

State Corporation Commission 2012 Fiscal Impact Statement

1. Bill Number: SB520

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| House of Origin | <input type="checkbox"/> Introduced | <input checked="" type="checkbox"/> Substitute | <input type="checkbox"/> Engrossed |
| Second House | <input checked="" type="checkbox"/> In Committee | <input type="checkbox"/> Substitute | <input type="checkbox"/> Enrolled |

2. Patron: Wagner

3. Committee: Commerce and Labor

4. Title: Property and casualty insurance; public adjusters.

5. Summary: Property and casualty insurance; public adjusters. Provides for State Corporation Commission licensing and regulation of public adjusters. Requirements include maintaining a bond in favor of the Commonwealth in the amount of \$50,000; the biennial renewal of the adjuster's license; and the requirement to complete 24 hours of continuing education on a biennial basis. Also includes requirements for adjusters to maintain funds received on behalf of an insured in a fiduciary capacity; the requirement that adjusters enter into a written contract with insureds as described in the Code; requirements on records retention; and standards of conduct for adjusters operating in the Commonwealth. Also provides penalty provisions for those adjusters found to be in violation of the Code. The legislation does not apply to (i) an adjuster for or an agent or employee of an insurer or group of insurers under common control or ownership that, as a representative of the insurer or group, adjusts losses or damages under policies issued by the insurer or group; (ii) an adjuster who acts as an independent contractor for one or more insurers; (iii) any attorney licensed in the Commonwealth; (iv) a person employed only for the purpose of obtaining facts surrounding a loss or furnishing technical assistance to a licensed public adjuster, including photographers, estimators, private investigators, engineers, and handwriting experts; (v) employees of a motor vehicle repair facility that prepare repair estimates; or (vi) any person who settles subrogation claims between insurers. The provisions of the bill would become effective January 1, 2013.

6. Budget amendment necessary: No

7. Fiscal Impact Estimates: Not known (see Item 8).

8. Fiscal implications: It is anticipated that assuming licensing and regulator responsibility for public adjusters will increase the workload of the State Corporation Commission Bureau of Insurance. The Bureau will attempt to regulate public adjusters with existing staff, but it may result in some increased resource needs for the Bureau. The Bureau has budgeted for two new positions in anticipation of assuming this responsibility. The Bureau also anticipates the need for its contracted systems vendor to make adjustments to the Bureau's computer systems to add the licensing of public adjusters, but there are no cost estimates for the systems work at this time.

9. Specific agency or political subdivisions affected: State Corporation Commission Bureau of Insurance

10. Technical amendment necessary: No

11. Other comments: The January 30, 2012 amendment in the nature of a substitute to Senate Bill 520 contains numerous technical amendments. In addition, the provision regarding fees which could be charged by public adjusters prior to the settlement of a claim was amended to strike the 20 percent cap on any insurance settlement proceeds” to insert a “fair and reasonable in relation to the work performed” standard.

Public adjustors are currently licensed in 44 states with legislation pending in three additional states. The Bureau of Insurance has received very few consumer complaints about public adjustors in Virginia. Senate Bill 520 has the support of the insurance industry as well as the two associations representing public adjustors.

House Bill 872 is identical to Senate Bill 520.

Date: 02/13/12/V. Tompkins
cc: Secretary of Commerce and Trade
Secretary of Health and Human Resources