

**DEPARTMENT OF INSURANCE**

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**NOTICE**

DATE: December 20, 2005  
TO: Public Insurance Adjusters  
SUBJECT: SB 518 – New adjuster requirements

Senate Bill 518 (Kehoe, Chapter 448, Statutes of 2005), was signed into law on September 30, 2005. Effective **January 1, 2006**, this bill makes the following changes affecting public and interim insurance adjusters:

- Increases the sum of the current surety bond required in California Insurance Code section 15033 from \$5,000 to \$20,000. All public and interim insurance adjusters must file with the Department a new \$20,000 surety bond, or a rider to the existing bond. The effective date of the bond must be **January 1, 2006** and received by this department by **February 1, 2006**.
- Increases the sum of the current deposit which can be filed in lieu of the surety bond required in California Insurance Code section 15036 from \$5,000 to \$20,000.
- Reduces the length of time in which an expired license or branch office certificate can be renewed from five (5) years to one (1) year.
- Requires that every contract between the public adjuster and the insured must now contain several new elements and cannot contain certain other provisions currently allowed. The list of all required elements and prohibitions is contained in **Attachment 1**.
- Requires that before the contract is signed by the insured, the public adjuster must provide the insured a separate printed disclosure document that contains the name and license number of the public adjuster. This disclosure document must follow the form contained in **Attachment 2**.

**ATTACHMENT 1** [Insurance Code Section 15027(b)]

The written contract between the licensee and the insured shall contain each of the following:

- Title of “Public Adjuster Contract.”
- The name, business name, license number, telephone number, and address of the licensee.
- The name and address of the insured.
- A description of the loss and its location, if applicable.
- The name of the insurer and the policy number, if known.
- The full salary, fee, commission, or other consideration the licensee is to receive for services under the contract.
- A description of the services to be provided to the insured.
- Signatures of the licensee and the insured.
- The date the contract was signed by the licensee and the date the contract was signed by the insured.
- The following statement: “As a public adjuster, I am required by the California Insurance Code to post a surety bond in the sum of \$20,000 to cover certain kinds of claims made by you, the insured. If you have question concerning the surety bond, you may contact the California Department of Insurance Producer Licensing Call Center at 1-800-967-9331, 1-916-322-3555 or [www.insurance.ca.gov](http://www.insurance.ca.gov).”
- A statement of the compensation to the licensee, including the percentage and base to which the percentage applies.
- A statement that the insured has the right to rescind the contract within three business days of signing it.

The written contract under Insurance Code Section 15027 shall not contain a contract term that does any of the following:

- Allows the licensee’s fee to be collected when money is due from an insurer, but not paid, or allow a licensee to collect the entire ff from the first payment issued by an insurer, rather than as a percentage of each payment issued by an insurer.
- Requires the insured to authorize an insurer to issue a payment only in the name of the licensee.
- Imposes late fees or collections costs on the insured

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Pursuant to Insurance Code Section 15027(v), prior to the signing of the contract, the licensee shall provide the insured with a separate printed disclosure document in the following form that bears the name and license number of the licensee.

**ATTACHMENT 2** [Insurance Code Section 15027(v)]

Prior to the signing of the contract, the licensee shall provide the insured with a separate printed disclosure document in the following form that bears the name and license number of the licensee:

“DISCLOSURE”

There are three types of insurance adjusters that could be involved in the processing of your insurance claim. The definitions of the three types are as follows:

- (1) Public adjusters mean the insurance adjusters who do not work for your insurance company. They work for you, the insured, to assist in the preparation, presentation, and settlement of your claim. You hire them by signing a contract and agreeing to pay them a fee or commission based on a percentage of the settlement, or other method of compensation. Public adjusters are required to be licensed, bonded, and tested by the State of California to represent your interest only.

- (2) Company adjusters mean the insurance adjusters who are employees of your insurance company. They represent your insurance company and are paid by your insurance company. They will not charge you a fee and are not individually licensed or tested by the State of California.
- (3) Independent adjusters mean the insurance adjusters who are hired on a contract basis by your insurance company to represent the company in the settlement of the claim. They are paid by your insurance company. They will not charge you a fee.

You have the right, but are not required, to use the services of a public adjuster in the preparation and handling of your insurance claim.

Public adjusters cannot solicit your business while the loss is underway, or between the hours of 6 p.m. and 8 a.m.

Your "Public Adjuster Contract," with a public adjuster representing you, should clearly indicate the amount of the fee you will be paying to your public adjuster. Your contract, with this fee percentage, should be acknowledged by your initials on the "Public Adjuster Contract." The salary, fee, commission, or other consideration is to be paid by you (the insured), not the insurance company (insurer).

You have the right to cancel the contract with your public adjuster, without penalty or obligation, within three business days from the date the contract is signed.

If you cancel the contract with your public adjuster, any money or other consideration paid by you will be returned within five business days following the receipt of your cancellation notice, and any security interest arising out of the transaction will be canceled.

To cancel the contract with your public adjuster, mail or deliver by certified mail, return receipt requested, or other form of mailing which provides proof of mailing, a signed and dated copy of the cancellation notice, or any other written notice, or send a telegram to the public adjuster at the address in the contract.

You have the right to, and may, communicate with your insurance company at any time if you feel the need during the claims process.

If you have any concerns or questions, the officers at the California Department of Insurance Consumer Hotline are there to help you. Please call them at 1-800-927-HELP (4357), or [www.insurance.ca.gov](http://www.insurance.ca.gov)."

For questions regarding the bond requirements, contact the Producer Licensing Bureau at 1-916-492-3085. For questions concerning changes to the contract, contact our legal division at 1-415-538-4500. To view SB 518 in its entirety, go to <http://www.leginfo.ca.gov/bilinfo.html>.