



## Public Adjuster Representation in Citizens Property Insurance Corporation Claims Extends the Time to Reach a Settlement and Also Increases Payments to Citizens' Policyholders

### *at a glance*

The number of licensed public adjusters in Florida has grown significantly in the last six years, and the incidence of complaints, regulatory actions, and allegations of fraud involving public adjusters is generally low. Florida's public adjuster laws are comparable to and in some cases more restrictive than those of other similar states.

Our analysis of Citizens Property Insurance Corporation claims data found that cases took longer to reach a settlement but received higher payments when claimants used public adjusters for claims filed in 2008 and 2009. Public adjusters represented policyholders in 26% of non-catastrophe and 39% of catastrophe claims filed during this period.

### Scope

As directed by Chapter 2009-87, *Laws of Florida*, this report examines Florida's regulation of public insurance adjusters and answers three questions.

1. How does Florida regulate public adjusters?
2. How does Florida's regulation of public adjusters compare to that of other states?
3. How frequently do public adjusters represent Citizens Property Insurance Corporation policyholders, and what have been their outcomes on claims processing and payments?

### Background

Individuals and businesses purchase insurance to protect their property against monetary losses that can occur due to both non-catastrophic and catastrophic events, including theft, fire, and natural disasters such as hurricanes. When a loss occurs, policyholders can submit claims to their insurance companies to seek monetary compensation for their losses.

In general, when an insurance company receives a claim, it reviews the claimant's insurance policy to determine whether the policy covers the loss and investigates the type and extent of damage to determine the company's liability. The company then estimates the amount of compensation and pays the claim.

Policyholders that disagree with their insurance company regarding claim settlements (e.g. scope of loss, damage estimate) can resolve the dispute through mediation, appraisal, or litigation. Mediation is a process by which a neutral third party helps to facilitate an agreement and is non-binding, whereas appraisal is a binding form of alternative dispute resolution used to establish the amount of the loss. Litigation is a binding resolution via the court system, achieved through a negotiated settlement or trial.

An important part of the claims process is insurance adjusting, which is the practice of

investigating claims to determine the extent of the insurance company’s liability. There are three types of insurance adjusters—company, independent, and public.

- **Company adjusters** work directly for an insurance company.
- **Independent adjusters** contract with insurance companies to provide adjusting services.
- **Public adjusters** are independent contractors that work for the policyholder in settling claims.

The insurer typically arranges for a company or independent adjuster to visit the claimant’s property to adjust the claim. However, a policyholder may choose to hire a public adjuster to assist in settling the insurance claim due to these persons’ expertise in filing claims and negotiating settlements with insurers.

In Florida, public insurance adjusting has received heightened attention because of two key events affecting the state’s property insurance industry. First, the state was struck by eight major hurricanes in 2004 and 2005, causing widespread property damage.<sup>1</sup> This resulted in an influx of claims to all property insurers, including Citizens Property Insurance Corporation (Citizens), the state-created insurance company.<sup>2</sup>

Second, the 2007 Task Force on Citizens Property Insurance Claims Handling and Resolution examined Citizens claims processing and identified consumer protection issues related to public adjuster involvement in claims. The Legislature created this task force to review and make recommendations regarding Citizens’ handling, service, and resolution of claims arising

<sup>1</sup> In 2004, the named hurricanes were Charley, Frances, Ivan, and Jeanne, and in 2005, the named hurricanes were Dennis, Katrina, Rita, and Wilma.

<sup>2</sup> Citizens Property Insurance Corporation is a not-for-profit tax-exempt corporation, whose public purpose is to provide policyholders with affordable property insurance protection. The Legislature established the corporation in 2002 to serve the needs of homeowners who could not obtain property insurance on the open market. As of September 30, 2009, Citizens had 1,064,287 policies in force, annualized premiums of \$2.1 billion, and related loss exposure of \$413 billion.

from the 2004 and 2005 hurricane seasons.<sup>3</sup> During its review, the task force identified issues related to public adjusters, including their fees, solicitation practices, and training. The task force cited the large number of new and re-opened claims submitted to Citizens years after the hurricanes occurred, which insurers attributed to solicitation by public adjusters. In addition, the task force heard testimony that some public adjusters were not properly trained or qualified to represent policyholders.

## Questions and Answers —

### How does Florida regulate public adjusters?

The Department of Financial Services licenses public adjusters and investigates complaints through the Divisions of Agent and Agency Services, Insurance Fraud, and Consumer Services. As of June 2009, Florida had 2,914 licensed public adjusters, which represents a significant increase since 2004. Florida has more public adjusters than other states we examined that have experienced declared disasters in recent years. Complaints and regulatory actions against Florida’s public adjusters are generally low.

**Florida’s current regulatory system includes licensing requirements and various consumer protections.** Florida’s laws regulating public adjusters address licensing, solicitation, and compensation. Florida requires applicants for public adjuster licenses to pass a licensing exam, have experience or training related to adjusting, post a \$50,000 surety bond, and submit fingerprints for a criminal history review. In addition, licensed public adjusters must complete 24 hours of continuing education every two years.

In response to the findings of the Task Force on Citizens Property Insurance Claims Handling and Resolution, the Legislature amended state laws regulating public adjusters. These new provisions, enacted in Chs. 2008-220 and 2009-87, *Laws of Florida*, were intended to enhance consumer protection. The new provisions

<sup>3</sup> Chapter 2007-1, *Laws of Florida*.

- require applicants to pass a written examination;
- require a one-year public adjuster apprenticeship prior to applying for a public adjuster license;
- restrict the hours public adjusters can solicit policyholders to Monday through Saturday between 8:00 a.m. and 8:00 p.m.;<sup>4</sup>
- prohibit public adjusters from contacting or soliciting policyholders until 48 hours after an event; and
- restrict public adjuster fees to 10% of the payment for claims related to declared emergencies and 20% for all other new claims.

Three divisions within the Department of Financial Services manage licensing, complaint processing, and enforcement of public adjuster laws—Agent and Agency Services, Insurance Fraud, and Consumer Services.

The **Division of Agent and Agency Services** licenses public adjusters and investigates complaints alleging violations of the Florida Insurance Code. The division accepts complaints about licensed and unlicensed agents or adjusters from consumers, insurance companies, licensees, and regulatory agencies, including other Department of Financial Services units and the Office of Insurance Regulation.

The **Division of Insurance Fraud** investigates criminal acts related to insurance transactions, including fraudulent claims and allegations against insurance agents to determine whether a crime has been committed. The division accepts referrals from numerous sources, including insurance carriers, private citizens, and regulatory agencies.<sup>5</sup>

The **Division of Consumer Services** provides consumers information and assistance about insurance products and services. The division, which also serves as a mediator between consumers and insurers, accepts and refers

<sup>4</sup> Section 626.854(6), *F.S.*, specifies that this restriction applies to face-to-face and telephonic communication.

<sup>5</sup> Section 626.989(6), *F.S.*, requires insurers and other regulated entities in Florida to report suspected acts of insurance fraud to the Division of Insurance Fraud.

complaints relating to public adjusters from other Department of Financial Services divisions.

Florida provides additional consumer protection through its Office of Insurance Consumer Advocate, which represents the interest of the public in insurance matters. The office recommends specific actions in regulatory matters under consideration by state entities such as the Department of Financial Services and the Office of Insurance Regulation and appears in insurance related proceedings conducted by these entities. The office also performs legal research, obtains public input, and proposes legislation that serves the interest of insurance consumers.

**The number of licensed public adjusters has grown significantly in recent years.** As shown in Exhibit 1, the number of licensed public adjusters in Florida has increased substantially.<sup>6</sup> Overall, the number of licensed public adjusters increased 330% between Fiscal Year 2003-04 and Fiscal Year 2008-09, growing from 678 to 2,914.

**Exhibit 1**  
**The Number of Licensed Public Adjusters in Florida Has Increased Substantially Over the Last Six Years**

Fiscal Year	Number of Public Adjusters	Percent Increase from Previous Year
2003-04	678	NA
2004-05	1,203	77.43%
2005-06	1,864	54.95%
2006-07	2,630	41.09%
2007-08	2,755	4.75%
2008-09	2,914	5.77%

Source: OPPAGA analysis.

Florida currently has more public insurance adjusters than the other states we examined that have experienced declared disasters in recent years.<sup>7</sup> As shown in Exhibit 2, Florida has the

<sup>6</sup> Because this review focuses on the regulation of public adjusters qualified to assist with property and casualty insurance claims, only these adjusters are included in the data reported.

<sup>7</sup> We examined the laws of California, Florida, Kentucky, Louisiana, Missouri, New York, Oklahoma, Texas, Mississippi, North Carolina, South Carolina, and Tennessee. These states were selected based on Federal Emergency Management Agency data on declared disasters. We also reviewed the laws of Alabama and Arkansas, but as these states do not license public adjusters, we could not provide information on them in our report.

highest per capita proportion of public adjusters, with about 16 per 100,000 state residents, more than double the per capita ratio in any of the other states. This likely reflects the greater availability of adjusting opportunities due to the numerous hurricanes that made landfall in the state over the last six years.

**Exhibit 2**  
**Compared to Other States, Florida Has a Large Number of Public Adjusters**

State	Number of Licensed Public Adjusters in 2009 <sup>1</sup>	Number of Public Adjusters per 100,000 Residents
Florida	2,914	15.9
South Carolina	327	7.3
Mississippi	152	5.2
Louisiana	204	4.6
Oklahoma <sup>2</sup>	163	4.5
Kentucky	181	4.2
Texas	676	2.8
New York	466	2.4
Tennessee	135	2.2
Missouri	59	1.0
California	321	0.9
North Carolina	50	0.5

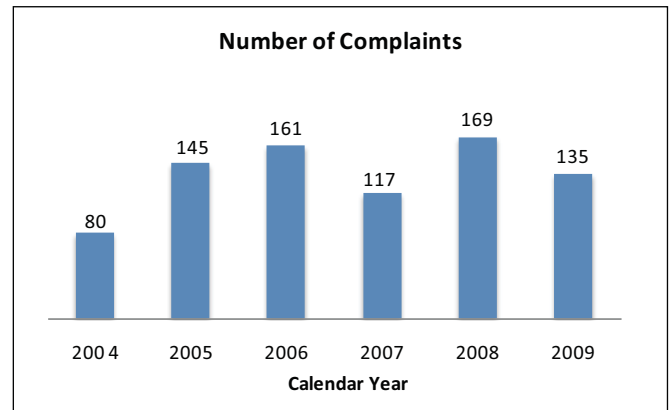
<sup>1</sup> These numbers may include public adjusters that are not licensed for property and casualty insurance adjusting.

<sup>2</sup> The number of public adjusters in Oklahoma is estimated to be between 150 and 175; the midpoint of the range is presented in the exhibit.

Source: OPPAGA analysis based on July 2008 U.S. Census Bureau population data and information provided by the National Association of Public Insurance Adjusters.

**The number of complaints, investigations, and disciplinary actions against public adjusters is generally low.** An important indicator of the effectiveness of Florida’s public adjuster laws in providing consumer protection is the number of complaints filed against adjusters and enforcement actions taken by the Department of Financial Services. As shown in Exhibit 3, the number of complaints filed against public adjusters with the Division of Consumer Services ranged from a low of 80 in 2004 to a high of 169 in 2008 and remained below 140 in 2009.

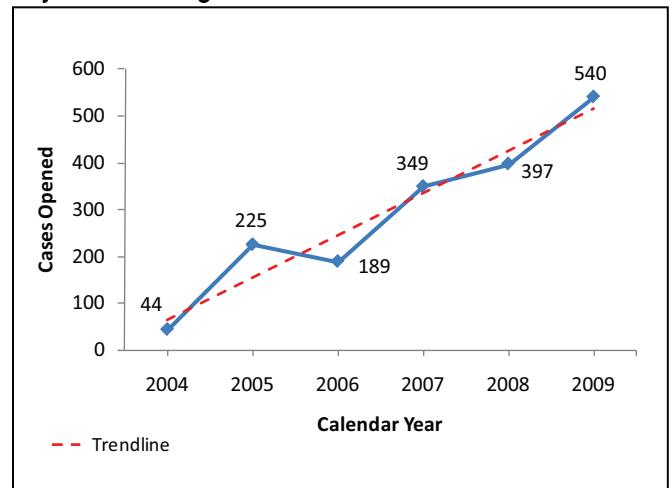
**Exhibit 3**  
**The Number of Complaints Against Public Adjusters Has Varied Little in Recent Years**



Source: Department of Financial Services, Division of Consumer Services.

The annual number of cases relating to public adjusters that are investigated by the Division of Agent and Agency Services has increased from 44 in 2004 to 540 in 2009 (see Exhibit 4). These investigations primarily are related to alleged failure to maintain surety bonds, fraudulent and deceptive practices, other licensing violations, and unlicensed activities.

**Exhibit 4**  
**Division of Agent and Agency Services Public Adjuster Investigations Have Increased**



Source: Department of Financial Services, Division of Agent and Agency Services.

From January 2004 to December 2009, the Division of Insurance Fraud received 937 referrals (i.e., complaints) from numerous sources about public adjusters.<sup>8</sup> Because of these complaints, the division initiated 269 cases and made 31 arrests during this period.

## How does Florida's regulation of public adjusters compare to that of other states?

Florida's regulation of public adjusters is comparable to, and in some areas more stringent than, other states. The 12 states (including Florida) we examined that had recent declared disasters typically regulate public adjusters by requiring licensure. Several states also regulate public adjuster solicitation and fees.

**Florida's public adjuster licensing requirements appear to be similar to or more stringent than those of other states.** Eleven (of 12) states we examined, including Florida, require applicants for public adjuster licensure to pass an exam and post a surety bond.<sup>9</sup> In addition, most of these states require applicants to have experience or training in insurance adjusting and receive continuing education as a condition of licensure.

Florida imposes some licensure requirements not included in other states' laws. Notably, Florida's year-long apprenticeship or traineeship requirement is not required in the other states we examined.<sup>10</sup> In addition, Florida's bond threshold is equal to or higher than that of all other states we reviewed.<sup>11</sup> Seven (of 12) states, including Florida, require applicants to provide fingerprints for a criminal history check.

Public adjuster industry representatives reported that the state's licensure requirements increase the professionalism of adjusters and help prevent unscrupulous business practices.

**Like other states, Florida regulates public adjuster solicitation and fees.** Of the states we examined, Florida, California, New York, Tennessee, and Texas restrict some aspect of public adjuster solicitation. In Florida, the law does not allow public adjusters to solicit policyholders until 48 hours after an event. In addition to the 48-hour waiting period, Florida public adjusters may only solicit policyholders Monday through Saturday, between the hours of 8 a.m. and 8 p.m.<sup>12</sup> Public adjusters in California are prohibited from solicitation until seven days after a disaster, and in California, New York and Texas, public adjusters are restricted from soliciting policyholders during specific hours of the day.

Public adjuster industry representatives assert that the 48-hour waiting period restricts their business activities and impairs their capacity to help consumers quickly and thoroughly prepare claims; a public adjuster recently filed a lawsuit challenging the constitutionality of this waiting period.<sup>13</sup> However, consumer advocates and insurance companies indicated that the 48-hour waiting period is too short, because policyholders may be emotionally vulnerable, especially after a catastrophic event, and thus unable to make well-informed decisions. Moreover, insurance company representatives suggested that this period is inadequate for insurance companies to prepare and offer policyholders a settlement.

<sup>8</sup> The Division of Insurance Fraud classifies tips and other information reported to the division as referrals. One referral may include multiple allegations.

<sup>9</sup> Missouri does not require an exam for licensure and South Carolina does not require a bond.

<sup>10</sup> California, Kentucky, Mississippi, Oklahoma, and Texas laws include provisions for 6-12 month apprenticeships/interim licensure.

<sup>11</sup> The dollar value of surety bonds required ranged from \$1,000 to \$50,000. Louisiana, Mississippi, and Tennessee's laws also require public adjusters to post a \$50,000 surety bond.

<sup>12</sup> Section 626.854(6), *F.S.*, specifies that this restriction applies to face-to-face and telephonic communication.

<sup>13</sup> Frederick W. Kortum, Jr. v. Alex Sink.

In addition, 5 of the 12 states we examined, including Florida, impose limits on the amount public adjusters can charge for their services.<sup>14</sup> In general, public adjuster fees are based on a percentage of the total value of the claim settlement they obtain. For new claims, Florida law requires public adjusters to charge no more than 10% of the amount of insurance claim payments made as the result of a declared emergency, and up to 20% of the amount of all other claim payments.<sup>15</sup> Louisiana, Mississippi, New York, Tennessee, and Texas also require fee caps, ranging from 10% to 25% of the claims payment.

Consumer advocates expressed concern about public adjuster fees, indicating that once these costs are deducted from settlement payments, policyholders may not have sufficient funds to make needed repairs. Conversely, public adjusters asserted that their services assist policyholders in obtaining higher settlements, which facilitates the completion of repairs and replacement of lost property.

### How frequently do public adjusters represent Citizens Property Insurance Corporation policyholders, and what have been their outcomes on claims processing and payments?

To evaluate the impact of public adjuster involvement on Citizens Property Insurance Corporation’s claims processing, we examined catastrophe claims filed between March 2008 and June 2009 related to the 2004 and 2005 hurricanes and non-catastrophe claims filed during this period.<sup>16</sup> We examined 76,321 claims filed during this period, including 61,324 non-catastrophe and 14,997 catastrophe claims. The catastrophe claims

included both new and re-opened claims. New claims are those that policyholders file for the first time, while re-opened claims were filed earlier but are reinvestigated for supplemental payment.<sup>17</sup> Re-opened claims may be filed years after an event occurred, with little restriction on the timeframe for filing.<sup>18</sup> Over half (7,698) of the catastrophe claims we examined were re-opened claims.

**In 2008 and 2009, public adjusters represented many Citizens policyholders who filed claims.** Many Citizens policyholders retained a public adjuster to assist them in filing their insurance claims. Specifically, policyholders represented by a public adjuster submitted slightly over a quarter (26%) of non-catastrophe claims filed in 2008 and 2009, including 24% of new and 54% of re-opened non-catastrophe claims.<sup>19</sup> During this period, policyholders represented by a public adjuster filed 39% of catastrophe claims, including 19% of new and 57% of re-opened catastrophe claims.

**Citizens’ claims with public adjuster involvement took longer to close.** New and re-opened claims filed by policyholders with public adjuster representation took considerably longer to close. We used the Kaplan-Meier method to evaluate public adjusters’ affect on claims processing time (see Appendix A).

Exhibit 5 shows the typical number of days required to close a catastrophe claim, broken down by whether a public adjuster was involved. As shown in the exhibit, when public adjusters represented policyholders, claims processing typically took between 132 to 296 days longer than claims without public adjuster representation. For example, when public adjusters represented policyholders on new catastrophe claims related

<sup>14</sup> Public adjuster fees are not covered by the insurance policy. Policyholders are responsible for all costs related to the public adjusters’ services and generally pay public adjuster fees from the claim settlement.

<sup>15</sup> This limitation only applies to claims made up to a year after the declaration of an emergency.

<sup>16</sup> Section 626.854(11)(b)(1-2), *F.S.*, states that a catastrophe is any event subject to declaration of a state of emergency by the Governor; all other events are non-catastrophic (e.g. house fires).

<sup>17</sup> For example, a policyholder may have incurred roof damage in 2004, notified Citizens of the loss, received a claims payment, and repaired the roof. In 2009, the policyholder may identify ceiling mildew near the area that sustained damage in 2004 and file a claim to repair the damage that originated from the hurricane, although the initial damage occurred more than four years earlier.

<sup>18</sup> There is no statutory limit on when a claim can be filed. Section 95.11(2)(b), *F.S.*, specifies that the statute of limitations for filing legal action based on a contract (e.g. between an insurance company and a policyholder) is five years.

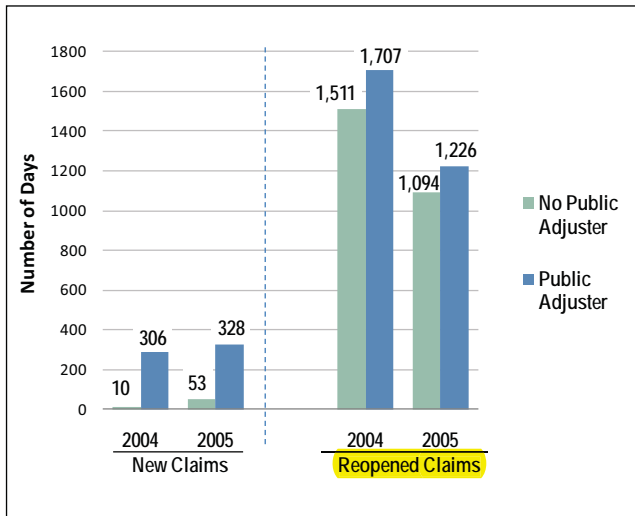
<sup>19</sup> Attorneys or other parties may also represent policyholders, and these are counted as claims in which a public adjuster is *not* involved.

Insureds using PA's for Non Catastrophic Claims received settlements that totaled net after PA fees \$367,392,084 more than those who chose to deal with the insures without a PA.

to the 2004 hurricanes, the typical period from first notice of loss to final settlement was 306 days, compared to 10 days for claims without public adjuster involvement.<sup>20</sup> Similarly, when policyholders used a public adjuster for re-opened claims related to 2004 storms, the typical number of days to close the claim was 1,707 days, compared to 1,511 days for claims without public adjuster representation.

In general, the re-opened cases in Exhibit 5 were originally filed in 2004 or 2005, and their lengthy closure time reflects the time from their date of first notice of loss to their eventual re-closure. The typical number of days to final settlement is thus much larger than for new claims, but the cases that involved public adjusters showed a similar pattern of taking longer to achieve settlement.

**Exhibit 5  
Settlement of Catastrophe Claims Took Longer When Policyholders Were Represented by Public Adjusters**



Source: OPPAGA analysis.

Public adjuster representation had the same effect for non-catastrophe claims. The median time to close non-catastrophe claims was 115 days for claims with public adjuster representation and 41 days for those without.<sup>21</sup>

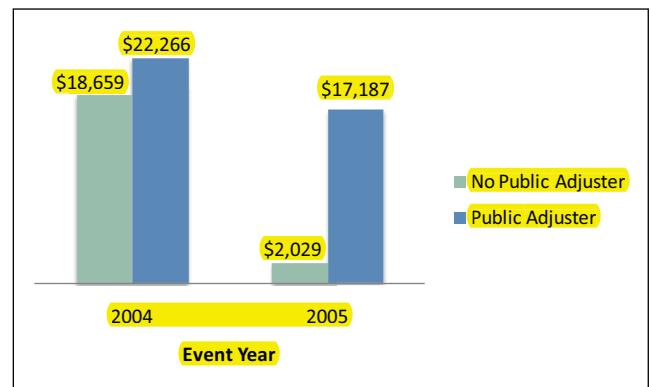
<sup>20</sup> 'No public adjuster' means that policyholders were either not represented by any third party or were represented by an attorney.

<sup>21</sup> We could not provide results for new and re-opened non-catastrophe claims because most of the re-opened claims that were filed in 2008 and 2009 are still open.

Public adjuster representation may prolong claims processing for several reasons. Public adjusters often pursue the paths available to arbitrate a policyholder's claim (e.g., mediation or appraisal), and may present a larger scope of damages to assess, which can require more time to settle. Citizens' officials reported that public adjusters represented policyholders in 61% of mediations and 89% of appraisal arbitrations requested in 2008. Appendix B discusses additional reasons cited by public adjusters and insurers for why claims may take longer to settle when public adjusters are involved.

**Policyholders with public adjuster representation typically received higher settlements than those without public adjusters.** Policyholders that filed catastrophe claims in 2008 and 2009 generally received larger insurance settlements than policyholders that did not hire these persons. The typical payment to a policyholder represented by a public adjuster was \$22,266 for claims filed in 2008 and 2009 related to the 2004 hurricanes (see Exhibit 6). In contrast, policyholders who did not use a public adjuster received typical payments of \$18,659. The difference in payments was larger for claims related to 2005 hurricanes, with public adjuster claims resulting in payments that were 747% higher. However, as policyholders pay public adjuster fees as a percentage of their settlement, their net settlement would be lower than this amount.

**Exhibit 6  
Public Adjuster Representation Typically Resulted in Larger Payments to Policyholders**



Source: OPPAGA analysis. Data refers to the median (50<sup>th</sup> percentile or typical) payment.

For Catastrophic Claims reopened in 2005, insureds using a PA received net payments after PA fees of \$204,592,073 more than those insureds not using a PA.

For non-catastrophe claims, policyholders who used public adjusters received an estimated \$9,379 on their claim, compared to \$1,391 for those policyholders that did not use a public adjuster (a difference of 574%). As stated earlier, policyholders' net settlement would be lower than this amount.

## Agency Response

In accordance with the provisions of s. 11.51(5), *Florida Statutes*, a draft of our report was submitted to the state's Chief Financial Officer and to the President/CEO and Executive Director of Citizens Property Insurance Corporation for their review and response.

The president's written response to this report is presented in Appendix C. The state's Chief Financial Officer did not provide a written response to this report.



## Appendix A

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# Methodology Used to Assess the Impact of Public Adjuster Representation on Time to Process Claims and Payment to Policyholders

To assess the impact of public adjusters on the time it took to process policyholder claims and the amount of money paid to policyholders by Citizens Property Insurance Corporation, we compared cases of policyholders represented by public adjusters to cases filed by policyholders without such representation.

**Study population.** We evaluated all claims filed with Citizens from March 2008 to June 2009, for a total of 76,321 claims. Of this population, 21,545 had public adjuster representation. Our comparison group consisted of the 54,776 claims that either had no representation or were represented by a party other than a public adjuster (such as attorneys).

**Data.** For the study population, Citizens provided the data elements noted below.

- Type of representation for the insured (public adjuster, attorney, none)
- Nature of the claim (catastrophic or non-catastrophic)
- Severity of the loss
- Insured value of the property
- Report year
- Date the policyholder noticed the loss
- Dollar value of Citizens' initial offer to a policyholder
- Last amount paid to a policyholder
- Payment date
- County in which the property was located

**Methods of Analysis.** Using the Kaplan-Meier product-limit estimator, we estimated the time for new catastrophe and re-opened catastrophe claims associated with those new claims to close, relative to whether or not a public adjuster was involved. Some re-opened claims are related to the new claims in this sample; however, many were first filed years earlier, e.g., in 2004 and 2005, and re-opened during the sample's timeframe. Survival analysis statistical techniques, such as the Kaplan-Meier method, calculate the probability of an event occurring, such as a case closing, given how much time has passed. The Kaplan-Meier method uses all claims, whether closed or not, to calculate a median time to close. This technique avoids the problem of just using closed cases from a particular period, which can underestimate how long it takes to close the typical case. Data typically refers to the median (50th percentile or typical) number of days to close a case. However, data relating to new 2004 claims with public adjusters is a mean, as a median could not be calculated.

In addition, we compared median payments on new and re-opened claims with public adjuster representation to those without public adjusters, and ran separate models on non-catastrophe claims.

**Appendix B**

# Public Adjusters and Insurers Have Different Opinions about Factors Affecting the Claims Process

Public adjusters and insurance companies cited different opinions regarding the effect public adjusters have on the insurance claims process. The following table aggregates the opinions provided by Florida public adjusters and representatives of insurance companies operating in the state, including Citizens Property Insurance Corporation.

Issue	Public Adjusters	Insurance Companies
Relationship with policyholders	Public adjusters are the only advocates that exclusively represent the policyholder. Insurance companies attempt to dissuade policyholders from hiring public adjusters.	Public adjusters insulate policyholders from insurance companies and create distrust between the insurance company and the policyholder. Public adjusters reduce policyholder retention.
Claims processing	Insurance companies cause delays in settling claims due to <ul style="list-style-type: none"> <li>▪ poor communication;</li> <li>▪ failure to respond to requests in a timely manner; and</li> <li>▪ excessive demands for documentation.</li> </ul> Insurance companies impose too much burden on policyholders to prove their claims.	Public adjusters increase the time to settle claims when they <ul style="list-style-type: none"> <li>▪ provide incomplete information;</li> <li>▪ make it difficult for insurance companies to schedule inspections and meet with policyholders;</li> <li>▪ make it necessary for insurance companies to spend additional time investigating and verifying damage estimates provided by public adjusters; and</li> <li>▪ encourage policyholders to use appraisal, mediation, and litigation to resolve claims.</li> </ul>
Public adjuster solicitation practices	The ban preventing public adjusters from contacting policyholders until at least 48 hours after the occurrence of an event <ul style="list-style-type: none"> <li>▪ prevents policyholders from becoming aware of their right to be represented and</li> <li>▪ restricts public adjusters, but allows contractors, roofers and other interested parties to contact policyholders.</li> </ul>	Company adjusters should have the opportunity to settle claims with policyholders before public adjusters get involved. Public adjusters utilize misleading advertising to solicit business with policyholders.
Claims settlement	Insurance companies are not motivated to provide full compensation to policyholder since their responsibility is to shareholders.	Public adjusters make it difficult for policyholders to make all repairs included in the claim because a portion of the settlement amount goes to the public adjuster. Public adjusters increase the cost of insurance for all consumers.
Public adjuster fees	The current fee structure allows fair compensation to public adjusters.	The current fee structure encourages public adjusters to inflate or falsify claim estimates.
Recommendations	Rescind ban preventing public adjusters from contacting policyholders during the first 48 hours after an event. Establish more stringent enforcement of laws and regulations governing the public adjusting industry.	Subject public adjusters to an examination under oath similar to policyholders. Establish fee limits for supplemental and re-opened claims. Require public adjusters to disclose their fee in contracts provided to the policyholder's insurance company. Limit the amount of time after an event for policyholders to file a claim. Require public adjusters to provide policyholders a copy of written estimates and correspondence submitted to the insurance company regarding their claim. Establish more stringent enforcement of laws and regulations governing the public adjusting industry.

Source: OPPAGA analysis.

## Appendix C

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CITIZENS PROPERTY INSURANCE CORPORATION  
101 NORTH MONROE STREET, SUITE 1000  
TALLAHASSEE, FLORIDA 32301

TELEPHONE: (850) 513-3700 FAX: (850) 513-3900



January 5, 2010

Gary R. VanLandingham, Ph.D., Director  
Office of Program Policy Analysis and  
Government Accountability  
Room 312 Claude Pepper Building  
111 West Madison Street  
Tallahassee, FL 32399-1475

Dear Dr. VanLandingham:

We have received and reviewed the Office of Program Policy Analysis and Government Accountability's (OPPAGA) preliminary report titled *Pubic Adjuster Representation in Citizens Property Insurance Corporation Claims Extends the Time to Reach a Settlement and Also Increases Payments to Citizens' Policyholders*.

Citizens has no recommendations for amendments or additions to this report.

We appreciate the time your staff availed to Citizens and the professionalism they exhibited in completing this report. Please do not hesitate to contact Christine Ashburn, Legislative and External Affairs Director, or myself if you need anything further regarding this report.

Respectfully,

A handwritten signature in blue ink, appearing to read "SA Wallace", is written over a light blue horizontal line.

Scott Wallace  
President/CEO and Executive Director

cc: Kim Mills, Director of Auditing, Executive Office of the Governor

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James R. Malone, Chairman, Collier County  
William P. Corry, Indian River County • Carol Everhart, Pinellas County • Earl Horton, Pinellas County  
Sherrill W. Hudson, Miami-Dade County • Allan Katz, Leon County • Carlos Lacasa, Miami-Dade County  
Thomas Lynch, Palm Beach County • Scott Wallace, President/CEO & Executive Director

*The Florida Legislature*  
*Office of Program Policy Analysis*  
*and Government Accountability*



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OPPAGA provides performance and accountability information about Florida government in several ways.

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- PolicyCasts, short narrated slide presentations, provide bottom-line briefings of findings and recommendations for select reports.
- Government Program Summaries (GPS), an online encyclopedia, [www.oppaga.state.fl.us/government](http://www.oppaga.state.fl.us/government), provides descriptive, evaluative, and performance information on more than 200 Florida state government programs.
- The [Florida Monitor Weekly](#), an electronic newsletter, delivers brief announcements of research reports, conferences, and other resources of interest for Florida's policy research and program evaluation community.
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OPPAGA supports the Florida Legislature by providing evaluative research and objective analyses to promote government accountability and the efficient and effective use of public resources. This project was conducted in accordance with applicable evaluation standards. Copies of this report in print or alternate accessible format may be obtained by telephone (850/488-0021), by FAX (850/487-3804), in person, or by mail (OPPAGA Report Production, Claude Pepper Building, Room 312, 111 W. Madison St., Tallahassee, FL 32399-1475). Cover photo by Mark Foley.

Project supervised by Kara Collins-Gomez (850/487-4257)

Project conducted by Jeanine Brown (850/487-4256), Emily Leventhal (850/487-9239), and Larry Novey (850/487-3768)

Gary R. VanLandingham, Ph.D., OPPAGA Director