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TESTIMONY OF PRESIDENT RON REITZ ON BEHALF OF THE NATIONAL ASSOCIATION OF PUBLIC INSURANCE ADJUSTERS BEFORE THE KANSAS STATE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE

Wednesday, February 13, 2013
Topeka, Kansas

Good morning Chairman Olson and members of the Committee.

My name is Ron Reitz, president of Quality Claims Management Corp., a nationwide public adjusting firm based in San Diego, California. I am also the president of the National Association of Public Insurance Adjusters, the oldest and largest professional group of public adjusters in the United States. We are pleased and privileged to appear before this Committee today to discuss Senate Bill No. 138.

Insurance is a challenging subject for many consumers, whether on the personal or commercial lines of coverage. Making matters far worse for them, and for you as public policymakers, is the lack of understanding as to the role of the public adjuster in the insurance profession, the service they provide to the insurance customer, including individuals, and the efforts of NAPIA and its members to continue to professionalize the practice of public adjusting.

Public adjusters are experts on property loss adjustment who are retained by policyholders to assist in preparing, filing and adjusting first party insurance claims. Public adjusters are just like other insurance professionals licensed by and regulated under the insurance departments around the country, and are expected to operate in a manner consistent with and according to the rules put forth by the respective legislatures and insurance departments. Many public

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adjusters, like agents, insurance companies, reinsurers and all others regulated in the business of insurance, work hard to operate within the laws of a state and deliver quality services to their customers. Contrary to what many have believed in the past, the members of NAPIA, who themselves abide by Rules of Professional Conduct and Ethics and rigorous continuing education requirements, support the strong regulation of public adjusting and have supported, among other things, bills providing for fee caps and other provisions that are in the consumer's best interest.

The propagation of falsehoods and myths about public adjusters and their presence in a claims situation inflating claims, creating fraudulent claims, and otherwise operating in an unscrupulous fashion must end. NAPIA strongly supports the effective enforcement of laws and regulations pertaining to public adjusters, just as we would hope that insurance departments aggressively pursue wrongdoing among any class of licensee. However, we assert that the stories and suppositions regarding public adjusters, as a group, being something less than fully licensed and regulated insurance professionals working assiduously for their clients are plainly wrong. The purveyors of such tales contribute to a gross misunderstanding of the role of the public adjuster in the insurance profession and the benefits their services can provide to personal and commercial lines claimants alike.

As it has done in other states, NAPIA appears here today to strongly support expanding Kansas' regulatory paradigm for the licensing and regulating of public adjusters, so that they may serve all insurance claimants. Among other things, a comprehensive and effective regulatory structure helps identify those players in the market—unscrupulous public adjusters and those posing as public adjusters—who are not operating according to the laws of the State of Kansas, or outside of those laws entirely.

As you may know, a major problem facing licensed public adjusters, insurers, regulators and, most importantly, insurance consumers and claimants is the proliferation of those engaged in the unauthorized practice of public adjusting. From coast to coast, from hurricanes to tornadoes to wildfires, these individuals who pretend to be adjusters and prey upon unsuspecting consumers—especially individual personal lines claimants—at their moment of greatest need are a blight on the entire insurance profession. The unauthorized practice of public adjusting, known as UPPA, is both a competitive challenge to the legitimate practitioners and drives so much of the adverse publicity for the profession since these bad actors

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and their acts are ascribed to the licensed public adjuster profession. Put simply, those engaged in UPPA are a threat to the general public.

During my year as president, and with the full support of presidents past and future and the entire membership, NAPIA has undertaken an aggressive campaign of re-engaging with regulators and legislators to make certain that

- They are educated as to the profession, its licensure, continuing education requirements, and efforts at promoting ethical conduct;
- They understand the role of professional organizations like NAPIA in pursuing enhancements to the profession, and the willingness of the organization to participate in public policy discussions pertaining to the proper and effective regulation of the profession;
- They remain up to date on important accomplishments of public insurance adjusters on behalf of customers;
- They know about the scourge of UPPA, and work cooperatively with NAPIA to attack it on all fronts.

Over the past 15 months, I have traveled to the meetings of the National Association of Insurance Commissioners (NAIC), as well as to insurance departments around the country, to both better educate regulators as to the role and responsibilities of public adjusters, and offer the services of NAPIA in promoting good conduct among public adjusters. In fact, this is my second trip to Topeka in the past few months, as I met with Commissioner Praeger and her staff to engage in discussions pertaining to improvement of communications between the profession and her office, collaborate on enforcement and disaster response projects, and make clear that NAPIA is fully engaged in the efforts to improve the regulation of public adjusting in the state.

NAPIA also has become more engaged directly with regulators in areas where there has been significant loss from natural disasters. In New York, New Jersey and Connecticut, the aftermath of Sandy included NAPIA outreach to insurance departments to assist in the emergency licensing of public adjusters. In New York, for example, it was acknowledged by both the regulator and the public adjusters of that state that there would be a need for more public adjusters to come into the states quickly in order to move the claims process forward expeditiously. NAPIA

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is pleased to have been a part of that process, in concert with the state association of public adjusters.

Likewise, NAPIA has been quick to respond to criticisms—undeserved, we believe, and masking larger problems like UPPA—arising from the Colorado wildfires, meeting with that state’s insurance commissioner and department staff to better understand their concerns, clarify the acts of duly licensed and ethical public adjusters as contrasted against those who purport to be adjusters and others operating entirely outside of the law by not even pretending to be authorized adjusters. These efforts at the NAIC build upon our close collaboration with the commissioners on the drafting of the latest model act a few years ago. We are also planning more direct involvement at the National Conference of Insurance Legislators (NCOIL) as a way to better connect with insurance committee chairs from state legislatures around the country.

There is no question that insurance consumers benefit from the enactment of legislation regulating public adjusters as it relates to the handling of personal lines claims. So too will the public adjusting profession be improved with a sound and sensible piece of legislation that aims to enhance the professionalism of the practice of public adjusting. There will, of course, be those who hold on tight to an old, outdated and inaccurate orthodoxy that adheres inappropriately to the notion that public adjusters are more problem than problem solver and oppose any initiative to recognize the profession through a reasonable licensing methodology and assertive enforcement philosophy. As of today, 45 states have seen fit to bring public adjusting in from the proverbial cold: we are appreciative of that recognition, including here in Kansas, and work every day to maintain the confidence that these laws show in the profession. We know that the many consumers who have enjoyed the services of a public adjuster in negotiating complex, and even sometimes contradictory, insurance coverage provisions are appreciative of having this profession available to them.