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Dec. 10, 2019

Sen. Doug Broxson, Chair
Sen. Darryl Ervin Rouson, Vice Chair
Senate Committee on Banking and Insurance
412 Knott Building
601-631 S. Duval St.
Tallahassee, FL 32399

Testimony of the R Street Institute Re: FL S. 312

Members of the Committee,

The R Street Institute appreciates the opportunity to testify on S. 312, introduced by Sen. Linda Stewart (D-Orlando), legislation that would prohibit motor vehicle repair shops from making inducements to customers to make insurance claims for motor vehicle glass replacement or repair. This legislation represents a small but positive step toward correcting a problem that 2019's landmark assignment-of-benefits (AOB) reform package left unaddressed: the explosion of AOB litigation surrounding auto-glass claims.

According to the Florida Department of Financial Services, the number of AOB lawsuits filed by auto-glass companies statewide grew from 397 in 2006 to 19,695 in 2016. Evidence demonstrates that only a small number of companies – fewer than 100 out of the more than 3,000 operating in Florida – account for effectively all the litigation. Most of the suits have been filed by just 10 vendors, nine of them owned by interests in the State of Arizona.

In a typical case, a consumer is offered a cash or gift card incentive in exchange for agreeing to assign benefits to an auto glass vendor. Insurers are typically not informed of the work until after it has been completed, making it difficult to ascertain the veracity of any given claim or to weed out fraud. Working in concert with plaintiffs' attorneys, the vendor will use the assignment provided by the customer to proceed to file suit against any insurer that questions a submitted claim.

Rather than engage in protracted litigation, insurers have incentive to settle these nuisance lawsuits quickly. Those expenses, in turn, serve to drive up the cost of auto insurance coverage. According to survey data from Insure.com, Florida's average annual auto insurance premiums of \$2,219 was the third-highest in the nation in 2019, behind only Michigan and Louisiana.

By amending Section 559.920 of the Florida code to prohibit the use of cash and gift card inducements by auto glass companies, or solicitors working on their behalf, S. 312 would address one of the key drivers of the AOB crisis.

R Street would recommend further reforms to stem the tide of AOB lawsuits, including repealing the so-called “one-way” attorneys fee for AOB suits initiated by third parties; better utilizing the inspection and appraisal process; and creating a more streamlined process to report fraud to the Department of Financial Services. We nonetheless commend the sponsors of S. 312 for taking this important first step and thank the committee for giving it due consideration.