

Assignment of Benefits



What is Assignment of Benefits (AOB)?

An Assignment of Benefits (AOB) is a contract between you and a third party, typically a contractor, roofer or water mitigation company, that transfers your insurance policy benefits and rights to them. An AOB gives the contractor authority to file a claim, make repair decisions and collect insurance payments on your behalf.

How Does a Signed AOB Impact You, the Insured?

- By signing an AOB, you give up your right to manage your insurance claim and it may result in theft of your claim payment.
- Armed Forces Insurance 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 make any decisions regarding the claim or even repairs.
- The third party may be able to endorse claim payment checks on your behalf.
- The third party may file suit against your insurance company, in many cases, without you even knowing.
- In the event that such a suit is filed, you are named as a party to the suit which means you could spend countless hours in depositions as well as other court-related activities.

Pitfalls of Signing an AOB

- You have committed to this contractor, and have little to no recourse if you're not satisfied with their work.
- Even if the contractor does not complete the agreed upon repairs, they may still claim compensation from the insurance company.
- Both you (the insured) and the contractor are still bound by the terms and conditions of the policy. If the contractor violates those terms and conditions, those actions could potentially jeopardize coverage for your entire loss.

You are paying for your benefits,
shouldn't you keep them?

Know the Red Flags and How to Protect Yourself

You feel pressured to sign a contract or other documents

You are asked to sign over your insurance benefits before repairs can be started

The language in the document is similar to a Power of Attorney document

The language states that all claims proceeds are payable to the contractor

The language prevents you from discussing your claim with your insurance company

Common Example of How AOBs are Misused

A storm blows shingles off your roof and causes water to leak into your home. When damage like this occurs, there is a heightened urgency to have the damage repaired quickly.

Instead of calling the homeowners insurance company first, you call a roofing contractor to come out to repair the damage and stop the leak.

The roofing contractor then calls a water extraction company to repair the water damage and often receives a referral bonus from them.

The water extraction company comes in and asks you to sign a form authorizing them to start the repairs with the promise that they will take care of everything.

The water extraction company often submits an estimate with inflated costs or even repairs for undamaged items. If the insurance company disputes their estimate, the water extraction company's attorney may file suit against the insurance company and name you as a party to the suit.

AOB Abuse

AOB lawsuits are increasing at a faster rate than insurance claims. This increase is also associated with increases in insurer legal costs.

The rising legal costs and inflated settlements for insurance companies are then passed along to insurance consumers often resulting in higher premiums.

Call **800-255-0187** for the right answers from a real person.

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