



KANSAS INSURANCE DEPARTMENT

Vicki Schmidt, Commissioner

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Consumer Alert: Assignment of Benefits - the good, the bad, and the ugly

Topeka, Kan. – Every year severe weather forces Kansans into the insurance claims process. Those seeking to make claims on home property damage will likely need to enlist the help of a contractor. Working with a contractor can sometimes mean entering into a contractual agreement known as an “assignment of benefits” (AOB). Signing an AOB, enables a third-party individual/business to engage in the insurance claims process, make property repair decisions and directly invoice the insurance company on the policyholder’s behalf.

The Kansas Insurance Department urges all Kansans before signing an AOB to 1) Check your insurance policy for any AOB restrictions. 2) Call the insurance company to see if they partner with any local contractors. 3) Verify the credentials of a contractor by asking for references and checking reviews. 4) Read the AOB carefully and never sign under pressure.

“While the AOB process works for some, it might not be the right fit for you, especially if it means giving up control of how the claim is handled,” said Insurance Commissioner Vicki Schmidt. “I urge all Kansans to do their due diligence before signing an AOB contract.”

The Good – If working with a trusted contractor, signing an AOB leaves the insurance claims process in the hands of the contractor. Entering into this agreement removes the policyholder as a middleman and has the potential to streamline the process.

The Bad – When a contractor is given power over the decision-making process, they must act within the bounds set forth by the property owner’s insurance policy. Violation of the policy’s terms and conditions (mistaken or not) could cause a claim denial and leave the policyholder on the hook for the costly mishap.

The Ugly – Unscrupulous contractors often consider AOB agreements a blank check. They may try to perform unnecessary work or charge unfair prices higher than the market rate. This disregard for cost could leave the policyholder financially responsible for the amount not covered by insurance. Matters could get worse when there is a dispute between the contractor and the insurance company. AOB agreements allow contractors to pursue legal action against the insurance company in the policyholder’s name without their consent.

If Kansans have questions or concerns about an assignment of benefits contract, please talk to your insurance agent and/or call the Kansas Insurance Department at 800-432-2484.

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