



American Association of Independent Claims Professionals

**American Association of Independent Claims Professionals (AAICP)**

**Statement for the Record**

**House Financial Services Committee, Subcommittee on Capital  
Markets, Insurance and Government Sponsored Enterprises**

**Hearing on “Commercial Insurance Modernization”**

**Wednesday, June 21, 2006**

**Support for Congresswoman Brown-Waite and Congressman Moore’s Efforts:**

The American Association of Independent Claims Professionals (the AAICP) strongly supports legislative efforts to untangle the web of varying state insurance laws that have left consumers and the industry tied up in knots. Congresswoman Brown-Waite and Congressman Moore have taken an important step with their new legislation to promote more uniform, streamlined state regulation of non-admitted insurance and reinsurance.

Since independent claims adjusters work with non-admitted insurers and reinsurers on a regular basis, we know how helpful such reforms will be for those areas of the industry. In fact, independent adjusters seek the same sort of increased national standardization that the Brown-Waite/Moore legislation currently provides for non-admitted insurers and reinsurers.

**Independent Insurance Adjusting and the AAICP:**

Before commenting in more detail, let us describe the role of independent adjusters in the insurance industry and the makeup of the AAICP. America’s independent claims adjusting industry services millions of claims each year, employing thousands of Americans in offices throughout the country. In fact, independent adjusters are involved in the majority of the nation’s insurance claims.

Independent claims adjusters are frequently among the first to respond when Americans experience loss. Despite the emotionally charged atmosphere in which they often find themselves, independent claims adjusters strive to return victims’ lives to normal through fair, rapid claims payments. Adjusters evaluate the extent of the loss, obtain statements from witnesses and victims, identify and preserve pertinent physical and testimonial evidence, and discuss settlement terms.

Again, independent claims adjusters often partner with non-admitted insurers and reinsurers. Commercial entities that self-insure or have very high deductibles often choose to engage independent claims adjusters. At the same time, many more standard insurance carriers engage independent adjusters as an efficient, effective alternative or supplement to in-house adjusters. Furthermore, given their tight budgets and personnel shortages, state, local, and Federal relief agencies frequently depend upon independent adjusters.

The AAICP is an association that works to help independent claims professionals meet their responsibilities to claimants and claim funders alike, including by advocating for beneficial reforms in the public policy arena. Together, the AAICP's members, GAB Robins North America, Gallagher Bassett Services, Inc., Cunningham Lindsey, Asurion, and Sedgwick Claims Management Services, have approximately 10,000 employees and 800 offices nationwide.

### **Advancing Needed Reforms:**

Congresswoman Brown-Waite and Congressman Moore rightly focus on fostering national compatibility of state insurance laws. Their bill prevents brokers and agents from effectively being taxed twice in the state-by-state tax allocation and remittance process. Representatives Brown-Waite and Moore adopt the NAIC Non Admitted Insurance Model Act to prevent state licensing rules from discriminating against out of state brokers and agents. They preclude extraterritorial application of state laws, in order to preserve the sanctity of reinsurance contracts.

This sort of improved national standardization is exactly the type of change that is needed in the insurance industry as a whole, including in the independent claims adjusting sector. Balanced, thoughtful Federal legislation is needed to spur reform. The problems of a patchwork of protectionist state laws, discriminatory licensure rules, arbitrary state actions, and conflicting scope of authority simply are not going away on their own, and the status quo is just not acceptable.

In the independent adjusting arena, several jurisdictions refuse to license non-resident adjusters. Furthermore, non-residents can run into problems even when a state accepts reciprocity. For example, New Hampshire allows for reciprocity, as long as adjusters are licensed in their home state. However, Massachusetts does not license adjusters. Therefore, an adjuster living in Massachusetts and wanting to adjust claims in New Hampshire would have to move to New Hampshire to be eligible for a license.

In addition, a number of other states mandate a physical business location within the state, even when the adjuster is an easy drive, phone call, or e-mail away. Moreover, in one state, licensure candidates must provide a certificate signed by "five reputable citizens of the community in which such applicant resides or transacts business, each of whom shall certify that he has personally known the person or individual for a period of at least five years..." This rule effectively denies licensure to new U.S. citizens or legal aliens, since the state refuses to consider certifications from such applicants' prior country of residence.

States also frequently apply their rules inconsistently or promulgate conflicting rules that further tie up adjusters. For instance, an adjusting firm located in a non-licensure state recently selected a specific jurisdiction to serve as an "alternative home state" for its staff's reciprocal licensure elsewhere. However, shortly after several of its adjusters passed the licensing exam, the state changed its policy and refused to issue home state certifications for the company's adjusters. As a result, the adjusters had to repeat the pre-licensing requirements and examinations to qualify in additional jurisdictions.

Furthermore, some jurisdictions offer a single independent adjuster license applicable to all covered types of insurance, but others provide for numerous separate adjuster licenses. This creates significant reciprocity problems. A New York adjuster with an independent adjuster's license for inland marine losses cannot simply adjust those types of claims in Washington State. Instead, the

adjuster must pass the Washington exam and qualify to adjust all types of claims, including workers' compensation, general liability, and the like, despite only wishing to adjust the sorts of inland marine losses for which he is already licensed in New York. In today's world of specialization, this approach makes little sense.

The Brown-Waite/Moore legislation takes an important step toward solving these types of problems. By proposing to break down state barriers for reinsurers and the non-admitted insurers with whom independent adjusters work, Representatives Brown-Waite and Moore have set the tone for further reforms. We must replicate this model for other parts of the industry, and we must do so now. Therefore, as the bill moves forward, we ask for legislative language to be included that improves cross-state compatibility for independent claims adjusters as well.