benefits?

The AOB must contain a written, itemized, per-unit cost estimate of the services to be performed by the third-party assignee and it must only relate to the work to be performed for services to protect, repair, restore, or replace a dwelling or structure or to mitigate against further damage to such property.

The AOB must contain a notification in 18-point, uppercase, boldfaced font that advises you that you are giving up certain rights under your insurance policy to a third party. The notification must also include the rescission terms.

The AOB must contain a provision that requires the third-party assignee to indemnify and hold you harmless from all liabilities, damages, losses, and costs (including attorney fees) if the policy prohibits an AOB. The execution of the AOB constitutes a waiver by the third-party assignee and its subcontractors of claims against you for payment arising from the AOB. The third-party assignee and its subcontractors may not collect, or attempt to collect money from you, maintain any action of law against you, file a lien against your property or report you to a credit reporting agency.

The AOB prohibits the third-party assignee from seeking payment from you in any amount in excess of the applicable policy deductible unless you have agreed to have additional work performed at your own expense.

The AOB cannot assign the right to recover attorney fees to the third-party assignee. In a suit related to an assignment agreement for claims arising under a residential or commercial property damage, the right to recover attorney fees stays with the assignor.

Florida law prohibits a third-party assignee from including the following charges/fees in an AOB:

- A penalty or fee for rescission of the AOB during the timeframes outlined in the AOB.
- A check or mortgage processing fee.
- A penalty or fee for cancellation of the AOB.
- An administrative fee.

If you are concerned with the language or terms of the contract, you should seek legal advice prior to signing the AOB. If you have questions as to whether the AOB incorporates the provisions required by Florida law, you may contact the Florida Department of Financial Services Insurance Consumer Helpline at 877-693-5236. If the AOB complies with all requirements stipulated by law, once the AOB has been signed, if the third-party assignee will not agree to release you from the contract, the only recourse is to pursue resolution in a court of law.

What responsibilities does the third-party assignee have under an assignment of benefits?

The assignee must provide a copy of the AOB to your insurance company within 3 business days following its execution, or the date work commenced, whichever is earlier.

The assignee must comply with certain policyholder duties as stipulated by the policy including the responsibility to maintain records of all services provided, cooperate with the insurance company's claim investigation and provide the insurance company with requested records and documents related to the services provided. As a pre-condition to filing suit, the assignee must submit to examinations under oath or recorded statements related to the services provided, the associated cost, and the AOB itself.

Is an assignment of benefits a legal contract? How can I get out of the contract?

Yes. An AOB is a legal contract and it must contain three specific cancellation provisions.

1. The AOB must provide you with an option to rescind the AOB contract within 14 days following its execution by submitting written notice to the third party.
2. The AOB must provide you with the option to rescind the AOB at least 30 days following its execution if the AOB does not contain a commencement date, and the third party has not begun substantial work on the property.
3. The AOB must provide you with the option to rescind the AOB if the third party has not "substantially performed" at least 30 days following the scheduled commencement date.

NOTE: Recent legislative changes **prohibit a policyholder from assigning any post-loss benefits of a residential or commercial property insurance contract issued or renewed on or after January 1, 2023**. Therefore, Assignment of Benefit agreements may not be established for claims made under contracts subject to this new law.

If I have suffered damage to my insured property, what should I do first?

If you have damage, you should take the necessary steps to mitigate the damage and prevent any additional damage from occurring. This would include any temporary repairs such as covering the roof or removing standing water. You should also immediately contact your insurance company to inform them of the damage and file a claim.

Do not allow a third party, such as a water remediation firm or contractor, to contact your insurance company for you. You should be the one to make the first contact with your insurance company. You do not need to sign an AOB in order to get your insurance claim processed or your residence repaired.

How does an assignment of benefits impact me, as a homeowner?

An AOB can be helpful with navigating the claims process, but if misused it can lead to harmful consequences. Below are a few things to keep in mind:

- You are signing over the rights and benefits of your insurance policy to a third party.
- Depending on the language in the AOB, the insurance company may only be permitted to communicate directly with the third party and you may lose all rights to the insurance claim, including the right to mediate the claim, or to make any decisions regarding the claim, including repairs.
- Depending on the language in the AOB, the third party may be able to endorse checks on your behalf.
- Once you have signed an AOB, the third party may file suit against your insurance company.

Tips to remember before and after you have suffered damage:

- Thoroughly review your insurance policy to ensure you understand the policy, including your coverage, deductibles and responsibilities after damage has occurred. You must also verify if your policy prohibits or otherwise restricts an AOB.
- Immediately following a loss, you have a contractual duty to mitigate your damages and make any temporary repairs to prevent further damage from occurring. Document any existing damage with photographs prior to making any repairs. Do not make permanent repairs prior to an inspection by the insurance company adjuster. The company has a right to inspect the damage prior to repair.
- Make sure you thoroughly review and understand any contracts you sign with repair companies, including an AOB. If you do not agree with the provisions of the AOB, you may be able to negotiate the provisions of the contract. You do not need to sign an AOB to get your insurance claim processed or your residence repaired. If you are asked to sign an AOB, make sure you read it carefully and clearly understand what rights and benefits you may be signing away.
- Verify the license (if one is required) of any contractor or vendor that you hire to make repairs to your property. You should also verify the company or person's general liability and workers' compensation insurance coverage.

Below is a checklist that may be helpful when reporting a claim:

- Contact your insurance company directly to report the damage and set up a time for the adjuster to inspect the damages. Do not allow a third party, such as a water remediation firm or contractor, to contact your insurance company for you. You should be the one to make the first contact with your insurance company - as soon as possible.
- Take photos of the damage.
- Make emergency or temporary repairs.
- Make an inventory of any damaged items.
- Save receipts for any repairs.
- Do not discard any damaged items without prior approval from the insurance company.
- Make a list of any questions you would like to ask the insurance adjuster.
- Request a copy of the fire or police report, if applicable.

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