



ENACT A.3994/S.5761 TO ELIMINATE THE INDEPENDENT ADJUSTER BOND MANDATE

Introduction: New York is only one of four states that requires an independent insurance claims adjuster to hold a bond. The \$1,000 bond requirement is outdated, costly, and lacks any meaningful benefit for the State or its citizens. Instead, it simply adds bureaucracy and cost – which are paid for by consumers. (It is unclear whether the Department of Insurance has in fact ever called upon a bond.) Given that the bonds no longer serve any valid purpose for independent adjusters, the Code should be modernized to repeal the independent adjuster bond requirement.

Statute and Regulation: The adjuster bond requirement is found in New York Insurance Code § 2108(L), which requires both independent and public adjusters to hold a \$1,000 bond at all times.¹ The requirement has been in place, and has not been updated, in at least 25 years, and likely longer. The Department of insurance has in the past been asked to simplify the bond requirement, for example, by allowing the adjuster's employer to procure a single bond for all adjuster employees rather than require each individual to have their own personal bond, but the Department has refused to permit even this simplification.²

Bonds Serve No Purpose: As is obvious, a \$1,000 bond serves no purpose in today's economy.³ Moreover, given that the vast majority of independent adjusters work for companies that themselves are licensed through the Department of Insurance and which would be liable for any malfeasance or adjusting error, there is literally no reason, economic or otherwise, for individual adjusters to maintain a small bond.

Requiring Small Bonds Is Costly to Adjusters, the State and Consumers: In contrast to the lack of benefit, bonding creates significant harm. First, adjusters and the companies they work for incur significant costs in procuring and renewing these small bonds each year. Both the external costs (\$100 per year per adjuster) as well as the internal costs add up, which ultimately is passed on to and borne by consumers. Second, multiple state Departments expend unnecessary time and effort in creating the forms, and monitoring compliance with, adjuster bonding requirements, again with no benefit to any stakeholder. The Department of Insurance is wasting time and effort for naught.

Modernize the Insurance Code: There may be appropriate reasons for surety bonds in certain professions, but their use as a \$1,000 tool to assure compliance with professional standards is no longer relevant to the modern economy. Instead, the bonding requirement simply adds extra cost and consumes governmental resources for no benefit. **It is time to end the bond requirement for independent adjusters in New York.**

MODERNIZE THE INSURANCE CODE 2108(L) AND ENACT A.3994/S.5761!

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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/insurance/ogco2006/rg060715.htm>

³ *Little academic work has been done on the issue, but one study in the construction industry demonstrated that bond requirements added 1.5% of cost to protect against 1% of risk.*

<https://pdfs.semanticscholar.org/55f7/a7883b19e1b8580e8adcf9a3467fecc604fa.pdf>