



SOLVING THE MYSTERY

CLUES FOR HELPING ADJUSTERS NAVIGATE THE LICENSING PROCESS

By Barbara Donnar

Do adjusters need to be licensed? What is the difference between an independent, staff, and public adjuster? Are there licenses for adjusting firms, too?

The answers to these simple questions are much more complex than you may think, and the puzzle has a lot of pieces that don't always seem to fit together. Let's begin by examining the answers to these seemingly basic questions, whose answers generally begin with "Well, it depends...."

Do all adjusters need a license?

This question is a lot more common than you may think. Many people do not realize adjuster licenses even exist. The answer to the question, "Do adjusters need licenses?" begins with "Well, it depends on the state."

Adjuster licensing is required in many states, but not all. One of the keys to unlocking the mystery of adjuster licensing is understanding that not all states offer adjuster licensing or the same types of licenses. An example of this is the state of New Jersey.

New Jersey does not offer an independent or staff adjuster license, meaning an adjuster can come into the state of New Jersey and adjudicate claims without a license. That used to be true in Indiana, too, until the state adopted regulations effective in 2012 requiring independent adjusters be licensed.

So you want to work in other states as an adjuster and your resident state does not require an adjuster license. What do you do?

The world we live in today offers opportunities for adjusters to work in many states, and it is not uncommon for adjusters to be licensed in every state that requires adjuster licensing.

If your resident state offers an adjuster license, you most likely will have to take a pre-licensing course and pass an examination. Once you have passed the examination, you'll need to complete the application and any other license requirements (fingerprints, bonds, etc.) and pay the state license fee before your license is issued.

If your resident state doesn't issue adjuster licenses—and you want to be licensed in multiple states—that is when the plot thickens. Since your state does not issue adjuster licenses, you will first need to get a license in a state that does offer adjuster licenses.

The first step is selecting a designated home state (DHS). A DHS is a non-resident state that will qualify an adjuster for licensing purposes and allow the adjuster to designate the non-resident state as their "home state." The adjuster is required to complete resident licensing requirements in the state they select. Other non-resident states will use the DHS license to qualify the adjuster to obtain non-resident adjuster licenses.

You really need a license in a state other than your DHS if you're going to adjudicate claims in those states? Doesn't your license in your home state count?

The answer to this question assumes the state in which you want to adjudicate claims requires a license. But if it does, then yes, you will need to obtain a license in that state. Once you have determined the states in which you need to obtain non-resident licensing, you will need to check the state insurance department website for state-specific requirements.

In some states, completing the application and paying a fee is all that is required. However, other states require the adjuster to pass a state-specific examination before the non-resident license will be issued. Some states, like California and New York, require all licensees to pass an examination, regardless of having passed an examination in another state. Other requirements may include bonds, fingerprints, and E&O coverage.

So your licenses are all set and you've solved the licensing mystery. You are ready to start adjusting claims, right?

Not so fast; you obviously are an amateur sleuth. If you are working with an adjusting firm, the firm may also need to be licensed (depending on the state, of course). This is where the mystery takes a few twists and turns.

To apply for an adjusting firm license, you first need to check with the state in which you want to work and see if an adjusting firm license is required. If it is, you will need to apply for licensure. When applying for firm licenses there are several things you will need to keep in mind.

On the application, the firm will need to indicate a designated responsible adjuster who will be adjudicating claims on behalf of the firm and holds a license in that state.

Additionally, when applying for a firm license, many

states require proof that the firm is registered with the Secretary of State's office. This is called a certificate of authority (COA) or corporate registration. A COA gives permission to a business formed in another state (a "foreign" entity) to operate within the borders of the authorizing state.

As a part of the COA application, the firm must designate a registered agent. A registered agent is a company designated

by the entity to accept legal documents on behalf of the entity. A registered agent is not an insurance agent, but rather a service-of-process agent.

Even if the state does not require proof of a COA to issue your firm license, you should consult with a tax advisor and/or attorney to determine whether or not a COA might still be required for your firm. But at this point, all you need to do is complete the application and await approval.

Ahh, the mystery is solved.

Don't jump to conclusions; this case is never closed. You still have to maintain all of those licenses. There are renewals to be paid, continuing education requirements that have to be met, address changes if you move, and name-change notifications to make if you get married or change your company name. Here are a few helpful hints to help you keep track of everything:

- Create an electronic folder or paper file for each state, outlining the licensing requirements.
- Maintain a record of all licenses held by keeping copies of each license and noting the effective and expiration dates.
- Submit license renewals on a timely basis to each state prior to the license expiration to avoid late fees, penalties, and possible license cancellations.
- File annual reports for your certificates of authority.
- Notify the appropriate departments of insurance whenever an address or name has changed.
- Determine the continuing education requirement for each state in which you are licensed and meet these requirements before the license expiration date. If you wait, you may jeopardize all of your licenses.
- Document, document, document.

Hopefully we have achieved a better understanding of the complexities of adjuster licensing. Just as you are unique, so are the challenges you face. Don't assume that because you know the requirements in one state that you know the requirements in all states. If you document the licensing process and the status of your licenses and keep up with changes, you'll take the mystery out of the adjuster licensing process. **CM**

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