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Adopted by the Public Adjuster (C/D) Working Group, March 8, 2018

Adopted by the Market Regulation and Consumer Affairs (D) Committee, March 26, 2018

Adopted by the Property and Casualty (C) Committee, March 26, 2018

NOTICE TO PROPERTY/CASUALTY (P/C) INSURANCE COMPANIES

The (Insert State Department of Insurance) has become increasingly aware that consumers are often confused by the role of adjusters in the claims settlement process. While adjusters bring important assistance and lend value to policyholders, policyholders often lack a solid grasp of the types of adjusters, their authorizations, their roles, fees and potential conflicts that can arise. The Department of Insurance is asking insurance companies to assess and implement methods to improve policyholder education about the role of adjusters.

Company Materials

Insurance companies are encouraged to develop disclosures for policyholders to decode the adjuster jargon and adequately and fairly explain the differences between company adjusters, independent adjusters and public adjusters, and the different role of each in the claim settlement process. It is good to identify who each represents and how their fees are paid. While references to statutory definitions are appropriate, these definitions can be complicated. When reasonably possible, insurers should provide definitions in plain and ordinary language and include examples of how each type of adjuster participates in the claim process.

Insurance companies are cautioned against hiring an individual or entity to provide construction services or other claim-related services (collectively “contractors”) if the individual or entity is also acting as any type of adjuster on the same claim. Disclosures should warn customers of a conflict of interest when a contractor attempts to receive payment as an adjuster and also receive a fee for providing contracting services. Insurance companies should encourage policyholders to confirm that the individual helping to settle the claim is properly licensed as an adjuster or is a company employee who does not need to be licensed. Insurance companies should also communicate to policyholders the role that insurance producers have in the adjusting process.

Drafting note: States that have a law on the books prohibiting a public adjuster from acting as both a public adjuster and a contractor should amend the above provisions to reflect that law.

Adjusters

Insurance companies should make sure that company adjusters and independent adjusters used to settle claims are trained to explain the distinctions between their services and those of the public adjuster. In most cases, company and independent adjusters represent the company and are paid by the company whereas public adjusters represent the policyholder and are paid by the policyholder, often from the funds received.

Insurance companies must/should verify the license of anyone performing the tasks of a public adjuster on claim, as well as encourage all adjusters to explain their authority and what they are restricted from doing when assisting with a claim. Insurance companies should encourage all adjusters to report suspected unauthorized activity to their state insurance department.

Insurance Producers

Insurance companies should communicate with their sales, marketing and distribution teams about how adjusters may be involved in the claim handling process. Insurance producers often are the first to receive notification of a claim; however, insurance producers are not licensed as adjusters and are limited in how they can assist a policyholder.

Bad Actors

Insurance companies should encourage all stakeholders to be aware of potential fraudulent activities that may arise during a claim. Adjusters should report suspected fraudulent claim activity to their company’s Special Investigation Unit and state insurance department.

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