

HOUSE BILL REPORT

ESSB 6306

As Passed House:
February 28, 2010

Title: An act relating to crop adjusters.

Brief Description: Regulating crop adjusters.

Sponsors: Senate Committee on Financial Institutions, Housing & Insurance (originally sponsored by Senator Schoesler; by request of Insurance Commissioner).

Brief History:

Committee Activity:

Financial Institutions & Insurance: 2/17/10 [DP].

Floor Activity:

Passed House: 2/28/10, 96-0.

<p>Brief Summary of Engrossed Substitute Bill</p> <ul style="list-style-type: none">• Establishes a crop adjuster category of insurance adjusters.

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass. Signed by 10 members: Representatives Kirby, Chair; Kelley, Vice Chair; Bailey, Ranking Minority Member; Parker, Assistant Ranking Minority Member; Hurst, McCoy, Nelson, Rodne, 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.

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.

Summary of 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 U.S. 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 pre-licensing 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 pre-licensing education and passed an examination substantially similar to the pre-licensing education and examination required for licensure as a resident crop adjuster in this state; or

- complete pre-licensing education and pass an examination that are substantially similar to the pre-licensing 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.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) The business of crop insurance adjusting has peaks and valleys. Last year, crop adjusters were in great demand due to a heavy volume of claims. Some years, there is little need for crop adjusters. It has been difficult to ensure that there is an adequate number of trained crop adjusters in our state. Crop insurance is a very significant product for farmers. A major change in the bill, after introduction, was to clarify that coverage for loss of revenue is included in the definition of crop insurance.

(Opposed) None.

Persons Testifying: Senator Schoesler, prime sponsor.

Persons Signed In To Testify But Not Testifying: None.