

# HOUSE BILL REPORT

## HB 2514

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**As Reported by House Committee On:**  
Financial Institutions & Insurance

**Title:** An act relating to crop adjusters.

**Brief Description:** Regulating crop adjusters.

**Sponsors:** Representatives Bailey, Kirby and Chandler; by request of Insurance Commissioner.

**Brief History:**

**Committee Activity:**

Financial Institutions & Insurance: 1/12/10, 1/26/10 [DPS].

**Brief Summary of Substitute Bill**

- Establishes a crop adjuster category of insurance adjusters.

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### HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Kirby, Chair; Kelley, Vice Chair; Bailey, Ranking Minority Member; Parker, Assistant Ranking Minority Member; Hurst, McCoy, Nelson, Santos and Simpson.

**Staff:** Jon Hedegard (786-7127).

**Background:**

An "adjuster" is a person who, for compensation, investigates or reports claims arising under insurance contracts. An adjuster must be licensed or otherwise authorized under the Insurance Code. An adjuster may work solely for either the insurer (an "independent adjuster") or the insured (a "public adjuster"). Each category requires a separate license. A license requires a pre-license test specific to adjusters. There is also a requirement of experience or special education or training that can be met if the adjuster works as a trainee for a specified amount of time.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

Crop insurance is a type of insurance that may protect producers from losses due to a variety of possible perils, or from a loss of revenue due to declines in the prices of agricultural commodities. A number of different types of policies are offered for a wide variety of crops via the Federal Crop Insurance Corporation, a government-owned corporation managed by the Risk Management Agency (RMA) of the U.S. Department of Agriculture.

The RMA has indicated that it will preempt state authority to oversee the licensing of crop adjusters on July 1, 2011, unless the state has recognized crop insurance as a special line of business, and the majority of the material in the education and testing of a crop adjuster is related to crop-related issues and procedures. A number of states, including this state, were recognized as possible candidates for preemption.

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### **Summary of Substitute Bill:**

"Crop insurance" is defined as "insurance coverage for damage to crops from unfavorable weather conditions, fire or lightning, flood, hail, insect infestation, disease, or other yield-reducing conditions or perils provided by the private insurance market, or multiple peril crop insurance that is reinsured by the federal crop insurance corporation, including but not limited to revenue insurance."

"Crop adjuster" is "an adjuster, including: (1) an independent adjuster, (2) a public adjuster, and (3) an employee of an insurer or managing general agent, who acts as an adjuster for claims arising under crop insurance. Salaried employees of an insurer or of a managing general agent who are certified by a crop adjuster program approved by the risk management agency of the United States Department of Agriculture are not deemed to be a crop adjuster for the purpose of this chapter. Proof of certification must be provided to the commissioner upon request."

An insurance producer or title insurance agent must not act as a crop adjuster or investigate or report upon claims arising under crop insurance without first obtaining a crop adjuster license. If the insurance producer or title insurance agent is a salaried employee of an insurer or of a managing general agent, the insurance producer or title insurance agent may be certified by a crop adjuster proficiency program approved by the RMA.

The Insurance Commissioner (Commissioner) may, by rule, establish requirements for crop adjusters to:

- successfully complete prelicensing education;
- pass a written examination to obtain a license; and
- renew their license, including establishing minimum continuing education requirements for the renewal or reissuance of a license to a crop adjuster.

Applicants for a license as a nonresident crop adjuster must:

- be licensed as a crop adjuster, or hold a valid substantially similar license in another state; and

- have completed prelicensing education and passed an examination substantially similar to the prelicensing education and examination required for licensure as a resident crop adjuster in this; or
- complete prelicensing education and pass an examination that are substantially similar to the prelicensing education and examination required to be licensed as a resident crop adjuster in this state, if the state of residence of an applicant for a license as a nonresident crop adjuster does not license crop adjusters.

A license is not required of a nonresident crop adjuster for the adjustment in this state of a single loss or of losses arising out of a common catastrophe if the nonresident crop adjuster is:

- licensed as a crop adjuster in another state;
- certified by a crop adjuster proficiency program approved by the RMA; or
- is a salaried employee of an insurer or of a managing general agent who is certified by a crop adjuster proficiency program approved by the RMA.

The application and renewal fees for a crop adjuster license are the same fees as required under a public adjuster or independent adjuster license.

**Substitute Bill Compared to Original Bill:**

Changes are made to the definition of "crop adjuster" and crop "insurance." Language is added to account for persons, including salaried employees of managing general agents, who are certified by a crop adjuster proficiency program by the RMA.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Substitute Bill:** The bill takes effect on June 27, 2011.

**Staff Summary of Public Testimony:**

(In support) This issue was brought by the Commissioner. Stakeholders reviewed the bill and were fine with it. This is a reasonable bill that preserves state authority over the licensing of insurance adjusters in the state. The bill establishes a special category of adjuster for those people focused on crop insurance. Generally these adjusters focus on crop insurance. This will allow those licensees to focus on their business and not have to be trained and licensed in areas that they do not work. The bill also avoids federal preemption and keeps state authority over crop adjusters. Last fall, there were a large number of wheat price support claims. Crop insurers contacted the Commissioner to work with the agency and ensure that there were enough trained and licensed adjusters to process claims in a timely fashion. This type of large demand will likely happen again at some point and that surge of demand is addressed in the bill.

(Opposed) None.

**Persons Testifying:** Representative Bailey, prime sponsor; and Drew Bouton, Office of the Insurance Commissioner.

**Persons Signed In To Testify But Not Testifying:** None.