

September, 2016



ACP CLAIMS PROFESSIONALS SURVEY

A national data collection effort to develop an understanding of the size and scope of the claims adjusting industry, and nature of the industry's work.



association of
claims professionals

Bickmore

September 27, 2016

Mr. David Farber, Esq.
King and Spalding
1700 Pennsylvania Avenue, NW
Washington, DC 20006

RE: Consulting Services - ACP Claims Professional Survey

This report summarizes our work involved in assessing the claims professional population for the benefit of the Association of Claims Professionals (ACP, formerly known as the American Association of Independent Claims Professionals or AAICP). Our review included the following key activities.

- Survey Design - Assisted the working committee by developing a comprehensive survey to submit to ACP members and non-members.
- Data Collection - Deployed survey to ACP members and non-members, and collected relevant data for analysis from industry groups and publications.
- Data Analysis - Conducted general analysis of the size and scope of the independent claims adjuster industry based on survey and collected data.

Our research team included David Tweedy, Paul Cross, and Olivia Raese. David directed all work on the assignment, including the technical guidance and peer review on all major aspects of the study. Paul performed the survey design and data analysis/measurement and Olivia performed additional data collection and research for the project.

We appreciated the opportunity to work with ACP and King & Spalding while preparing this report. We stand ready to respond to any questions.

Respectfully submitted,


David Tweedy, CMC
Director, Risk Management Information Systems Consulting

Table of Contents

I. Executive Summary	1
II. Claims Adjusting Services	3
III. Adjuster Population	5
IV. Adjuster Demographics.....	7
V. Claims Volume.....	10
VI. Conclusions.....	11

Appendix

A. Survey ACP's 2015 TPA Industry Initiative

I. Executive Summary

Over the past several years the independent claims industry has been advocating for a greater role in the public policy sphere through its trade association, the Association of Claims Professionals (ACP, formerly known as the American Association of Independent Claims Professionals or AAICP). Over that time, ACP has learned that the basic industry metrics of how many adjusters work in the United States, how many licenses they typically need, where they are concentrated, the volume of claims they work upon, and other fundamental statistics about the industry are not in one place. For that reason, the ACP retained the services of Bickmore to undertake a national survey of ACP members and others to determine if this information could be collected and synthesized into a portrait of the independent claims adjusting industry. Following a national effort to collect relevant data, the below report provides that industry picture.

In brief, the study addresses the following metrics:

- The size and scope of the independent claims adjuster industry;
- The broader role the industry plays in the national economy;
- Claims metrics that independent adjusters work on each year; and
- The number of adjusters facilitating claims across the United States.

Our goal is to provide beneficial industry data for the ACP's use. To locate this data, our team relied on the working committee and our independent knowledge base through the claims and regulatory industries to obtain pertinent information for the study.

After deploying the survey and further researching adjuster populations, the following key findings emerged regarding the claim professionals population in the United States.

1. There are an estimated 125,000+ active claims professionals in the United States.
2. On average, each adjuster has approximately 10 state licenses.
3. Large insurance companies have the largest population of adjusters in-house and account for roughly 70% of the overall population (compared to TPAs at 23% and regional adjusting firms at 7%).
4. Our survey reported the dollar value of claims adjusted on average for a one-year period to be approximately \$45 Billion. Extrapolating for industry-wide results suggests the dollar-value of claims adjusted for a one-year period would be between \$450 to \$500 Billion on average.
5. Our survey reported that third party claims adjusters adjusted approximately 3,551,617 new claims each year. This accounts for a limited segment of the industry.

These and other key findings are contained in the body of this report, which should be read in its entirety. In addition the survey used to query ACP members and non-members, we resourced information from the National Association for Independent Insurance Adjusters (NAIIA) based in Tracy, California.¹

¹ The Bureau of Labor also provides some claim statistics that we considered for inclusion in this study. <http://www.bls.gov/ooh/business-and-financial/claims-adjusters-appraisers-examiners-and-investigators.htm>. We were able to corroborate data we collected with BLS data related to claims professionals working for insurers and brokers/agencies. BLS data, however, does not include detailed information for either large or small third party administrators, or individual adjusters working outside a company structure. As a result, our data cannot be compared to BLS data given that each measures a different set of metrics.

II. Claims Adjusting Services

ACP members employ thousands of claim specialists and other professionals across the country and handle millions of workers' compensation, disability, property, and liability claims annually.

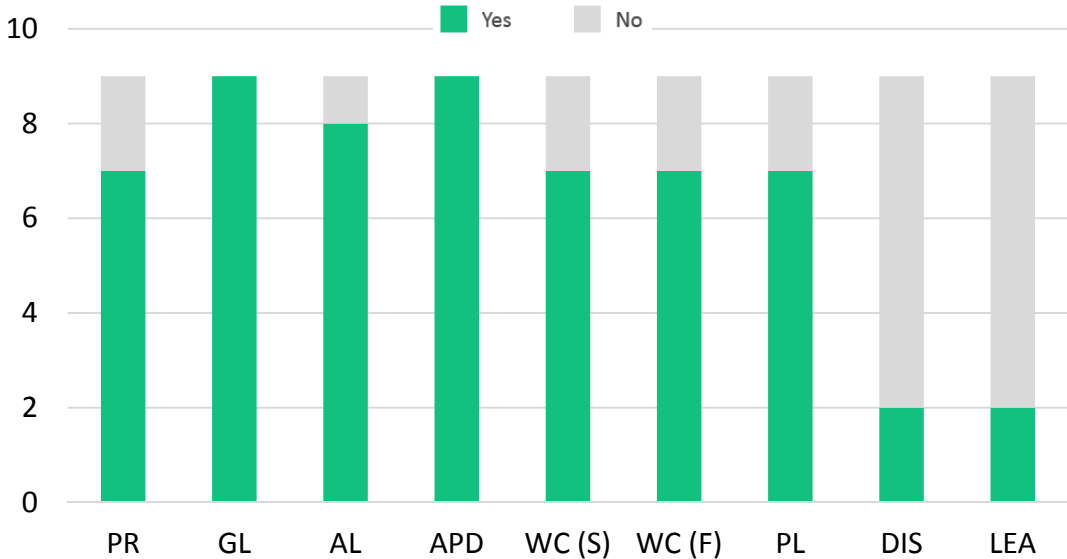
We surveyed nine large independent adjusting companies throughout the United States - all of which perform commercial adjusting services for some or all of the following lines of coverage:

- Property Coverage;
- General Liability;
- Commercial Auto Liability;
- Auto Physical Damage
- Workers' Compensation (Statutory);
- Workers' Compensation (Federal);
- Professional Liability;
- Group Disability; and
- Leave Administration.

All of the large independent adjusting companies surveyed reported they conduct adjusting services for general liability and auto physical damage claims.

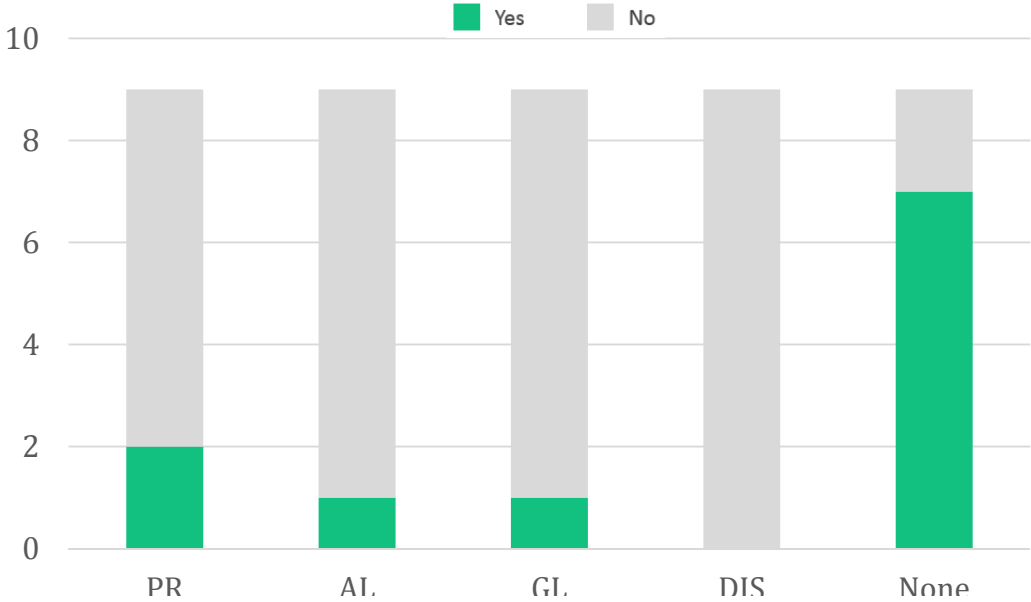
- Eighty nine percent (89%) of respondents reported adjusting services for auto liability.
- Seventy-eight percent (78%) of respondents reported providing services for property, workers' compensation and professional liability lines of coverage.
- Twenty-two percent (22%) of respondents reported providing services for group disability programs and leave administration.

Exhibit 1
ACP Member Survey Response for Commercial Lines



The survey provided an opportunity for participants to separately account for their adjusting services provided for personal lines. Exhibit 2 shows adjusting services for personal lines of coverage constitutes a much lower percentage of overall services provided by those participating in the survey. Only 22% of those surveyed provide adjustment services for personal residential property, while 11% reportedly adjust services for personal auto and personal general liability insurance claims.

Exhibit 2
ACP Member Survey Response for Personal Lines



III. Adjuster Population

Our primary goal for the survey was to estimate claim professionals populations throughout the United States. The findings show claim professionals populations vary significantly by state.

Additionally, we found the title of claims professional often differed from organization to organization. For example, some organizations may refer to the individual as a claims adjuster, while others may refer to them as a claims examiner.

Eight out of nine survey respondents gave estimates on the populations of claim professionals. Respondents reported 13,221 claims professionals in the United States. California led the top ten states with the highest claims professional populations reported from our survey results, followed by Texas, Ohio, Tennessee, Illinois, Georgia and Florida.

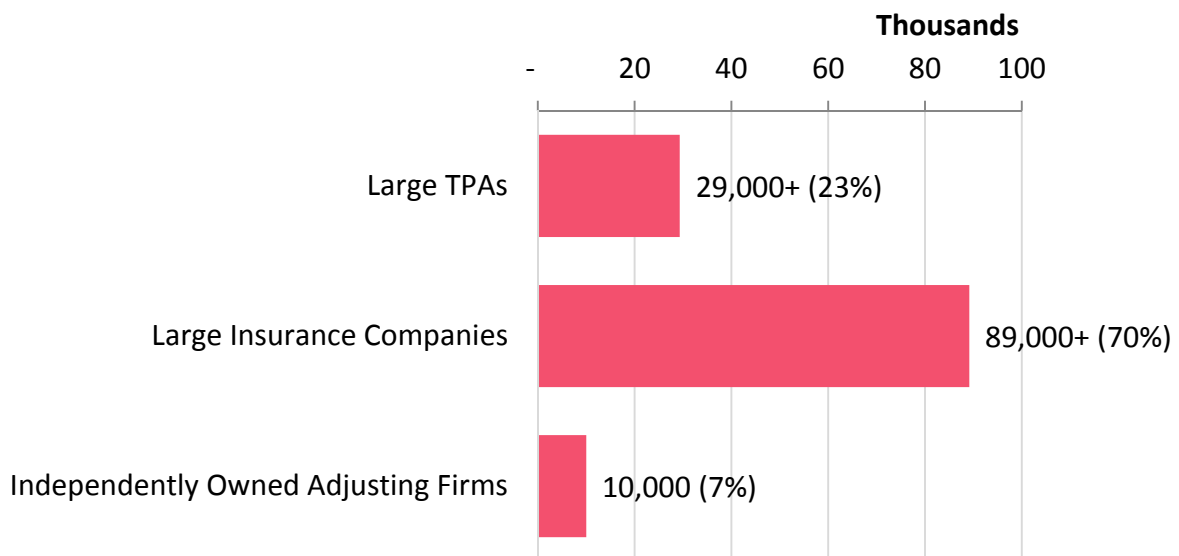
Along with the survey, we pursued additional sources to identify adjuster populations. The additional sources we pursued were other TPAs (who had not responded to our survey), large insurance carriers with claims adjusters on staff, and the National Association of Independent Insurance Adjusters (NAIIA). Please note the NAIIA represents 300 independently owned, regional property and casualty claims adjusting companies located throughout the United States.

Claims adjuster estimates and assumptions were based on the following three factors.

1. We requested claims adjuster populations who work on commercial property and casualty insurance claims only. We did not include claim adjusters who work on employee benefits or personal insurance lines (E.g. homeowners, personal auto, etc.).
2. Public adjusters were not included in our research. Public adjusters are insurance claims professionals who represent the interests of the policyholder in settling a property insurance claim. They are typically independent from the insurance company or TPA.
3. Any insurance company adjuster estimates also include adjuster populations for owned TPAs. For example, our estimate received through ACE also includes claims adjusters from their owned TPA, ESIS.

Based on our research, we estimate that there are approximately 125,000+ actively employed claims professionals throughout the United States². Exhibit 3 shows our estimations by market segment.

Exhibit 3 Estimated Claims Adjusting Professionals by Segment



² We estimated claim professionals for large independent adjusting companies, large insurance companies, and independently owned adjusting firms based on several industry factors and through extrapolation. In addition to our survey results, which reported on populations of claim professionals for a limited number of TPAs, we estimated claims professionals for those not responding based on percentage of employees within a company. For large insurance companies, we reached out directly to the top 10 insurance carriers requesting claim professional populations. When exact numbers were not available, we estimated claims professional populations by percentage of employees. With regard to independently owned adjusting firms, we used data provided by the National Association for Independent Insurance Adjusters (NAIIA) based in Tracy, California and relied on other industry professionals for input.

Federal Insurance Office, U.S. Department of the Treasury, *Annual Report on the Insurance Industry* (Washington DC: Federal Insurance Office, 2015).

“National Association of Insurance Commissioners Property and Casualty Insurance Industry 2014 Top 25 Groups and Companies by Countrywide Premium,” NAIC, http://www.naic.org/documents/web_market_share_150302_2014_property_lob.pdf, (April 6, 2015).

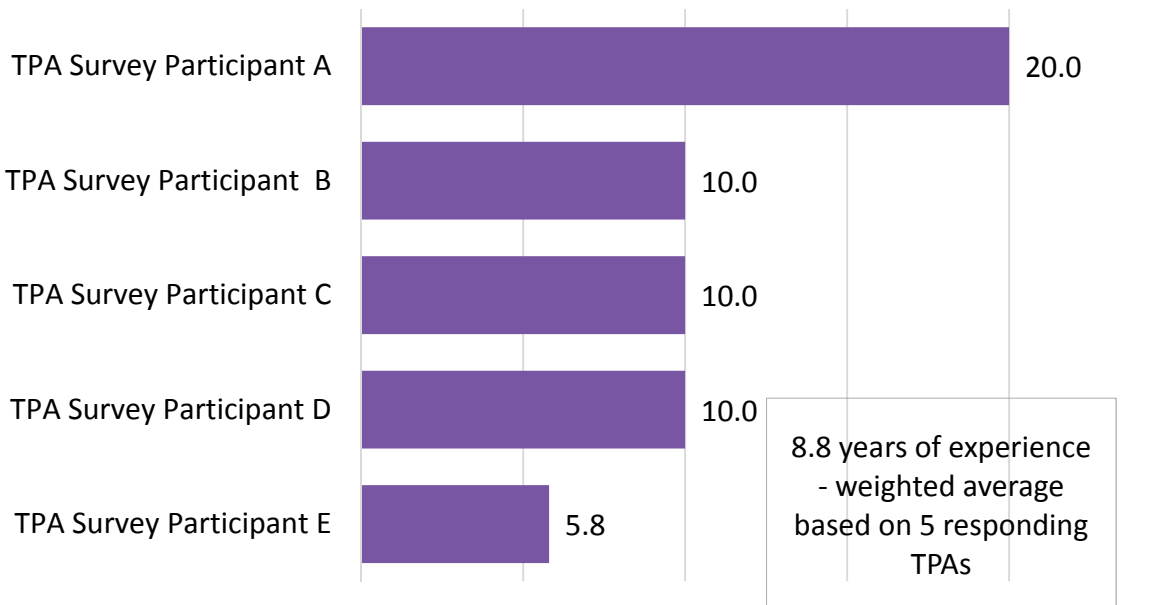
Business Insurance, *Market Insights: Directory of TPAs 2015* (New York: Crain Communications, Inc., 2015).

IV. Adjuster Demographics

Independent sources report that the size of the claims adjusting marketplace has changed over the last ten years,³ which made our research on adjuster demographics especially critical to capture. Our findings from the ACP generated survey are detailed below. Please note that some large TPAs surveyed did not include data on adjuster experience level, education requirements, direct reports, or average claims adjusting licenses carried. Although our survey included a limited population, we estimate these ratios apply to our fully extrapolated estimated population of 125,000+ claims professionals in the United States.

Five out of nine participants responded to the question on adjuster experience. Results show a weighted average experience level for employed claims adjusters of 8.8 years, meaning the average adjuster has 8.8 years of experience based on our survey of major TPAs. Other large TPAs involved in the survey did not respond to the question on experience level because they did not collect or track the data.

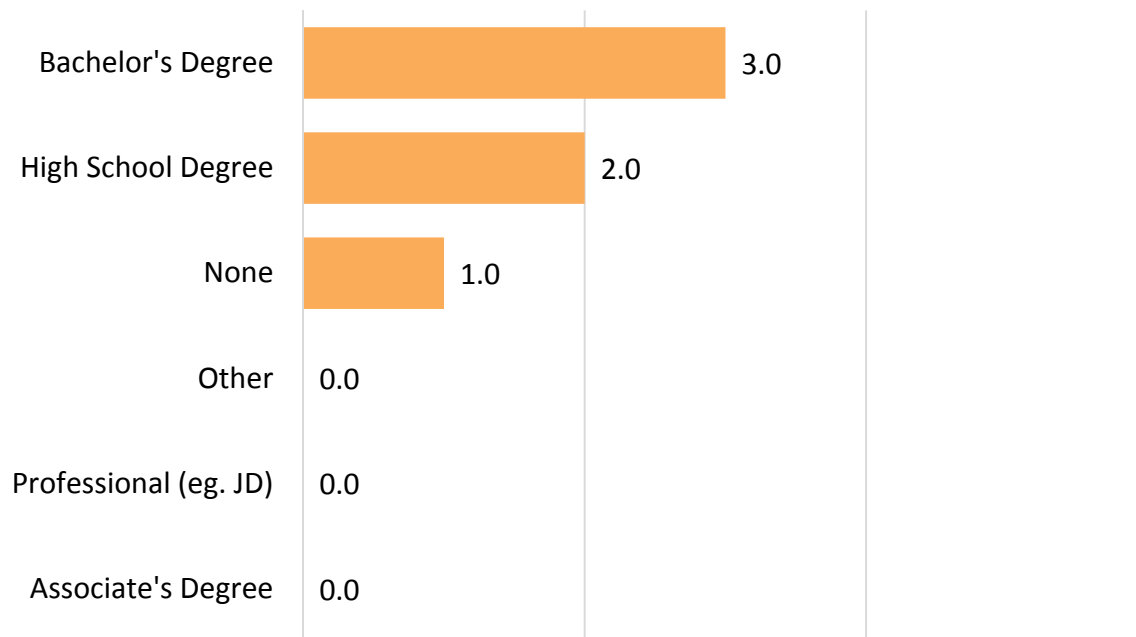
Exhibit 4
Claims Professional Experience in Years



³ Information per a research phone call with a representative from Claims Professionals Liability Insurance Company, Tustin, California; June 16, 2016. <http://cplic.net>.

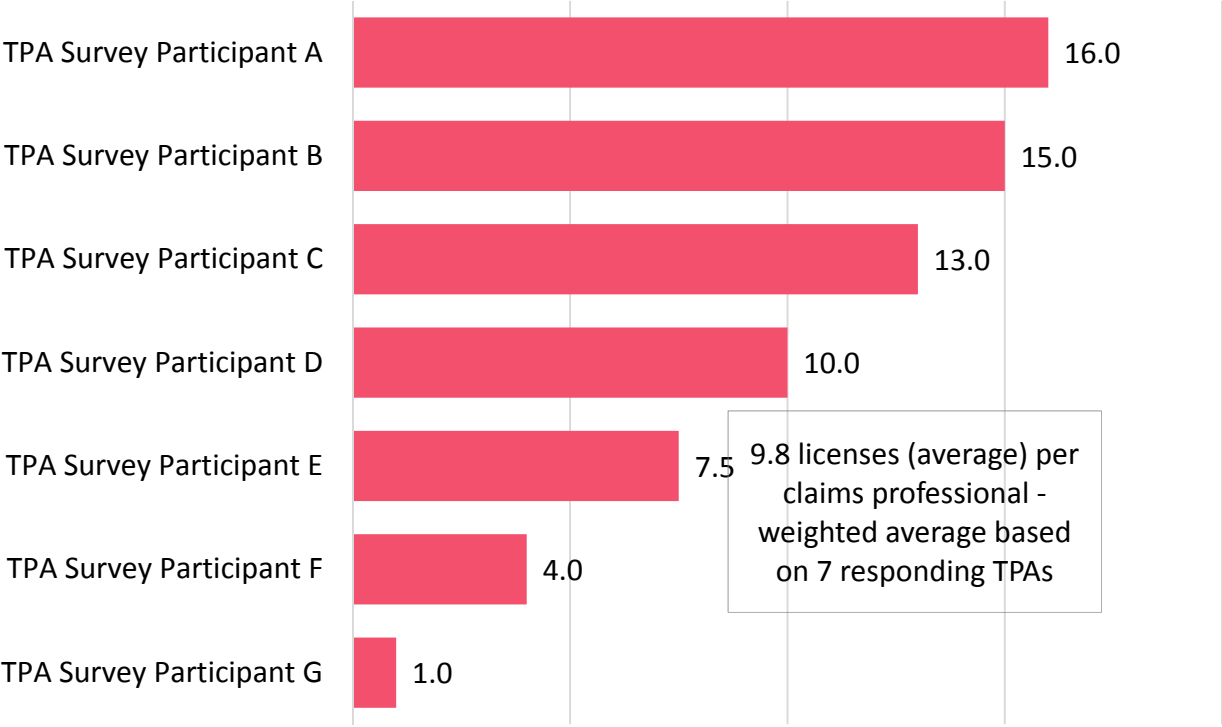
The education level requirement was another vital part of determining the background of claims professionals throughout the United States. Six out of nine survey participants responded. Fifty percent (50%) of respondents required a bachelor’s degree or higher to pursue a position in claims adjusting within their firm. The balance of respondents noted a high school degree or less in order to obtain the position of claims adjuster.

Exhibit 5
Claims Adjuster Education Requirements



The average number of state licenses per claims adjuster varies greatly between firms. The survey suggests an average of 9.8 separate state licenses are held by claims professionals throughout the United States (seven out of nine survey participants reporting). The exhibit below also notes that one respondent showed a total of 16 state licenses (on average) per claims professional, indicating that their claims professionals reach 32% of the state jurisdictions on a regular basis.

Exhibit 6
Claims Adjuster State Licenses per Claims Professional



V. Claims Volume

The results of our survey showed that third party administrators are adjusting an average claims volume of 3,551,617 each year. Please note that our survey results include a limited population of TPAs reporting on adjusting claims. We derived this estimate by using average claims volume reported by survey respondents from 2012 to 2014. Survey participants responded most comprehensively to those two years thus providing a more realistic basis for estimating.

Our survey also suggests an estimated \$45 Billion in claims being adjusted on average annually. Similar to our above estimate on claims volume, we derived this estimate by using average claims values reported by survey respondents from 2012 to 2014. We estimate that industry-wide statistics would bring the dollar-value of claims adjusted throughout the United States to \$450 to 500 Billion on average (for a one-year period).

Exhibit 7
Claims Volume Reported by Survey Respondents by Year

Year	Total Incurred	Number of Claims
2011	43,891,875,260	2,738,177
2012	43,614,843,828	3,128,437
2013	45,230,176,211	3,506,726
2014	47,614,121,164	4,019,689
2015	33,478,487,234	4,026,554
Average (2012-2014)	45,486,380,401	3,551,617

When survey participants were asked about claims distribution by state, California was easily identified as the state where most claims were being adjusted on a yearly basis. Again, our survey results include a limited TPA population. Similarly, California was identified for the adjustment of the most workers' compensation claims (both State and Federal workers' compensation claims) for a five-year period, according to survey respondents.

VI. Conclusions

The results included above describe an industry that impacts a significant and growing segment of the American economy. The industry is responsible for tens of thousands of jobs across the country (and, importantly, our survey only sought to capture the number of adjusters, and did not include information related to management, clerical, and ancillary staff, which would substantially increase the number of jobs for which the industry accounts in the United States). Moreover, the billions of dollars of claimants payment that flow through the industry is not only significant, but should be recognized for providing an important consumer service to those suffering a loss and most in need.

Not surprising, the data indicates the typical adjuster holds nearly 10 licenses, suggesting an unnecessary amount of duplication and burdensome regulation for individual adjusters and their employees alike. It is likely that as this burden grows, it will attract more attention and calls for correction. We note that the United States Treasury Department has already noted the "regulatory arbitrage" associated with a similar system affecting broker and agent **licensure**, and Congressional action shortly followed.⁴ It would not be unreasonable to surmise the same type of statutory reform to advance uniformity and reciprocity is needed for the claims adjusting industry as well.

Perhaps most important, this survey begins to capture the essential data about this growing and important industry, which to our knowledge does not otherwise exist. We hope this information will be a catalyst for further study by academics and analysts, and that the data provided above will stimulate a greater interest by the policy community in recognizing, and addressing the needs of, this growing industry. Ultimately, everyone from Main Street to Wall Street is at risk of experiencing a claim. Each year 3.5 million claims will occur and 125,000 adjusters will be called upon to meet the need, and distribute the over \$500 billion of claims payments. No clearer figures testify to the importance of the independent claims adjusting industry in America today.

⁴ Federal Insurance Office, How to Modernize and Improve the System of Insurance Regulation in the United States (Dec. 2013), available at: <https://www.treasury.gov/initiatives/fio/reports-and-notices/Documents/How%20to%20Modernize%20and%20Improve%20the%20System%20of%20Insurance%20Regulation%20in%20the%20United%20States.pdf> ; National Association of Registered Agents and Brokers Reform Act of 2015, Title II of H.R.26, the Terrorism Risk Insurance Program Reauthorization Act of 2015.

APPENDIX A

Survey

1) COMMERCIAL INSURANCE. What lines of business do you provide TPA (Third Party Administration) services for?

(check all that apply)

Definitions – Lines of Business (click)

- Property
- General Liability
- Auto Liability
- Auto Physical Damage
- State Workers' Compensation
- Federal WC (USL&H; Jones Act)
- Professional Liability, E&O
- Group Disability
- Leave Administration
- Other(s) (write-in)

2) PERSONAL LINES INSURANCE. What lines of business do you provide TPA (Third Party Administration) services for?

(check all that apply)

Definitions – Lines of Business (click)

- Residential Property
- Personal Auto
- General Liability / Umbrella
- Disability
- Other(s) (write-in)
- None

3) How would you like to provide Annual Claims Volume and Total Incurred (both by Year, State and Line of Business)?

- I'd prefer to upload an Excel file
- I'd prefer to data entry right here in the Survey

4) Please provide (in 1 Excel file) the following:

(i) annual claims volume (new claims arising during a calendar year, but not including re-opened claims) for the years 2011, 2012, 2013, 2014 and 2015 (estimated). This information needs to be provided by State and by the lines of business specified in question #1 (i.e. lines you provide TPA services for).

(ii) total claims dollar value (total incurred) for all open and new claims for the years 2011, 2012, 2013, 2014 and 2015 (estimated). This also needs to be provided by State and by the lines of business specified in question #1 (i.e. lines you provide TPA services for). For Workers' Compensation, please provide separately Indemnity and Medical amounts.

A sample file/upload might look like this:

Line of Business	State	Year	Incurred	Volume
Commercial Property	CA	2011	2,915,000	530
Commercial Property	CA	2012	2,629,000	478
Commercial Property	CA	2013	2,574,000	468
Commercial Property	CA	2014	2,475,000	450
Commercial Property	CA	2015 (Est.)	2,062,500	375
Commercial Property	NV	2011	467,500	85
Commercial Property	NV	2012	258,500	47
Commercial Property	NV	2013	357,500	65
Commercial Property	NV	2014	275,000	50
Commercial Property	NV	2015 (Est.)	407,000	74
General Liability	CA	2011	2,012,500	115
General Liability	CA	2012	2,695,000	154
General Liability	CA	2013	2,555,000	146
General Liability	CA	2014	3,062,500	175
General Liability	CA	2015 (Est.)	3,675,000	210

Don't forget to hit the "Upload" button after selecting the file.

5) Please provide number of total claim professionals as broken down by title as of September 1, 2015:

- Claims Managers
- Supervisors
- Litigation Adjuster/Litigation Examiner
- Senior Adjuster/Senior Examiner
- Adjuster/Examiner
- Payment Administrator
- Employed Appraisers (Auto and Property)
- Subrogation Administrator

6) What is the average (across all service lines, all states) number of state licenses held per licensed claims professional?

7) Please list number of claims professionals employed in each state.

(all states listed)

- ___ Alabama
- ___ Alaska
- ___ Arizona
- ___ Etc.

8) How would you like to provide Annual Claims Volume and Total Incurred (both by Year, State and Line of Business)?

- I'd prefer to upload an Excel file
- I'd like to just data enter office locations right here on the survey

9) Please list office locations (City, State).

10) What are your average direct reports per supervisor?

11) What is the average years-of-experience for your currently employed claims adjusters?

12) What is the average years-of-experience for your currently employed claims adjusters?

- High School Degree
- Associate's Degree
- Bachelor's Degree
- Professional (e.g. JD)
- Other professional designation (e.g. Associate in Claims)
- None
- Other (write-in) _____