



Thursday, February 05, 2026

Written Testimony in support of SB 55  
Before the Senate Financial Institutions and Insurance Committee

Madam Chair and Members of the Committee,

As a Kansas based property and casualty insurer who writes business on a national basis (all fifty states and the District of Columbia), we have seen firsthand the negative impacts of Assignment of Benefits (AOB) agreements.

Originally, AOB was created to help policyholders get urgent repairs done without having to pay out-of-pocket while waiting for claim reimbursement. What began as a tool intended to streamline repairs and simplify claims instead evolved into one of the most destabilizing forces in the property insurance market. In states like Florida, the situation became especially alarming. AOB exploitation fueled an explosion of lawsuits. By 2020, 79% of all homeowner insurance lawsuits in the United States originated from Florida even though the state represented only 9% of claims. A stunning imbalance directly tied to AOB driven litigation abuse. This environment created instability in the market. Driving several carriers into insolvency or out of the market. This resulted in:

- Fewer insurance options,
- Higher premiums, and
- Reduced availability of coverage for everyday homeowners.

Armed Forces Insurance was not immune to the AOB exploitation occurring in Florida. Similar as the industry, our lawsuits in Florida also increased from AOB exploitation. We also had an uptick in suits from AOB exploitation in other states. Our policyholders signed these agreements under stress after storm losses and catastrophic losses without understanding that they were signing away control of their own insurance rights. Contractors applied pressure for signature under the concept of getting repairs done faster once they had signed.

This created a set of hardships to our policyholders. They had lost their rights and the contractor was in charge. Some examples our policyholders faced from AOB exploitation.

- Contractors inflated claims without the policyholder knowledge / consent.
- Initial claim payments were made to the contractor per AOB rather than the policyholder. The contractor delayed repairs creating hardship on the policyholder. Policyholder had no rights or any leverage against the contractor to get repairs done, as the contractor had received all initial claim payments.

- Policyholder were locked out of negotiations entirely. Contractor advised us that the repairs were complete and requested payment. In contrast the policyholder advised us repairs were not complete and the contractor had inflated the claim. Again, the policyholder had no rights or leverage to get repairs done.
- Policyholders requested help on how to “get out” of the AOB contract they had signed as they felt hostage under their contractor as they had signed their rights to them.
- Suits were being filed by contractors in the policyholder’s name and policyholders had no knowledge of this.

The examples above left homeowners vulnerable as the AOB misuse reduced their legal protection and exposed them to significant financial risk from aggressive billing and litigation strategies.

The cumulative impact of AOB misuse is apparent. It distorts claims cost, fuels excessive litigation, and drives premiums higher for all insureds, including those who never signed an AOB. It undermines the trust between homeowners, contractors, and insurers and in some states, it has forced legislatures and courts to intervene to stabilize the insurance market.

As a carrier who writes business in all states, we have seen the positive impacts of legislation addressing AOB. Florida has eliminated AOB for all residential and commercial property. Louisiana has prohibited AOB and Texas has strictly limited it. These changes have eliminated the frivolous AOB lawsuits, the policy holder is no longer vulnerable to a third party and they maintain their rights. These changes have helped the industry to recover.

The lessons are clear: A system intended to help policyholders cannot function when exploited. Assignment of Benefit agreements harmed insurers, threatened market stability, and ultimately left homeowners paying the price.

We respectfully request support for SB 55 - Kansans deserve a system to help them rather than exploit them with deceptive acts or practices.

Respectfully,

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