



Kansas Insurance Department

Sandy Praeger, Commissioner of Insurance

TESTIMONY ON SB 138

SENATE FINANCIAL INSTITUTIONS & INSURANCE COMMITTEE February 13, 2013

Chairman and Members of the Committee:

I am Kris Kellim with the Kansas Insurance Department. Thank you for the opportunity to testify today. The Department opposes SB 138, which would allow public adjusters to adjust personal lines insurance claims. Current law only permits public adjusters to adjust commercial lines.

The Public Adjusters Licensing Act was enacted in 2009. The Department did not oppose enactment of the Act with the understanding that public adjuster licensing would not permit public adjusting of personal lines, but would be limited to commercial lines of insurance. The Department remains opposed to public adjusting of personal lines, which SB 138 would allow. This opposition is based on several factors.

Personal lines public adjusting is largely a solution in search of a problem. Instances where third-party assistance with an insurance claim is appropriate are the exception, not the rule. In the event an insured needs assistance, the Department has a robust consumer assistance division that provides such assistance without taking a percentage of the insured's claim and without financial incentive to inflate the claim. In some instances an insured might also obtain an attorney to settle a dispute with a company.

The involvement of a public adjuster likely leads to one of two scenarios. The first scenario is that the insured is not indemnified (made whole) due to the public adjuster's fee of up to 10%. For instance, replacement cost coverage becomes replacement cost minus the deductible specified in the policy *and* minus the public adjuster fee of up to 10%. The second scenario is that the insured is indemnified despite the public adjuster's fee, but only because the claim is inflated. This motive to manufacture damage and/or inflate the value of loss raises the cost of insurance for everyone.

Another major concern for the Department is consumer protection of elderly and otherwise vulnerable consumers, particularly after major storms. The concern is that allowing personal lines adjusters will only increase opportunity for exploitation of vulnerable consumers. We do not believe this risk is justified.

Another factor that makes public adjusting of personal lines unnecessary is that insurance is a competitive business. Normally, a company makes the claims process user-friendly and the settlement reasonable. It does so in order to create or maintain its good reputation in a

competitive marketplace, to avoid bearing the cost of litigation (including the consumer's attorney fees in some cases) on top of the cost of the claim, and to comply with regulatory requirements. Again, public adjusting of personal lines is a solution in search of a problem. A consumer that does end up with a problem in the claims process can get assistance from Department and other professionals, or if need be can obtain an attorney.

Finally, the current system works. The Department has experienced decreasing consumer complaints over the past five years. This is a result of a combination of the factors already addressed.

For these reasons the Department opposes SB 138.

Thank you for the opportunity to testify. I am happy to stand for questions.

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