



Forensic Engineers - Getting to the Big Picture

For help in the timely resolution of accidents, claims, and legal disputes, call 800.580.3228 or visit us at Rimkus.com.

RIMKUS
CONSULTING GROUP, INC.
FORENSIC ENGINEERS AND CONSULTANTS

LEARN MORE

CLAIMS JOURNAL

View this article online: <https://www.claimsjournal.com/news/national/2018/06/18/285319.htm>

Adjuster Licensing Requirements Onerous, Costly

How many states require licensing of staff and/or independent adjusters? As a carrier or an adjusting firm, if you don't know, you just might be in violation.

Currently, 34 states require independent adjusters be licensed to handle claims, while 15 require staff adjusters be licensed.

The myriad of [state licensing requirements](#) and the costs associated were the focus of a recent study by Pacific Research Institute. The study found that the costs of duplicative licensing laws highlight the need for reciprocity across states. "Breaking Down Barriers" found that the average adjuster holds between 10 and 12 different state licenses, costing as much as \$1,000 each.

According to the study's author, Dr. Wayne Winegarden, a senior fellow for Business and Economics at the Pacific Research Institute, "the costs and burdensome state requirements make it more difficult for adjusters to operate across state lines, driving up prices for consumers and limiting opportunities for new adjusters to enter the market."

The report addressed the difficulty adjusters face when responding quickly to natural disasters and found that inconsistencies within state requirements lead to licensing and regulatory barriers when working across state lines.

"The current patchwork of overlapping licensing laws and regulations prevents qualified adjusters who work out-of-state from being able to timely process insurance claims," Winegarden added.

He explained that claims adjuster licensing reciprocity could improve efficiency, reduce costs and improve customer service.

"The victims of the recent rash of natural disasters throughout the country could face significant delays trying to rebuild their lives because there aren't enough licensed insurance adjusters to meet consumer need," said Dr. Winegarden. "Enacting reforms that eliminate burdensome licensing requirements would open up the marketplace and allow disaster claims can be processed much faster, while lowering costs for consumers and increasing job opportunities for new adjusters."

According to a joint study by the Association of Claims Professionals (ACP) and Bickmore, an insurance industry consulting service, there are more than 125,000 claims adjusters nationwide.

David Farber, legislative counsel for the ACP, said that in the past, the current licensing procedures may have made sense – there were far fewer adjusters and many operated independently. Now, adjusters typically work within large firms – whether as staff or independent adjusters.

"Why are we licensing an individual when it's a company doing the work?" Farber asked.

While the report focused on independent adjusters, the licensing issue impacts all adjusters. Staff adjusters may not be licensed in all the states they need to be either, said Barb Donnar, president and CEO of Supportive Insurance Services.

"We are getting a lot more calls for adjuster licensing," said Donnar. "That side of our business has grown tremendously the last two or three years. We're still surprised by the number of independent adjusting firms and companies with staff adjusters that are not properly licensed. It's kind of mind boggling, but they still don't see the need for it."

Donnar said her company recently fielded calls from carriers that have received cease and desist orders from state insurance departments for improperly licensed adjusters. She added that insurance departments are focusing on adjuster licensing more so than in the past.

She said insurers and independent adjusting companies are sometimes reluctant to comply with adjuster licensing requirements and that the resistance has nothing to do with cost or administrative issues.

"In the scheme of things, cost shouldn't be an issue because if you're not abiding by the state regulations then that's a big problem," said Donnar. "I think adjuster licensing has flown under the radar for so many years that it's not been something that a lot of companies were concerned with."

Licensing 101

Donnar explained the process after a client requests adjuster licensing assistance.

"The initial step is to find out in what states they're adjusting claims and we would use that information to determine where they need licensing," said Donnar. "There are two different types of licenses required. The firm itself needs licensing in certain states and then all the adjusters, whether they're staff or independent, need to hold licenses too. If you have a call center or you have an office and multiple people are adjusting claims, if there's 50 people and all 50 people are adjusting claims in the state of New York, they all need to be licensed in New York."

As far as determining the home state for purposes of reciprocity, Kelly Aldridge, Supportive Insurance Services adjuster licensing team leader, explained that can get complicated.

"I always say it's like working a puzzle because we ask them what states they're going to be required to be handling claims and then we look at those states and determine which is the best state for reciprocity into the other states," explained Aldridge. "It's kind of a step by step process in determining that designated home state license."

It's not just about completing a license application and paying a fee. Many adjuster licensing applications are state specific, said Donnar. In certain states, continuing education (CE) must be completed to renew a license.

"The adjuster side it is more difficult because certain states require the adjuster to test regardless of whether or not they have tested in their home state," said Donnar.

"California, Hawaii, New York, do not reciprocate to any other exam. So, if an adjuster plans to adjust claims in those states, they need to be prepared to take an exam," said Aldridge.

Many states also requiring fingerprinting and bonds. According to Aldridge, New Mexico, California and New York all require a bond.

While most states allow licensing applications to be filed electronically, some states still require paper applications, said Donnar.

Aldridge said some states are starting to take issue with the continuing education hourly requirement.

"Specifically, Delaware has a 12-hour requirement. Most other states have 24. Typically, what we like to do...is to find that best designated home state that has a good CE requirement and then they won't have a problem," said Aldridge. "That would be reciprocal in all the other states."

In most states, licenses last two years.

"There are a handful that are a year. Arizona is a four-year license, but most are two year and then the CE goes with the expiration of the license," Aldridge said.

Donnar added that upon license renewal, the bond may have to be renewed, too. At least, in the case of New York.

"In New York, the bond renewal does coincide with the license expiration date," said Aldridge. "In California and New Mexico, that's not the case. It's a different expiration date. So, that's another thing that can get some adjusters in trouble because if their bond expires, once the DOI is made aware...that can jeopardize their license."

"We have to make sure to work with the bond provider and get the bond renewed early enough that we can submit it in time to get the license renewed," Donnar said.

As far as adjusters tracking their own licensing, Donnar said it's a bad idea.

"Some companies...make it the adjuster's responsibility to make sure that they're properly licensed and that they make sure that the licenses get renewed, and our experience is that's not a good thing to do because there's no accountability," she said. "They're so busy adjusting claims that doing the paperwork to get a license renewed isn't their first priority."

Part of a Larger Issue

The Department of Treasury's Office of Economic Policy, the Council of Economic Advisers and the Department of Labor issued a report on the growth of occupational licensing in 2015. It found that more than a quarter of U.S. workers are required to be licensed and most licensing is at the state level. According to the report, "the share of workers licensed at the state level has risen five-fold since the 1950s."

In addition, the report found that licensing requirements vary significantly by state, creating barriers to workers moving across state lines and inefficiencies for businesses and the economy.

One best practice recommended by the government study, suggested "harmonizing regulatory requirements as much as possible among states, and where appropriate entering into interstate compacts that recognize licenses from other states to increase the mobility of skilled workers."

The CLAIM Act

The [Claims Licensing Advancement for Interstate Matters \(CLAIM\) Act](#), introduced by the House of Representatives last year was an attempt to address the adjuster licensing issue, said Donnar.

The bipartisan legislation isn't an effort to federalize licensing, rather it aims to make it easier for states to adopt uniform, reciprocal licensing laws for independent claims adjusters. Farber emphasized that the intent isn't to push states to license adjusters if they don't currently do so.

The Act gives states four years to reform their licensing laws to allow adjusters that are properly licensed in their designated home states to process claims across state lines. After that time, if licensing reciprocity has not been achieved by a certain state, independent adjusters would be able to apply for an inter-state license from the National Association of Registered Agents and Brokers.

Though the legislation is still pending, Farber said the ACP remains active in discussions aimed at advancing the Act.

Agent Licensing Streamlined After NARAB

It wasn't that long ago that insurance agents faced the same licensing woes. The Gramm-Leach-Bliley Act of 1999 included provisions for the creation of [National Association of Registered Agents and Brokers \(NARAB\)](#) if states couldn't streamline agent licensing.

Agents can use the same application for all 50 states which can be filed electronically.

"There's a definition for selling, soliciting and negotiating, and if they're doing any of those three things in a state, yes, they need to be licensed in that state," explained Donnar. If they are selling soliciting or negotiating in all jurisdictions, they need to be licensed in all jurisdictions."

According to Donnar, Graham-Leach-Bliley has provided great results towards simplifying the licensing process.

"That's why we have one uniform application for agents," said Donnar.

Years ago, she said, all states had their own, unique application.

"Twenty-five years ago, every state had a different application and they were all paper applications with some states requiring the applications be a specific color of paper. When Graham-Leach-Bliley was enacted several years ago, the process was streamlined and all states now use the NAIC [National Association of Insurance Commissioners] uniform application electronically via the National Insurance Producer Registry (NIPR)," Donnar explained.

NARAB II was passed years later, she said, with the goal of streamlining it even further to one home state license.

"NARAB II would allow an agent to apply for membership in NARAB and agree to a federal criminal background check. Once approved, the agent would pay a fee to become a member of NARAB and the state licensing fees for each state where they need to hold a license," said Donnar. "At this point, while NARAB II was passed by Congress, the full governing board has yet to be appointed and approved and no further action has been taken."

More from Insurance Journal

[Today's Insurance Headlines](#) | [Most Popular](#) | [National News](#)