

Legislative Analysis



INSURANCE ADJUSTERS

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House Bill 5156

Sponsor: Rep. Joel Johnson

Committee: Insurance

Complete to 11-30-11

A SUMMARY OF HOUSE BILL 5156 AS INTRODUCED 11-8-11

Under the Insurance Code, a person cannot adjust loss or damage under a policy of insurance or advertise, solicit business, or hold themselves to the public as an adjuster without being licensed as an adjuster. The bill would revise provisions that deal with the licensing of adjusters.

Exemptions from Licensure

The bill would exempt from licensure: a person admitted to the practice of law in the state; a marine average adjuster; an employee or manager of an authorized insurance company adjusting loss or damage under a policy of that company; a licensed insurance producer, attorney-in-fact of a reciprocal insurer, or licensed insurance agent to whom claim authority has been granted by an insurance company; and an individual who collects claim information from, or furnishes claim information to, insurance customers or claimants, and who conducts data entry, including entering data into an automated claims adjudication system, as long as that individual is an employee of a licensed independent adjuster or its affiliate and no more than 25 such persons are under the supervision of one licensed independent adjuster or a person exempt from licensure. (This last category is newly exempt; similar exemptions apply currently to the others listed.)

Automated Claims Adjudication System

This term refers to a preprogrammed computer system designed for the collection, data entry, calculation, and final resolution of portable consumer electronic insurance claims that meet all of the following conditions: (1) is used only by a licensed independent adjuster, licensed agent, or supervised individuals operating under the bill's provisions; (2) complies with all claims payment requirements of the act; and (3) is certified as compliant with this section by a licensed independent adjuster who is an officer of a business entity licensed under the Insurance Code.

Applications for Licensure as Resident Adjuster

Applicants for licensure as a resident adjuster would have to file with the commissioner of the Office of Financial and Insurance Regulation (OFIR) and declare under penalty of refusal, suspension, or revocation of the license that the statements made in the application are true, correct, and complete to the best of the applicant's knowledge and belief. An application could not be approved unless the commissioner finds that the individual: (1) is at least 18 years old; (2) is a resident of Michigan or has designated

Michigan as his/her home state; (3) is trustworthy, reliable, and possesses a good business reputation; (4) has not committed any act that is grounds for suspension, revocation, or refusal of an adjuster license; (5) has successfully passed the examination for each qualification for which the individual has applied; and (6) has paid the license fees.

Canadian Residents

A Canadian resident could not be licensed under the resident adjuster provisions and could not designate Michigan as his/her home state unless he/she has successfully passed the adjuster examination and has complied with other applicable portions of the licensing requirements.

Business Entities Applying for License as Resident Adjuster

A business entity applying for a resident adjuster license would also file a similar form with the commissioner, and the application could not be approved unless it met all of the following conditions: (1) is eligible to designate Michigan as its resident or home state; (2) has designated an individual licensed independent adjuster as responsible for the business entity's compliance with Michigan's insurance laws, rules, and regulations; (3) has not committed an act that is grounds for suspension, revocation, or refusal of an adjuster license; (4) has paid the license fees; and (5) has submitted the names, addresses, Social Security numbers, criminal and administrative history, background checks, biographical statements, and fingerprints of all executive officers and directors of entities owning, directly or indirectly, 51 percent or more of the outstanding voting securities of the applicant. A nonresident business entity applicant that has provided this information on officers and directors in its state of domicile would not have to submit it in Michigan (other than names, addresses, and Social Security numbers).

Nonresident Adjuster License

A nonresident person would apply for a nonresident adjuster license by filing a prescribed form with the commissioner. Unless the applicant had committed an act that is grounds for suspension, revocation, or refusal of an adjuster license, the license would be granted if the applicant met the following conditions: (1) is currently licensed in good standing as an independent adjuster in the home state; (2) has submitted the proper request for licensure and has paid the license fees; (3) has submitted or transmitted to the commissioner the appropriate completed application for licensure; (4) the person's home state awards nonresident independent adjuster licenses to persons from Michigan; and (5) if the information is not required by the home state, the applicant has submitted the names, addresses, Social Security numbers, criminal and administrative history, background checks, biographical statements, and fingerprints of all executive officers and directors of entities owning, directly or indirectly, 51 percent or more of the outstanding voting securities of the applicant.

Continuing Education for Reciprocity

For the purposes of obtaining reciprocity with other states that license adjusters, an individual with an adjuster's license could voluntarily elect to satisfactorily complete a minimum of 24 hours of continuing education courses, of which three hours would need

to be in ethics, reported to the commissioner on a biennial basis (every two years) in conjunction with the license renewal cycle. This would not apply to nonresident licensees who have met continuing education requirements in their home states or to licensees not licensed for one full year prior to the end of the applicable continuing education biennium.

FISCAL IMPACT:

HB 5156 could have a small but indeterminate fiscal impact on the Office of Financial and Insurance Regulation (OFIR) if individuals with an adjuster's license opt to voluntarily enroll in continuing education courses. OFIR would have to approve acceptable curricula for such courses as they are not currently required by the State.

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.