

Guide for Adjusting Property Claims in California After a Major Disaster

Wildfires



Earthquakes



Floods



California Department of Insurance

January 5, 2024

Guide for Adjusting Property Claims in California After a Major Disaster

Table of Contents

Introduction	4
What is an Independent Insurance Adjuster, Who is Required to Hold this License, and Who Needs to be Registered?	
Independent Insurance Adjuster Licensing Requirements	5
Registration of Independent Insurance Adjuster Employees	5
In the Event of an Emergency Situation Declared by the Insurance Commissioner	
Registration	6
Important Note	6
Required Certification	6
Required Independent Insurance Adjuster Training	
Continuing Education Requirements	8
CDI's Annual Notice and Guide for Adjusting Property Claims in California After a Major Disaster	8
Important Note	8
Information Relevant to Evaluating Damage Caused by an Emergency, Catastrophe, Disaster, or Other Similar Occurrence	
Provide Claimant Copy of CDI's Notice	9
Copy of Complete Policy After Loss	9
Additional Living Expenses	
List of Items Covered	9
Time Limit to Collect Additional Living Expenses	9
Uninhabitable/Reasonable Habitation	10
Restricted Access by Civil Authority	10
Advance Payment	10
Itemization of Contents	10
Grace Period	11
Policy Coverage – Peril of Fire	11
Policy Provisions and Benefits	11
Duties Upon Receipt of Communications	
Initial Contact	12
Response to Claimant Communications	12
Response Timelines and Written Communication	
Acceptance or Denial of Claim	12
Actual Cash Value Calculation	13
Replacement Cash Value Calculation	14

Rebuilding in Current Location or Rebuilding or Replacing in a New Location	14
Land Value Deduction	14
Replacement Cost	14
Building Cost Upgrade Coverage	15
Ability to Combine Coverages	15
Payment of Contents Without Inventory	15
Estimate Reconciliation	15
Time Limit to Collect Full Replacement Costs	16
Investigation	18
Changing Claims Adjusters – Primary Point of Contact	18
Appraisal	19
Suits	19
Betterment, Depreciation, Salvage.....	19
Prohibited Conduct	
No Attempts to Settle Unreasonably Low	20
Claims Settlement Practices.....	20
Referrals	20
Settlements.....	20
Claimant’s Rights.....	20
Polygraph Examination.....	20
Documented Telephone Conversations	20
Complaints.....	20
Statute of Limitation.....	21
Prompt Payment	21
California Department of Insurance Enforcement	22
Additional Adjuster Training	
Training for Evaluating Earthquake Damage.....	23
Flood Training, National Flood Insurance Program	25

Disclaimer:

This Guide is for informational purposes only. The actual terms and methods of evaluating damage caused by an emergency, catastrophe, disaster, or other similar occurrence and related laws prevail over the information provided in this Guide. The information contained in this Guide does not create rights or obligations on the part of the insured, the insurer, the agent, the broker, the licensed adjuster, the employee and the adjuster not licensed in California, or the California Department of Insurance. This Guide is not intended to be a substitute for the actual training of the insurance adjuster, employee, or adjuster not licensed in California (California Insurance Code sections [14022\[a\]\[2\]](#), [14022.5\[a\]\[3\]](#), [14046\[a\]2](#), and [14046\[c\]](#)).

Introduction

Since at least [2007](#), the California Department of Insurance (CDI) has distributed notices to insurers, agents/brokers, and adjusters regarding the significant California laws that pertain to residential property insurance policies. These notices can be found on CDI's [Wildfire Resources](#) web page.

On October 3, 2019, Governor Gavin Newsom signed Senate Bill (SB) 240, authored by Senator Bill Dodd (Chapter 502, Statutes of 2019), the Insurance Adjuster Act. This bill took effect immediately and added [section 14046](#) to the California Insurance Code (Cal. Ins. Code), which requires CDI to annually prepare a [Notice](#) that describes the most significant California laws pertaining to property insurance policies, including those related to a declared state of emergency.

In addition, Cal. Ins. Code [section 14046\(a\)\(2\)](#) requires CDI to prepare and deliver to all licensed insurance adjusters a guide that includes information relevant to evaluating damage caused by an emergency, catastrophe, disaster, or other similar occurrence, including wildfires. To meet this requirement, CDI developed this Guide for Adjusting Property Claims in California After a Major Disaster (Guide).

What is an Independent Insurance Adjuster, Who is Required to Hold this License, and Who Needs to be Registered?

An independent insurance adjuster is a person other than a private investigator who, for any consideration whatsoever, engages in the business of making an investigation for the purpose of obtaining information in the course of adjusting or participating in the disposal of any claim in connection with a policy of insurance or engages in soliciting insurance adjustment business (Cal. Ins. Code [section 14021](#)).

Independent Insurance Adjuster Licensing Requirements – A person adjusting or settling property and casualty claims who is:

- (1) not employed exclusively and regularly by one employer in connection with the affairs of the employer only, and
- (2) not in an employee-employer relationship with an insurance company, but works on behalf of an insurance company is performing the duties of an insurance adjuster.

This person is required to be individually licensed as an insurance adjuster (Cal. Ins. Code [section 14022\[a\]\[1\]](#)).

Unless meeting the definition of a person exempted from the licensing requirements as stated in Ins. Code [section 14022](#), all persons must obtain an independent insurance adjuster license prior to adjusting or participating in the disposal of any claim in connection with a policy of insurance or engaging in soliciting insurance adjustment business. To become a licensed adjuster, review CDI's [Adjuster Licensing Requirements](#) webpage.

Registration of Independent Insurance Adjuster Employees – The most common exemption to the individual independent insurance adjuster licensing requirements are those individuals who are employed by a qualified licensed insurance adjuster or qualified manager (Cal. Ins. Code sections [14037](#) and [14041](#)). The qualified licensed independent insurance adjusters and qualified managers are required to report all employees who are authorized to negotiate claims settlements under the independent insurance adjuster license to CDI when applying for an adjuster license and when the license is renewed using one of the following registration services:

- CDI's Independent Insurance Adjuster Registration and Certification Online Services ([Adjuster Online Services](#));
- Independent Insurance Adjuster List of Employees and Adjusters Not Licensed in California, [CDI-183](#); or,
- Written letter delivered to the California Department of Insurance, Attention Adjuster Unit, 300 Capitol Mall, Room 16090, Sacramento, CA 95814

CDI is to be informed within 30 days of any employee hired or terminated subsequent to the filing of the initial employee list – this is an on-going process (California Code of Regulations, Title 10 [Cal. Code Regs., Title 10] [section 2691.12](#)).

In the Event of an Emergency Situation Declared by the Insurance Commissioner – Registration – When the Commissioner declares an emergency situation, insurers, qualified licensed adjusters, and qualified managers must register with CDI all insurance adjuster employees and adjusters not licensed in California who are authorized to negotiate claims settlements on their behalf during the declared emergency (Cal. Ins. Code [section 14022.5](#)).

“**Registration**” or “registered” means submitting the names of insurance adjuster employees and adjusters not licensed in California to the Commissioner using one of the registration services listed below no later than 15 calendar days from the date they began claims adjusting activity in California (Cal. Ins. Code section [14022.5\[a\]\[2\]](#)):



- CDI’s Independent Insurance Adjuster Registration and Certification Online Services ([Adjuster Online Services](#));
Note: The [Adjuster Online Service](#) “Emergency Declaration” link will be available at the time the Insurance Commissioner declares an emergency situation in California.
- Independent Insurance Adjuster List of Employees and Adjusters Not Licensed in California, [CDI-183](#); or,
- Written letter delivered to the California Department of Insurance, Attention Adjuster Unit, 300 Capitol Mall, Room 16090, Sacramento, CA 95814

Registration for claims adjusting activities arising out of an emergency is valid for a period of 180 days from the date of the registration of the employee or adjuster not licensed in California. Before the lapse of that period, CDI may deem a 180-day extension is appropriate if a request by a supervising licensed adjuster or admitted insurer is received (Cal. Ins. Code [section 14022.5\[c\]](#)).

Important Note: For the registration to be valid for insurance adjuster employees and adjusters not licensed in California who are authorized to negotiate claims settlements when the Commissioner declares an emergency situation, the adjuster employee and adjuster not licensed in California must complete the required certification as stated below (Cal. Ins. Code [section 14022.5\[d\]](#)).

Required Certification – Independent insurance adjuster employees and adjusters not licensed in California must submit to CDI a certification, under penalty of perjury, that they have read and understand CDI’s most recent [Notice](#) and this Guide for adjusting property claims in California **or their registrations are invalid**. The following are two methods for employees and adjusters not licensed in California to submit their completed certifications:

- 1) [Adjuster Online Services](#) – Using the “Emergency Declaration” link, at the time the names of the insurance adjuster employees and adjusters not licensed in California are submitted to CDI, the [Adjuster Online Services](#) will create an email providing instructions on how the employee or adjuster not licensed in California can electronically certify, under penalty of perjury, that they have read and understand CDI’s [Notice](#) and this Guide. The insurer, qualified licensed adjuster, or qualified manager will need to insert the employee’s or adjuster not licensed in California’s email address to send the instructions.

Note: This [Adjuster Online Service “Emergency Declaration” link](#) will be available at the time the Insurance Commissioner declares an emergency situation in California.

- 2) Certification – Adjusters Not Licensed in California, Declared Emergency Situation by the Commissioner, CDI-184 – Qualified insurance adjusters, qualified managers, and insurers who submit a completed Independent Insurance Adjuster List of Employees and Adjusters Not Licensed in California, [CDI-183](#), or submit a written letter, are required to provide their employees and adjusters not licensed in California with copies or links to CDI’s [Notice](#), CDI’s Guide, and a copy of the Certification – Adjusters Not Licensed in California, Declared Emergency Situation by the Commissioner, CDI-184. CDI-184 can be submitted to CDI by email, fax, or U.S. mail using the delivery information provided on the form (Cal. Ins. Code [section 14022.5\[a\]\[3\]](#)).

Note: The Certification – Adjusters Not Licensed in California, Declared Emergency Situation by the Commissioner, CDI-184, form will be available at the time the Insurance Commissioner declares an emergency situation in California.

The work performed by insurance adjuster employees and adjusters not licensed in California must be under the active direction, control, charge, or management of a licensed adjuster, qualified manager, or insurer authorized to conduct business in California (Cal. Ins. Code sections [14022.5\[a\]\[1\]](#) and [14029\[a\]](#)).

Required Independent Insurance Adjuster Training

Continuing Education Requirements – Licensed insurance adjusters are required to complete a minimum of 24 hours of continuing education hours each two-year license term, of which three hours are to be in ethics. The continuing education courses include topics such as homeowners, dwelling, commercial insurance coverages, the Adjuster Act, adjusting losses, Fair Claims Settlement Practices, and the duties and responsibilities of an insurance adjuster licensee. Licensed insurance adjusters can use CDI's [Education Provider and Course Search](#) to locate the required courses to complete their continuing education requirement (Cal. Ins. Code [section 14090.1](#)).

CDI's Annual Notice and Guide for Adjusting Property Claims in California After a Major Disaster – In January each year, CDI's [Notice](#) and this Guide will be distributed to licensed insurance adjusters, qualified managers, and insurers admitted in the state of California. This is in addition to the required Cal. Ins. Code sections 790 through 790.15, [Fair Claims Settlement Practices Regulations](#), and Cal. Code Regs., Title 10, [sections 2695.1 through 2696.14](#) training for all claims adjusters. The training and certification are to be completed by all claims adjusters on or before September 1 of each calendar year (Cal. Code Regs. Title 10, [section 2695.6](#)).

Important Note: After a public official declares a state of emergency, as defined in California Government Code (Gov. Code) [section 8558](#), licensed adjusters and qualified managers are to require the employees and nonlicensed adjusters under their supervision to read and understand CDI's most recent [Notice](#) and this Guide no later than 15 calendar days from the date on which the employee began claims adjusting activity in California (Cal. Ins. Code [section 14022\[a\]\[2\]](#)).

Information Relevant to Evaluating Damage Caused by an Emergency, Catastrophe, Disaster, or Other Similar Occurrence

CDI's [Notice](#) emphasizes that all claims adjusters, whether licensed in California or not, who are assigned to adjust claims in California must be properly trained on all laws relating to property and casualty insurance claims handling and the California Unfair Practices Act, [Fair Claims Settlement Practices Regulations](#). Some insurance laws are specifically triggered by a declared disaster and impact how claims are paid and the various timeframes for payment of claims that supersede policy provisions to the contrary.

The following are California Insurance Code Sections and [Fair Claims Settlement Practices Regulations](#) pertaining to property and casualty insurance claims handling:

Provide Claimant a Copy of CDI's Notice: For a claim under a policy of residential property insurance arising as a result of a declared state of emergency, as defined in Gov. Code [section 8558](#), or other emergency declared by a public official, insurers are required to provide the insured with a copy of the most recent CDI [Notice](#) no later than 15 calendar days from the date on which the insurer received notice of the claim (Cal. Ins. Code [section 14046\[b\]](#)).

Copy of Complete Policy After a Loss: After a covered loss under a policy covered by California Insurance Code [section 2071](#), an insurer shall provide to the insured, free of charge, a complete, current copy of their policy within 30 calendar days of receipt of a request from the insured. The policy must include the full insurance policy, any endorsements, and the declarations page (Cal. Ins. Code [section 2084](#)).

Additional Living Expenses

- **List of Items Covered:** If requested by the insured, insurance companies are required to provide the insured with a list of items that an insurer believes would be covered under the policy (Cal. Ins. Code [section 2060\[a\]](#)).

- **Time Limit to Collect Additional Living Expenses:**
In the event of a covered loss relating to a state of emergency, as defined in Gov. Code [section 8558](#), on and after July 1, 2021, coverage for additional living expenses (or loss of use) shall be for at least 24 months from the inception of the loss, but shall be subject to other policy provisions. An insurer shall grant an extension of up to 12 additional months, for a total of 36 months, if an insured acting in good faith and with reasonable diligence encounters a delay or delays in the reconstruction process that are the result of circumstances beyond the control of the insured. Circumstances beyond the control of the insured include, but are not limited to, unavoidable construction permit delays, lack of necessary construction materials, and lack of available contractors to perform the necessary work. Additional extensions of six months shall be provided to policyholders for good cause [Cal. Ins. Code [section 2060\[b\]\[1\]](#)].

- **Uninhabitable/Reasonable Habitation:** If the insured home is rendered uninhabitable by a covered peril, on and after July 1, 2021, a policy that provides coverage for additional living expenses shall not limit the policyholder's right to recovery. However, an insurer may, in lieu of making living expense payments required by this subdivision, provide a reasonable alternative remedy that addresses the property condition that precludes reasonable habitation of the insured premises. The additional living expense coverage subject to this section does not include a utility public safety power shut off event, which is the deenergization of a portion of the electrical distribution or transmission system to reduce the risk of wildfire ignition (Cal. Ins. Code [section 2060\[b\]\[2\]](#)).
- **Restricted Access by Civil Authority:** In the event of a state of emergency, as defined in Government Code [section 8558](#), for a loss that is otherwise not subject to California Insurance Code [sections 2060\(b\)\(1\) and \(2\)](#) above, that is accompanied by an order of civil authority restricting access to the home related to a covered peril on and after July 1, 2021, additional living expense coverage shall be provided for at least two weeks. Additional extensions of two weeks shall be provided to a policyholder for good cause, but shall be subject to other policy provisions (Cal. Ins. Code [section 2060\[c\]](#)).
- **Advance Payment:** In the event of a covered loss relating to a state of emergency as defined in Government Code [section 8558](#), the following special provision shall apply under a residential property insurance policy:

If an insured has made a claim for additional living expenses related to a total loss, an insurer shall, upon request by an insured, render an advance payment of no less than four months of living expenses. Additional payment for additional living expenses shall be payable upon proper proof following the advance period (Cal. Ins. Code [section 2061\[a\]](#)).

- **Itemization of Contents:** In the event of a covered loss relating to a state of emergency, as defined in Government Code [section 8558](#), the following special provisions shall apply under a residential property insurance policy:

(1) If an insured has made a claim for contents related to a total loss of a primary residence, an insurer shall not require that the insured use a company-specific inventory form if the insured can provide an inventory using a form that contains substantially the same information. This subdivision does not limit the authority of an insurer to seek additional reasonable information from an insured upon receipt of an inventory form submitted by an insured.

(2) If an insured has made a claim for contents related to a total loss of a primary residence, an insurer shall accept an inventory that includes groupings of categories of personal property, including clothing, shoes, books, food items, CDs, DVDs, or other categories of items for which it would be impractical to separately list each individual item claimed (Cal. Ins. Code [section 2061\[a\]](#)).

Grace Period: In the event of a state of emergency, as defined in Government Code [section 8558](#), an insurer shall offer a 60-day grace period for payment of premiums for residential property insurance policies covering a property located within the affected area defined in the state of emergency for a period of 60 days after the emergency. This section does not require any change to insurer billing practices regarding billing, automatic payment, or cancellation for nonpayment if the insurer reinstates, without a lapse in coverage or late fees, any policy subject to this section that was canceled for nonpayment of premiums, if requested by the insured and upon reasonably timely payment of all premiums due (Cal. Ins. Code [section 2062](#)).

Policy Coverage – Peril of Fire: If an insurer issues a new residential property insurance policy on or after July 1, 2021, that does not provide coverage for the peril of fire, the insurer shall, on or before the date of issuance of the policy, obtain a signed acknowledgment from the applicant or insured stating that the newly issued policy does not provide coverage for the peril of fire. If the applicant or insured does not sign the required acknowledgment on or before the issuance of the policy, the insurer shall obtain the signed acknowledgment from the applicant or insured within 60 days of the date of issuance of the policy. For purposes of this subdivision, a new or newly issued policy does not include renewal of an existing policy, including a renewal that contains different terms than the preceding policy periods.

If an insurer issues or renews a residential property insurance policy on or after July 1, 2021, that does not provide coverage for the peril of fire, the insurer shall prominently disclose both of the following on the declarations page of the policy:

(1) The following statement in bold, uppercase letters in no less than 12-point type:

THIS POLICY DOES NOT COVER THE PERIL OF FIRE. THERE ARE OTHER RESOURCES FOR FINDING FIRE COVERAGE, INCLUDING USING THE CALIFORNIA DEPARTMENT OF INSURANCE'S HOME INSURANCE FINDER OR PURCHASING COVERAGE FROM THE CALIFORNIA FAIR PLAN ASSOCIATION.

(2) Information on the California FAIR Plan, as required by subdivision (h) of California Insurance Code section [10095](#), and information on the [California Home Insurance Finder](#), as required by subdivision (b) of California Insurance Code section [10095.7](#) (Cal. Ins. Code [section 10103.6](#)).

Policy Provisions and Benefits: Insurers are required to provide complete disclosure of all benefits, coverage, time limits, or other provisions of the insurance policy issued to the insured or beneficiary. Adjusters must immediately communicate with and assist the insured in determining the extent of the insurer's additional liability when additional benefits might reasonably be payable under an insured's policy upon receipt of additional proofs of claim.

The insurer cannot:

- deny a claim based on the claimant's failure to exhibit property, unless there is documentation in the file of: (1) reasonable demand by the insurer, and unfounded refusal by the claimant, to exhibit property, or (2) the breach of any policy provision providing for the exhibition of property (Cal. Code Regs., Title 10, [section 2695.4\[c\]](#))

- require the claimant to sign a release that extends beyond the subject matter that gave rise to the claim payment, as defined in California Code of Regulations, Title 10, [section 2695.4\(e\)\(1\)](#)
- issue compensation or a partial settlement of a loss claim unless a compromise settlement has been agreed to by the insurer and insured in writing as defined in California Code of Regulations, Title 10, [section 2695.4\(f\)](#)
- require a duplicate proof of claim submission from the claimant as defined in California Code of Regulations, Title 10, [section 2695.4\(g\)](#)

Duties Upon Receipt of Communications:

- **Initial Contact** – Upon receiving notice of claim, every licensee or claims agent shall immediately transmit notice of claim to the insurer. Within 15 calendar days of receiving notice of a claim, the insurer must acknowledge receipt of the notice to the claimant unless payment is made within that time. If the acknowledgement is not in writing, a notation of acknowledgement shall be made in the insurer’s claim file and dated. The insurer must also provide the necessary forms, instructions, and reasonable assistance, including but not limited to, specifying the information the claimant must provide for proof of claim and must begin any necessary investigation of the claim (Cal. Code Regs. Title 10, [sections 2695.5\[d\] and \[e\]](#)).
- **Response to Claimant Communications** – Within 15 calendar days of receiving communication from a claimant that reasonably suggests a response is expected, the licensee must respond to the claimant with a complete response of the facts as then known by the licensee (Cal. Code Regs. Title 10, [section 2695.5\[b\]](#)).

Response Timelines and Written Communication

Acceptance or Denial of Claim – California Code of Regulations, Title 10, section 2695.7(b) states the following:

Upon receiving proof of claim, every insurer, except as specified in California Code of Regulations, Title 10, [section 2695.7\(b\)\(4\)](#) below, shall immediately, but in no event more than forty (40) calendar days later, accept or deny the claim, in whole or in part. The amounts accepted or denied shall be clearly documented in the claim file unless the claim has been denied in its entirety. Specifically, as follows:

(1) Where an insurer denies or rejects a first party claim, in whole or in part, it shall do so in writing and shall provide to the claimant a statement listing all bases for such rejection or denial and the factual and legal bases for each reason given for such rejection or denial which is then within the insurer's knowledge. Where an insurer's denial of a first party claim, in whole or in part, is based on a specific statute, applicable law or policy provision, condition or exclusion, the written denial shall include reference thereto and provide an explanation of the application of the statute, applicable law or provision, condition or exclusion to the claim. Every insurer that denies or rejects a third-party claim, in whole or in part, or disputes liability or damages shall do so in writing.

(2) Subject to the provisions of California Code of Regulations, Title 10, [section 2695.7\(k\)](#), nothing contained in California Code of Regulations, Title 10, [section 2695.7\(b\)\(1\)](#) shall require an insurer to disclose any information that could reasonably be expected to alert a claimant to the fact that the subject claim is being investigated as a suspected fraudulent claim.

(3) Written notification pursuant to this subsection shall include a statement that, if the claimant believes all or part of the claim has been wrongfully denied or rejected, he or she may have the matter reviewed by the California Department of Insurance, and shall include the address and telephone number of the unit of the Department which reviews claims practices.

(4) The time frame in California Code of Regulations, Title 10, [section 2695.7\(b\)](#) shall not apply to claims arising from policies of disability insurance subject to California Insurance Code [section 10123.13](#), disability income insurance subject to California Insurance Code [section 10111.2](#), or mortgage guaranty insurance subject to California Insurance Code [section 12640.09\(a\)](#) and shall not apply to automobile repair bills arising from policies of automobile collision and comprehensive insurance subject to California Insurance Code [section 560](#). All other provisions of California Code of Regulations, Title 10, [sections 2695.7\(b\)\(1\), \(2\), and \(3\)](#) are applicable.

Within 40 days of receiving proof of claim, the insurer is required to accept or deny the claim in writing, in whole or in part. If the insurer needs additional time, the insurer must provide the insured a written notice that specifies any additional information the adjuster requires in order to make a determination. Every 30 days, an updated extension notice must be provided to the insured until a final determination is made or notice of legal action is served (Cal. Code Regs. Title 10, [section 2695.7\(c\)](#)).

Actual Cash Value Calculation: Under an open policy, the measure of indemnity in fire insurance is the expense to the insured of replacing the thing lost or injured in its condition at the time of the injury, the expense being computed as of the time of the commencement of the fire.

Under an open policy that requires payment of actual cash value, the measure of the actual cash value recovery, in whole or partial settlement of the claim, for either a total or partial loss to the structure or its contents, shall be the amount it would cost the insured to repair, rebuild, or replace the thing lost or injured less a fair and reasonable deduction for physical depreciation based upon its condition at the time of the injury or the policy limit, whichever is less. A deduction for physical depreciation shall apply only to components of a structure that are normally subject to repair and replacement during the useful life of that structure (Cal. Ins. Code section [2051](#)).

Replacement Cost Value Calculation

Under an open policy that requires payment of the replacement cost for a loss, the measure of indemnity is the amount that it would cost the insured to repair, rebuild, or replace the thing lost or injured, without a deduction for physical depreciation, or the policy limit, whichever is less (Cal. Ins. Code section [2051.5\[a\]](#)).

Rebuilding in Current Location or Rebuilding or Replacing in a New Location:

In the event of a total loss of the insured structure, a policy issued or delivered in this state shall not contain a provision that limits or denies on the basis that the insured has decided to rebuild at a new location or to purchase an already built home at a new location, payment of the building code upgrade cost or the replacement cost, including any extended replacement cost coverage to the extent those costs are otherwise covered by the terms of the policy or any policy endorsement. However, the measure of indemnity shall not exceed the replacement cost, including the building code upgrade cost and any extended replacement cost coverage, if applicable, to repair, rebuild, or replace the insured structure at its original location [Cal. Ins. Code [section 2051.5\[c\]\[1\]](#)].

Land Value Deduction: For a residential property insurance policy, the measure of damages available to a policyholder to use to rebuild or replace the insured home at another location shall be the amount that would have been recoverable had the insured dwelling been rebuilt at its original location, and a deduction for the value of land at the new location shall not be permitted from that measure of damages. However, the measure of indemnity shall not exceed the cost, including the building code upgrade cost and any extended replacement cost coverage, if applicable, to rebuild the insured structure at its original location [Cal. Ins. Code [section 2051.5\[c\]\[2\]](#)].

Replacement Cost: Fire and extended coverage type policies with replacement cost coverage cover the repair and replacement of damaged property, as well as the repair of any damage incurred in making such repairs or replacements. When items or parts are replaced, such items or parts should be of the same quality as those they are replacing. Specifically, California Code of Regulations, Title 10, [section 2695.9\(a\)](#) states the following:

(a) When a residential or commercial property insurance policy provides for the adjustment and settlement of first party losses based on replacement cost, the following standards apply:

(1) When a loss requires repair or replacement of an item or part, any consequential physical damage incurred in making the repair or replacement not otherwise excluded by the policy shall be included in the loss. The insured shall not have to pay for depreciation nor any other cost except for the applicable deductible.

(2) When a loss requires replacement of items and the replaced items do not match in quality, color, or size, the insurer shall replace all items in the damaged area so as to conform to a reasonably uniform appearance.

Building Cost Upgrade Coverage: An open policy of residential property insurance that provides replacement cost coverage shall not be issued or renewed unless it provides additional building code upgrade coverage of no less than 10 percent of the dwelling coverage policy limits. The building code upgrade coverage required by this subdivision shall be additional coverage, and use of this coverage shall not reduce or deplete the dwelling coverage policy limits for the insured property. Insurers may defer building code upgrade coverage of greater than 10 percent of the dwelling coverage policy limits in addition to providing the minimum coverage of 10 percent of the dwelling coverage policy limits (Cal. Ins. Code section [10103\[c\]](#)).

Ability to Combine Coverages: In the event of a claim relating to a state of emergency, an insured under a residential property insurance policy shall be permitted to combine payments for claims for losses up to the policy limits for the primary dwelling and other structures, for any of the covered expenses reasonably necessary to rebuild or replace the damaged or destroyed dwelling, if the policy limits for coverage to rebuild or replace the primary dwelling are insufficient (Cal. Ins. Code [section 10103.7\[a\]](#)).

Payment of Contents Without Inventory: In the event of a covered total loss of a primary dwelling under a residential property insurance policy resulting from a state of emergency, if the residence was furnished at the time of the loss, (1) the insurer shall offer a payment under the contents (personal property) coverage in an amount no less than 30 percent of the policy limit applicable to the covered dwelling structure, up to a maximum of two hundred fifty thousand dollars (\$250,000), without requiring the insured to file an itemized claim.

(2) After receiving the payment described in paragraph (1), the insured may recover additional amounts up to the policy limit for contents coverage by filing a claim pursuant to the terms of the policy for the loss of contents that exceeds the value of the payment provided pursuant to paragraph (1).

(3) When an insured files a claim relating to a state of emergency, as defined in Cal. Gov. Code [section 8558](#), the insurer shall notify the insured of the option to receive payment for loss of contents pursuant to paragraph (1) and of the insured's option to subsequently file a full itemized claim pursuant to paragraph (2).

(4) This subdivision does not affect payment under the policy for scheduled personal property.

(5) This section does not prohibit an insurer from restricting payment in cases of suspected fraud (Cal. Ins. Code [section 10103.7\[b\]](#)).

Estimate Reconciliation: If losses are settled on the basis of a written scope and/or estimate provided by or for the insurer, the insurer must provide the claimant with a copy of the written scope and/or prepared estimate of the settlement. The prepared estimate shall provide the claimant with an amount that will restore the damaged property to no less than its prior condition before the loss that meets trade standards of good and workmanlike construction.

Reasonable steps must be taken to verify the repair and rebuilding costs utilized by the insurer are accurate and representative of costs in the local market area. If the claimant is able to provide a written estimate that necessary repairs will exceed the written estimate prepared by the insurer, the insurer must:

- (1) pay the difference between its written estimate and a higher estimate obtained by the claimant,
- (2) promptly provide the claimant with the name of at least one repair individual or entity that will make the repairs for the amount of the written estimate, or
- (3) adjust any written estimates prepared by the repair individual or entity of the insured's choice and provide a copy of the adjusted estimate to the claimant.

Specifically, California Code of Regulations, Title 10, [section 2695.9\(d\)](#) states the following:

(d) If losses are settled on the basis of a written scope and/or estimate prepared by or for the insurer, the insurer shall supply the claimant with a copy of each document upon which the settlement is based. The estimate prepared by or for the insurer shall be in accordance with applicable policy provisions, of an amount which will restore the damaged property to no less than its condition prior to the loss and which will allow for repairs to be made in a manner which meets accepted trade standards for good and workmanlike construction. The insurer shall take reasonable steps to verify that the repair or rebuilding costs utilized by the insurer or its claims agents are accurate and representative of costs in the local market area. If the claimant subsequently contends, based upon a written estimate which he or she obtains, that necessary repairs will exceed the written estimate prepared by or for the insurer, the insurer shall:

- (1) pay the difference between its written estimate and a higher estimate obtained by the claimant; or,
- (2) if requested by the claimant, promptly provide the claimant with the name of at least one repair individual or entity that will make the repairs for the amount of the written estimate. The insurer shall cause the damaged property to be restored to no less than its condition prior to the loss and which will allow for repairs in a manner which meets accepted trade standards for good and workmanlike construction at no additional cost to the claimant other than as stated in the policy or as otherwise allowed by these regulations; or,
- (3) reasonably adjust any written estimates prepared by the repair individual or entity of the insured's choice and provide a copy of the adjusted estimate to the claimant.

Time Limit to Collect Full Replacement Costs: An insured will have no less than 12 months (from the date that the first payment toward the actual cash value is made) to collect the full replacement cost of the loss, subject to the policy limit. In the event of a loss relating to a “state of emergency,” as defined in Government Code [section 8558](#), an insured will have no less than 36 months (from the date that the first payment toward

the actual cash value is made) in order to collect the full replacement cost of the loss, subject to the policy limit. Additional extensions of six months shall be provided to policyholders for good cause. Specifically, California Insurance Code [sections 2051.5\(a\), \(b\), and \(c\)](#) state the following:

(a)(1) Under an open policy that requires payment of the replacement cost for a loss, the measure of indemnity is the amount that it would cost the insured to repair, rebuild, or replace the thing lost or injured without a deduction for physical depreciation, or the policy limit, whichever is less.

(a)(2) If the policy requires the insured to repair, rebuild, or replace the damaged property in order to collect the full replacement cost, the insurer shall pay the actual cash value of the damaged property, as defined in California Insurance Code [section 2051](#), until the damaged property is repaired, rebuilt, or replaced. Once the property is repaired, rebuilt, or replaced, the insurer shall pay the difference between the actual cash value payment made and the full replacement cost reasonably paid to replace the damaged property up to the limits stated in the policy.

(b)(1)(A) A time limit of less than 12 months from the date that the first payment toward the actual cash value is made shall not be placed upon an insured in order to collect the full replacement cost of the loss, subject to the policy limit.

(b)(1)(B) In the event of a loss relating to a “state of emergency,” as defined in California Government Code [section 8558](#), a time limit of less than 36 months from the date that the first payment toward the actual cash value is made shall not be placed upon the insured in order to collect the full replacement cost of the loss, subject to the policy limit.

(b)(1)(C) This section does not prohibit an insurer from allowing the insured additional time to collect the full replacement cost.

(b)(2) An insurer shall provide to a policyholder one or more additional extensions of six months for good cause pursuant to subparagraph (A) or (B) of paragraph (1) if the insured, acting in good faith and with reasonable diligence, encounters a delay or delays in approval for, or reconstruction of, the home or residence that are beyond the control of the insured. Circumstances beyond the control of the insured include, but are not limited to, unavoidable construction permit delays, the lack of necessary construction materials, or the unavailability of contractors to perform the necessary work.

(c)(1) In the event of a total loss of the insured structure, a policy issued or delivered in this state shall not contain a provision that limits or denies, on the basis that the insured has decided to rebuild at a new location or to purchase an already built home at a new location, payment of the building code upgrade cost or the replacement cost, including any extended replacement cost coverage, to the extent those costs are otherwise covered by the terms of the policy or any policy endorsement. However, the

measure endorsement. However, the measure of indemnity shall not exceed the replacement cost, including the building code upgrade cost and any extended replacement cost coverage, if applicable, to repair, rebuild, or replace the insured structure at its original location.

(c)(2) Notwithstanding any other law, for a residential property insurance policy, the measure of damages available to a policyholder to use to rebuild or replace the insured home at another location shall be the amount that would have been recoverable had the insured dwelling been rebuilt at its original location, and a deduction for the value of land at the new location shall not be permitted from that measure of damages. However, the measure of indemnity shall not exceed the cost, including the building code upgrade cost and any extended replacement cost coverage, if applicable, to rebuild the insured structure at its original location.

Investigation: The insurer shall conduct and diligently pursue a thorough, fair, and objective investigation and cannot persist in seeking information not reasonably required for or material irrelevant to the resolution of a claim dispute (Cal. Code Regs. Title 10, [section 2695.7\[d\]](#)).

Changing Claims Adjusters – Primary Point of Contact: If, within a six-month period, the company assigns a third or subsequent adjuster to be primarily responsible for a claim, the insurer shall provide the insured with a written status report. The written status report must include a summary of any decisions or actions that are substantially related to the disposition of a claim, including, but not limited to, the amount of losses to structures or contents, the retention or consultation of design or construction professionals, the amount of coverage for losses to structures or contents, and all items of dispute (Cal. Ins. Code [section 2071](#)).

Note: In addition to the above, California Insurance Code [section 14047](#) requires for a claim arising from a state of emergency, if, within a six-month period, an insurer assigns a third or subsequent first-party real or personal property claims adjuster, the insurer shall establish a primary point of contact for the insured and provide the insured one or more direct means of communication with the primary point of contact (Cal. Ins. Code [section 2071](#)).

Specifically, the primary point of contact shall be available to respond to inquiries by the insured related to the residential property insurance claim. Other claims personnel, vendors, or professionals, including clerical staff members and call center staff members, may work on portions of the insured's claim. Once assigned, the primary point of contact shall remain assigned to the insured's claim until the insurer determines that the residential property claim is closed or litigation has been filed.

The insurer is required to ensure the primary point of contact refers and transfers an insured to the appropriate supervisor with a span of control over the primary point of contact upon the request of the insured. This process shall be satisfied by a referral to a first-tier or second-tier manager with authority over claim handling (Cal. Ins. Code [section 14047](#)).

Appraisal: In the event of a government-declared disaster, as defined in the California Government Code, appraisal may be requested by either the insured or the insurance company but shall not be compelled (Cal. Ins. Code [section 2071](#)).

Once the appraisal provision under an insurance policy is invoked, the appraisal process shall not include any legal proceeding or procedure not specified under California Insurance Code [section 2071](#). Nothing herein is intended to preclude separate legal proceedings on issues unrelated to the appraisal process (Cal. Code Regs. Title 10, [section 2695.9\[e\]](#)).

Suits: No suit or action on this policy for the recovery of any claim shall be sustainable in any court of law or equity unless all the requirements of this policy shall have been complied with and unless commenced within 12 months next after inception of the loss. If the loss is related to a state of emergency, the time limit to bring suit is extended to 24 months after inception of the loss (Cal. Ins. Code [section 2071](#)).

Betterment, Depreciation, Salvage: When the amount claimed is adjusted because of betterment, depreciation, or salvage, all justification for the adjustment shall be contained in the claim file. Any dollar amount adjustments shall accurately reflect the value of the betterment, depreciation, or salvage. Any adjustments for betterment or depreciation must reflect a measurable difference in market value attributable to the condition and age of the property and apply only to property normally subject to repair and replacement during the useful life of the property. The basis for any adjustment must be fully explained to the claimant in writing.

Under a policy, subject to California Insurance Code [section 2071](#), where the insurer is required to pay the expense of repairing, rebuilding, or replacing the property destroyed or damaged with other of like kind and quality, the measure of recovery is determined by the actual cash value of the damaged or destroyed property, as set forth in California Insurance Code [section 2051](#). Labor expenses to repair, rebuild, or replace insured property is not a component of physical depreciation and is not subject to depreciation or betterment. Specifically, California Code Regulations, Title 10, [section 2695.9\(f\)](#) states the following:

(f) When the amount claimed is adjusted because of betterment, depreciation, or salvage, all justification for the adjustment shall be contained in the claim file. Any adjustments shall be discernable, measurable, itemized, and specified as to dollar amount, and shall accurately reflect the value of the betterment, depreciation, or salvage. Any adjustments for betterment or depreciation shall reflect a measurable difference in market value attributable to the condition and age of the property and apply only to property normally subject to repair and replacement during the useful life of the property. The basis for any adjustment shall be fully explained to the claimant in writing.

(1) Under a policy, subject to Cal. Ins. Code [section 2071](#), where the insurer is required to pay the expense of repairing, rebuilding or replacing the property destroyed or damaged with other of like kind and quality, the measure of recovery is determined by the actual cash value of the damaged

or destroyed property, as set forth in California Insurance Code [section 2051](#). Except for the intrinsic labor costs that are included in the cost of manufactured materials or goods, the expense of labor necessary to repair, rebuild, or replace covered property is not a component of physical depreciation and shall not be subject to depreciation or betterment.

Prohibited Conduct:

- **No Attempts to Settle Unreasonably Low** – Insurers shall not attempt to settle a claim by making a settlement offer that is unreasonably low. CDI will consider the evidence offered to determine whether or not the settlement offer is unreasonably low (Cal. Code Regs. Title 10, [section 2695.7\[g\]](#)).
- **Claims Settlement Practices** – Discrimination by insurers in their claims settlement practices are strictly prohibited. Claims must be accepted or denied, in whole or in part, on a timely basis and denials must be made in writing (Cal. Code Regs. Title 10, [section 2695.7\[a\]](#)).
- **Referrals** – Insurers cannot recommend or suggest a building contractor unless the insured was informed in writing of the right to select a repair individual or entity and expressly requests or agrees to use the individual or entity building contractor. The insurer shall restore the damaged property to no less than its condition prior to the loss and repaired in a manner that meets acceptable trade standards for good and workmanlike construction at no additional cost to the claimant other than as stated in the policy or allowed by regulations (Cal. Code Regs. Title 10, [sections 2695.9\[b\] and \[c\]](#)).
- **Settlements** – The insurer is not to delay or deny settlement of an insured’s claim on the basis that responsibility for payment should be assumed by other persons, except provided by the insurance policy provisions, California statutes, or regulations, including those pertaining to coordination of benefits (Cal. Code Regs. Title 10, [section 2695.7 \[e\]](#)).
- **Claimant’s Rights** – An insurer shall not inform a claimant that the claimant’s rights may be impaired if a form or release is not completed within a specified time period unless the information is given for the purpose of notifying the claimant of any applicable statute of limitations or policy provision or the time limitation within which claims are required to be brought against state or local entities (Cal. Code Regs. Title 10, [section 2695.7\[i\]](#)).
- **Polygraph Examination** – Insurers cannot request or require an insured to submit to a polygraph examination unless authorized under the applicable insurance contract and state law (Cal. Code Regs. Title 10, [section 2695.7\[j\]](#)).
- **Documented Telephone Conversation** – Insurers shall not deny a claim based upon information obtained in a telephone conversation or personal interview with any source unless the telephone conversation or personal interview is documented in the claim file pursuant to the provisions of California Code of Regulations, Title 10, [section 2695.3](#) (Cal. Code Regs. Title 10, [section 2695.7\[l\]](#)).
- **Complaints** – The insurer cannot require that an insured withdraw, rescind, or refrain from submitting any complaint to CDI regarding the handling of a claim or any other matter complained of as a condition to settlement of the insurance claim (Cal. Code Regs. Title 10, [section 2695.7\[o\]](#)).

Statute of Limitation: Except where a claim has been settled by payment, every insurer shall provide written notice of any statute of limitation or other time period requirement upon which the insurer may rely to deny a claim. Such notice shall be given to the claimant not less than sixty (60) days prior to the expiration date; except, if notice of claim is first received by the insurer within that sixty days, then notice of the expiration date must be given to the claimant immediately. With respect to a first party claimant in a matter involving an uninsured motorist, this notice shall be given at least thirty (30) days prior to the expiration date; except, if notice of claim is first received by the insurer within that thirty days, then notice of the expiration date must be given to the claimant immediately. This subsection shall not apply to a claimant represented by counsel on the claim matter (Cal. Code Regs. Title 10, [section 2695.7\[f\]](#)).

Prompt Payment: Within 30 days of accepting a claim in whole or in part and, when necessary, upon receipt of a properly executed release, an insurer is to issue payment in the amount that has been accepted by the insurer or otherwise take action to perform its claim obligation (Cal. Code Regs. Title 10, [section 2695.7\[h\]](#)).

California Department of Insurance Enforcement

CDI is authorized to take a range of enforcement actions against a licensee or an adjuster not licensed in California for the misconduct of the adjusters not licensed in California.

Specifically, California Insurance Code [section 14064.5](#) states, in part, the Insurance Commissioner may, at any time, deny, suspend, or revoke a nonlicensed adjuster's registration under California Insurance Code [section 14022.5](#), or impose a restricted registration, in the same manner and on the same grounds as the Commissioner may for a license as set forth in California Insurance Code sections [14026.5](#) through [14028.5](#), inclusive.

In addition, the Commissioner may deny, suspend, revoke, or restrict an adjusting firm's license if a nonlicensed adjuster, registered by the firm pursuant to California Insurance Code section [14022.5](#), commits an act that would give rise to suspension, revocation, or restriction of the adjusting firm's license under California Insurance Code [sections 14038](#), [14039](#), or [14061](#) through [14064](#), inclusive.

Similarly, California Insurance Code [section 14065](#) states, in part, that the Commissioner, in lieu of suspending or revoking a license issued under this chapter for violations of California Insurance Code [sections 14061](#), [14063](#), [14064](#), and [14064.5](#), may impose a civil penalty not to exceed five hundred dollars (\$500) upon a licensee, if the Commissioner determines that a penalty better serves the purposes of this law.

Additional Adjuster Training Training for Evaluating Earthquake Damage

California Insurance Code [section 10089.3](#) and in California Code of Regulations, Title 10, [section 2695.42](#) state insurers are required to provide training regarding the handling of earthquake claims to insurance adjusters who evaluate earthquake claims for or on behalf of the insurer. The insurer may provide the training directly or have the training provided by another entity. In addition, the insurer is required to ensure that the course of instruction meets all requirements set forth in this section. An adjuster trained and accredited by one insurer is deemed accredited in order to adjust claims for a different insurer unless such insurer includes additional requirements. The content of the training required shall include the following topics:



(a) The California Fair Claims

Settlement Practices Regulations: California Code of Regulations, Title 10, [sections 2695.1 through 2696.14](#), inclusive. Demonstration of compliance with the annual training and certification requirements of California Code of Regulations, Title 10, [section 2695.6](#) shall satisfy an insurance adjuster's training requirements prescribed by this subsection.

(b) Determination of Scope of Loss: Adjusters shall be trained how to conduct a thorough examination of the property to be inspected, including, but not limited to: attics, crawlspaces, roofs, chimneys, foundations, and structural areas. The adjuster shall be trained how to make a complete listing of all recent earthquake damage. Training shall include building code upgrade issues and procedures to be followed if additional hidden earthquake damage is found after repair of earthquake damage has begun.

(c) Loss Estimation Techniques: Adjusters shall be trained how to create or obtain an accurate estimate of all covered earthquake damage. The adjuster shall be trained regarding the appropriate level of detail to be contained in the estimate and the documentation necessary to support the estimate. Adjusters shall be trained to reevaluate the estimate if the actual costs of repair differ from the costs listed on the original estimate.

(d) Determination of Necessity for Engineer or Expert: Adjusters shall be trained how to evaluate visible damage and indicia of hidden damage to determine when to consult with an engineer or other expert.

(e) California Department of Insurance Earthquake Mediation Program: Adjusters shall receive training regarding the Earthquake Claims Mediation Program of CDI set forth in California Insurance Code [section 10089.70](#) and California Code of Regulations, Title 10, [sections 2696.1 through 2696.10](#).

(f) Assessment of Damage to Concrete Surfaces and Foundations: Adjusters shall be trained on the basic techniques used to determine the difference between preexisting cracks in the concrete of structures and new cracks caused by an earthquake. Complete training pursuant to this subsection shall include methodology for determining when repair or replacement of the concrete is appropriate and proper methods for concrete repair including, but not limited to, injected epoxy methods.

(g) Subsequently Discovered Earthquake Damage: Adjusters shall be trained on the basic requirements of current law regarding the obligation of the insurer to investigate any earthquake damage that is discovered or reported and when it may be appropriate to seek legal counsel to assist in making this determination.

(h) Programs Designed to Assist Earthquake Victims: Adjusters shall be trained regarding the existence of United States Small Business Administration and Federal Emergency Management Agency or other similar programs intended to assist earthquake victims. Training pursuant to this subsection shall include an overview of these programs and deadlines, and how these programs and deadlines interact with the underlying earthquake insurance claim.

For more information and additional earthquake related training, please review the [California Earthquake Authority](#) website.

Additional Adjuster Training Flood Training National Flood Insurance Program

The Federal Emergency Management Agency (FEMA) requires all insurance adjusters who adjust flood losses for the National Flood Insurance Program (NFIP) to have an active NFIP flood control number (FCN). The following are FEMA's adjustment standards and requirements that clarify NFIP expectations of flood adjusters as outlined in the [FEMA Claims Manual](#), published June 29, 2023. FEMA has also published the [Standard Flood Insurance Policy Commentary](#) that serves as a quick reference document for claims professionals to find current NFIP guidance relevant to key provisions and concepts contained within the Standard Flood Insurance Policy (SFIP).

Adjuster Claims Professionals Expectations

FEMA expects claim professionals who handle NFIP losses to adopt FEMA's core values of compassion, fairness, integrity, and respect.

FEMA Core Values

Compassion: Be empathetic to the stressful circumstances the policyholder may be experiencing and your crucial role in helping their recovery. Every interaction with the policyholder is an opportunity to cultivate a relationship.

Fairness: Strive to achieve principled, well-reasoned, and just outcomes in the execution of all claims, and adjust each claim fairly and without unnecessary delay, bias, or preference.

Integrity: Integrity is the foundation of all our actions and is central to our conduct. Maintain the highest standards of integrity by creating a culture of honesty, consistency, and predictability. Trust is the earned result of conducting our actions with integrity. Failure to adhere to the highest standards reflects poorly on the NFIP.

Respect: Treat all policyholders with dignity and respect. This is not only important, but it is also their right.

Customer Service Standards

Be Professional:

FEMA expects that claims professionals:

- Know the unique reporting requirements of the NFIP;
- Communicate the coverage and limitations to policyholders during the inspection; Adjust all claims in compliance with the SFIP, the [FEMA Claims Manual](#), and any applicable bulletin issued by FEMA after publication of the [FEMA Claims Manual](#);



- Help the policyholder document their loss as completely and accurately as reasonably possible;
- Respond promptly to all inquiries, be available to answer questions, update the policyholder about the status of their claim, and present clear and correct information about their claim;
- Include all allowances payable in the policy in the estimate. NFIP coverage differs from other insurance policies; therefore, claims professionals may need to spend additional time addressing differences with the policyholder;
- Explain coverage early in the claim process in a clear manner. For example, post-FIRM elevated building and basement coverage can confuse the policyholder and require additional explanation;
- Set reasonable expectations with the policyholder and ensure that they understand what is required to complete the adjustment of their claim; *and*
- Be considerate of the policyholder's time, keep appointments, and honor their commitments.

Be Prepared

FEMA expects claims professionals to:

- Have their resources on hand and understand all three SFIP forms (Dwelling, General Property, and Residential Condominium Building Association Policy (RCBAP). Policies written under a Group Flood Insurance Policy (GFIP), a policy coverage for all individuals named by a state as recipients under section 408 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (P.L. 93-288 § 408, 42 U.S.C. § 5174), will only be assigned to adjusters by NFIP Direct. All claims professionals must have a good command of the SFIP and its application of coverages so they can successfully support the policyholder;
- Ensure adjusting software is calibrated correctly for the geographic area where the loss occurred and that it accounts for post-disaster and property-specific issues;
- Offer an advance payment to the policyholder with an eligible claim and always check for new guidance on advance payments; and,
- Know when to engage outside professional services on adjustments and, when necessary, seek the appropriate authorization in a timely manner.

Be Compassionate

FEMA expects:

- Claims professionals must remember that the flood loss may create a traumatic experience and response by the policyholder. Claims professionals often work with people under stress and should recognize this and create a positive policyholder claims experience.
- Claims professionals should be flexible based on the circumstances affecting the policyholder. This may mean making reasonable changes to accommodate the needs of the policyholder when it comes to inspecting the loss, discussing the claim, and returning phone calls and emails.

NFIP Adjuster Participation

In addition to the expectations set out in the prior section, FEMA knows that adjusters are the face of the NFIP to our policyholders. Adjusters will likely be the first, and perhaps the only, NFIP representative a policyholder meets after a flood. The NFIP depends on the adjusters' expertise and compassion to help our policyholders recover from what may be a devastating experience for them.

The adjuster collaborates with the claims examiner to guide a policyholder through the NFIP claims process.

Role of the Adjuster

FEMA expects every adjuster handling NFIP flood losses:

- Adjusters do not have the authority to accept or deny coverage on behalf of the NFIP. This remains the responsibility of the Write Your Own (WYO) company or NFIP Direct. Adjusters are authorized to explain the policy to the policyholder and make recommendations to the insurer;
- To communicate to the policyholder that the adjuster does not have the authority to approve or deny a claim;
- To understand that all adjustments are only recommendations subject to review by the NFIP insurer;
- To adjust all claims in compliance with the SFIP, the [FEMA Claims Manual](#), and any applicable bulletin issued by FEMA after publication of the [FEMA Claims Manual](#);
- To review and explain the building estimates and proactively assist policyholders with the contents claim and proof of loss; *and*
- To help the policyholder to document their loss as completely and accurately as reasonably possible.

Adjusters must adhere to the WYO company's reporting procedures and guidelines for whom they received loss assignments and forward any questions requiring clarification through the WYO company's internal chain of command.

NFIP Knowledge

FEMA expects every adjuster handling NFIP flood losses to follow the guidance provided in the [FEMA Claims Manual](#) and be knowledgeable of the provisions, exclusions and restrictions of the SFIPs. If additional guidance is needed the adjuster should ask whether an NFIP bulletin was published providing policy and claim clarifications issued after the [FEMA Claims Manual](#) publication. NFIP Bulletins are located at <https://nfipservices.floodsmart.gov>, under the Industry Resources link.

Note: FEMA recommends that adjusters and claims examiner subscribe to the WYO Clearinghouse Bulletin Subscription distribution list located at NFIPWYOMailbox@fema.dhs.gov.

Required NFIP Adjuster Registration for Independent Adjusters

In order to adjust flood losses for the NFIP, independent adjusters must (1) register with the NFIP and (2) possess an active Flood Control Number (FCN). To receive an FCN, an independent adjuster must possess the requisite qualifications and attend an annual NFIP

claims presentation. These claims presentations keep the adjusting community current on NFIP claims procedures and guidance.

Adjuster Qualifications

The NFIP requires independent adjusters to possess certain qualifications to adjust different property types. FEMA will verify these credentials prior to issuing an FCN to an adjuster. Adjusters may only perform flood claim inspections in the categories displayed on their FCN cards. The following table details what types of properties an adjuster can adjust for a given level of expertise.

Adjuster Qualifications

Property Type

Residential, Manufactured Home, Travel Trailer, and Commercial Losses

Registration Requirements

- Have at least four years of full-time property loss adjusting experience.
- Be capable of preparing an accurate scope of damage and dollar estimate to \$50,000 for manufactured homes and travel trailers, \$250,000 for residential losses, and up to \$500,000 for commercial losses.
- Attend the annual NFIP claims presentation.
- Demonstrate knowledge of the SFIP and NFIP adjustment criteria for all policy forms.
- Have knowledge of manufactured home and travel trailer construction and valuation.

Property Type

Large Commercial and RCBAP Losses

Registration Requirements

- Have at least five years of full-time large-loss property adjusting experience.
- For large commercial losses, be capable of preparing an accurate scope of damage and dollar estimate of \$500,000 or more.
- For RCBAP, be capable of preparing an accurate scope of damage and dollar estimate of \$1,000,000 or more.
- Provide written recommendations from three insurance company supervisors or claims management personnel. The recommendations must reflect the adjusting experience only.

Adjuster Registration Process

The [Adjuster Registration Application](#) contains five registration categories. Adjusters may register for any or all categories for which they satisfy the qualification requirements. The categories are:

- Residential
- Manufactured (Mobile) Home/Travel Trailer
- Small Commercial (<\$100,000)
- Large Commercial (\$100,001 - \$500,000)
- Condominium (RCBAP)

New applicants and adjusters seeking to add categories to their existing registration must submit a completed Adjuster Registration Application to the NFIP via either of the following methods:

Email: NFIPAdjusterMailbox@fema.dhs.gov

Mail: NFIP, PO Box 310, Lanham, MD 20703-0310

Adjusters in active status do not need to submit an application unless required by FEMA, or if registering to handle claims for a different property type. The NFIP will automatically renew active adjusters when they attend the annual NFIP adjuster presentation.

FEMA will notify new adjusters and adjusters seeking to add a category to their classification whether FEMA approves or denies their application. This notification will occur by email. Adjusters approved or renewed by FEMA will additionally receive their FCN card via email.

Important: Adjusters who do not attend an annual NFIP claims presentation become inactive. Inactive adjusters cannot adjust flood claims until they attend an approved NFIP claims presentation and are reactivated by FEMA and will maintain their original FCN.

Flood Adjuster Capacity in Program (FACP):

FEMA expects that all of its partners will handle NFIP claims consistently with the NFIP standards and expectations, a consumer-focused quality claim handling experience. The FACP sets minimum training standards for use by WYO Companies and independent adjusting firms for the development and training of individuals who wish to handle NFIP flood claims. To this end, FACP requires there be (1) training, (2) documented adjuster performance, (3) active supervision, and (4) operational oversight.

Adjusters registered under the FACP must have an active FACP FCN to work flood claims for FEMA. FACP adjusters may only perform flood claim inspections under the Dwelling Form.

Through the FACP, the NFIP establishes a pool of registered adjusters for its stakeholders. The FACP classifies adjusters into levels based on a set of criteria.

The intent of the FACP is to attach a measure of competence at each level, establish levels of required supervision, and to accommodate the NFIP's ability to surge based on the needs of its partners at the time of a disaster. The FACP, by design, encourages the NFIP Direct, WYO companies, and independent adjusting firms to jointly enhance the recruitment, training, and professional development of NFIP claims adjusters.

While FACP allows for customization, FEMA expects that all of its partners will handle NFIP claims consistently with the NFIP standards and expectations, a customer-focused quality claim handling experience. To this end, FACP requires there be (1) training, (2) documented adjuster performance, (3) active supervision, and (4) operational oversight.

Code of Conduct

Individuals handling NFIP claims will maintain the highest standards of honesty, impartiality, character, and conduct to ensure the proper performance of NFIP business

and the continued trust and confidence of the NFIP policyholders. Adjusters must conduct themselves with courtesy and integrity, a deep sense of responsibility for policyholder trust, and promptness in dealing with and serving the policyholder.

Adjusters will display a standard of professional behavior that reflects positively upon and will be a credit to both themselves and the NFIP.

FEMA does not accept any professional conflict of interest. Any independent adjuster or adjusting firm who performs work on behalf of the NFIP, or who is registered in the FACP, may not perform any services, including support, inspections, consulting, or estimating, for or as a public adjuster (licensed or not) or give representation adverse to the NFIP. Adjusters also may not adjuster claims for property in which the adjuster or immediate family member owns an interest, nor can an adjuster accept any money from a third party to steer business to a specific firm or individual. Adjusters and adjusting firms may not accept monetary or non-monetary incentives from policyholders. If a conflict is identified, an adjuster's registration will be deferred for one year to ensure interests have ended and will not reoccur. In addition, the use of the FCN for any purpose other than adjusting a flood insurance claim on behalf of an NFIP insurer is improper and may result in immediate suspension or revocation of the FCN. FEMA may refer to improper usage of the FCN to investigators as necessary to protect the integrity of the NFIP.

Complaint Handling

FEMA will investigate all complaints asserting a violation of the Code of Conduct to confirm the validity of the complaint. WYO companies, NFIP Direct, and adjusting firms also have an obligation to protect the integrity of the NFIP. When a WYO company, NFIP Direct, or adjusting firm becomes aware of a violation, they must conduct an internal investigation. If a violation is confirmed, they will immediately notify FEMA and provide all supporting documentation, including their findings and recommendations. If FEMA determines that there was a violation of the NFIP's Code of Conduct, FEMA will act to revoke the FCN for a period necessary to remedy the underlying violation, which in no case will be less than one year from the date the violation ceased.

Documentation can be set to the NFIP via either of the following methods:

Email: NFIPAdjusterMailbox@fema.dhs.gov

Mail: NFIP, Post Office Box 310, Lanham, MD 20706

CDI does not regulate the [NFIP](#). Flood insurance is a federal program. Please contact the [NFIP](#) for additional information.

For information on adjuster participation in the National Flood Insurance Program, please review the following link: <https://nfipservices.floodsmart.gov/>