

# Insurance Adjustment: CA Surety Bond Adds Inefficiency

By Cora Lee and Nicole Landers  
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California has seen its share of natural calamities.

From mudslides to droughts, fires to earthquakes, natural disasters are an inexorable part of our way of life. Needless to say, the cost of these disasters is staggering. In 2018 alone, wildfires in our state accounted for **nearly a quarter** of all insurance company disaster claims *nationwide*. The year prior, damages wreaked by fires and other disasters **topped \$9 billion**, marking the year as the costliest in our state's history of natural catastrophe.

Both this year and beyond, we can only expect **the toll of these natural calamities to increase**. So, one would hope that California's insurance claims adjustment processes would be among the most advanced in the country. Unfortunately, the opposite is true.

California is one of only four states that still requires independent insurance claims adjusters to hold a \$2,000 surety bond before they can do their job – which in many cases means working hard to assist residents affected by disaster resolve their insurance claims and rebuild what they have so tragically lost.

Enacted into our state's insurance code more than 25 years ago, the bond requirement has not been updated since implementation. This is troubling, especially since the scope of challenges our state faces has changed dramatically over the same period.

It also ignores the fact that the vast majority of independent adjusters work for companies that themselves are licensed through the Department of Insurance. These companies, not the individual adjuster, would be liable for any adjusting errors or malfeasance — and if a liability were to occur, it would likely amount to more than the \$2,000 the bond would cover. In other words, there is practically no reason, economic or otherwise, for individual adjusters to hold such a small bond.

Instead of streamlining the adjuster licensing process, this bond requirement only adds bureaucracy and inefficiency. Adjusters and their employers must expend time and resources procuring this tiny bond each year – costs that are ultimately passed along to consumers. Public officials, including in the Department of Insurance and the Department of Justice, must also waste time and tax dollars monitoring compliance and creating superfluous documents, efforts that yield absolutely no benefits to anyone other than perhaps the companies issuing the bonds.

California prides itself on being “ahead of the curve” on a multitude of different economic and political issues. It’s past time that we join the rest of the country by doing away with this arcane and antiquated surety bond requirement.

Our partners at the Association for Claims Professionals have been working with the Department of Insurance on language to modify the surety bond requirement for adjusters who transact on behalf of larger insurance organizations — acknowledging that doing so would reduce administrative waste, lower costs for consumers, and most importantly, streamline the claims adjustment process for Californians affected by devastating natural disasters.

However, modernizing the insurance code is an issue that the Legislature must address. As lawmakers begin to return to Sacramento in the coming weeks, we urge them to pass common-sense legislation to remove the surety bond requirement so that adjusters can be ready for whatever Mother Nature throws at us next.

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