



ENACT A.3942/S.5762 TO ELIMINATE THE INDEPENDENT ADJUSTER CHARACTER REFERENCE

Introduction: New York is the *only* state that requires an independent insurance claims adjuster to submit five-character references to obtain an adjuster license. The five-reference requirement is outdated, costly, and lacks any meaningful benefit for the State or its citizens. Almost all independent adjusters have already screened for fitness by their employers, who are also licensed and who would be responsible for the adjusters' conduct. The character reference requirement simply adds bureaucracy and cost – which ultimately are paid by consumers. Given that character references no longer serve a purpose for licensing independent adjusters, the Code should be modernized to repeal the independent adjuster bond requirement.

Statute and Regulation: The character reference requirement is found in New York Insurance Code § 2108(d)(5), which requires independent adjusters to have *five* separate character references from persons who have known the applicant for at least five years.¹ The requirement has been in place, and has not been updated, for decades. The three-page form must be individually handwritten, signed and notarized by each of the five references in a very short period *after* the application is completed.²

The Personal References Serve No Purpose: The five personal references serve no purpose in today's regulatory environment. Adjusters work for adjusting companies, who have already screened them for fitness, and which are responsible for adjusters' work. The Department collects the reference information, but never checks references or rejects applicants based upon the references provided. Instead, the reference requirement is an administrative burden to applicants and the State, without providing any benefit. Particularly for those adjusters who are moving into the State, the requirement that references be from "reputable citizens of the community in which such applicant resides or transacts business" creates barriers to licensing. Further, the state license examination is required to establish "trustworthiness," § 2108(f), negating the need for personal references.

Requiring References Is Costly to Adjusters, the State and Consumers: In contrast to the lack of benefit, requiring *five* personal references creates harm. First, adjusters and the companies they work for incur significant costs in procuring these references, and qualified adjusters may stay away from New York to avoid the hassle. The costs add up, which ultimately is passed on to and borne by consumers. Second, the Department expends unnecessary time and effort in creating the forms, and monitoring compliance with, the reference requirement, again with no benefit to any stakeholder. New York is the only state requiring this outdated requirement, wasting time and effort.

ENACT A.3942/S.5762 AND AMEND INSURANCE CODE 2108(d)(5) TO ELIMINATE THE INDEPENDENT ADJUSTER APPLICATION REFERENCE REQUIREMENT

Contact: Greg Serio at Park Strategies, gserio@parkstrategies.com, (212) 883-5608

¹ <https://codes.findlaw.com/ny/insurance-law/isc-sect-2108.html> The requested change pertains only to independent adjusters, and does not pertain to public adjusters, to whom different policy considerations may apply.

² https://www.dfs.ny.gov/system/files/documents/2020/01/certs_of_character.pdf "Five persons must vouch in their own handwriting for the character of an applicant for an independent adjuster's license under Section 2108 of the Insurance Law...Each affidavit must be executed the same date or after the date of execution of the application to which it is to be attached. Original signatures are required."