

SENATE BILL REPORT

SB 6306

As Reported by Senate Committee On:
Financial Institutions, Housing & Insurance, January 26, 2010

Title: An act relating to crop adjusters.

Brief Description: Regulating crop adjusters.

Sponsors: Senator Schoesler; by request of Insurance Commissioner.

Brief History:

Committee Activity: Financial Institutions, Housing & Insurance: 1/19/10, 1/26/10 [DPS].

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & INSURANCE

Majority Report: That Substitute Senate Bill No. 6306 be substituted therefor, and the substitute bill do pass.

Signed by Senators Berkey, Chair; Hobbs, Vice Chair; Franklin, McDermott, Parlette and Schoesler.

Staff: Diane Smith (786-7410)

Background: Crop insurance is a type of insurance that is designed to protect farmers from losses due to a variety of possible perils, or from a loss of revenue due to low yields, declines in the prices of agricultural commodities, or both. Different types of policies are offered for a wide variety of crops through the Federal Crop Insurance Corporation, a government-owned corporation managed by the Risk Management Agency (RMA) of the United States Department of Agriculture. Separately from the RMA, and not subsidized by the federal government, private insurers can offer, usually, single peril crop insurance and crop revenue insurance.

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.

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

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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 prelicensing test that is 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.

The amounts of fees charged by the commissioner for application, examination, and licensing of adjusters are referenced to a single section that contains only the fees for the various regulatory activities of the commission. There is no fee listed in the general fee section for the licensing application for either independent adjusters or public adjusters.

Summary of Bill (Recommended Substitute): Licensing application fees of \$50 each are established for independent adjusters and public adjusters, respectively.

Licensing application fees and licensing renewal fees of \$50 each are established for crop adjusters.

The licensing of crop adjusters is separate from that of other adjusters. The requirements for licensure are specific to the business of crop adjustment.

The separate and specific regulatory requirements include the following: (1) The terms, crop adjuster, and crop insurance are defined. (2) Crop adjusters must be separately licensed. (3) An in-state applicant for a resident crop adjuster's license, who has a current crop adjuster's license from another state is not required to take a pre-licensing educational course or an examination. (4) If the prelicensing education and examination of their home state are substantially similar to those of this state, those applying for a nonresident crop adjuster license are exempt from the examination requirement. (5) The commissioner has authority to establish by rule the prelicensing, written examination, renewal, and continuing education requirements for crop adjusters. (6) Insurance producers may not act as crop adjusters unless they are licensed as crop adjusters. (7) A nonresident crop adjuster, who is licensed in another state or by the RMA, is not required to be licensed in this state to adjust a single loss or to adjust losses arising out of a common catastrophe.

EFFECT OF CHANGES MADE BY FINANCIAL INSTITUTIONS, HOUSING & INSURANCE COMMITTEE (Recommended Substitute): The definition of the term crop insurance is clarified to include revenue insurance.

Appropriation: None.

Fiscal Note: Available.

[OFM requested ten-year cost projection pursuant to I-960.]

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on June 27, 2011.

Staff Summary of Public Testimony on Original Bill: PRO: This bill attempts to avoid federal preemption by providing for a degree of proficiency for crop adjusters. We are one

of 14 states that don't have special licensing for crop adjusters. This is a win-win. It will increase the supply of properly trained and licensed crop adjusters when we have large numbers of claims.

Persons Testifying: PRO: Drew Bouton, Office of Insurance Commissioner.