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## Public Adjusters and RCV - The Messenger and the Message

By [Scott Johnson](#)

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*Editor's Note: The following is from a blog by FAIA's Scott Johnson posted in mid-May at [www.faia.com](http://www.faia.com). Although SB 2044 was eventually vetoed by Gov. Charlie Crist, along with the public adjuster reforms and changes to RCV claims-paying processes contained therein, Johnson's case for reform remains timely as we move ever further into hurricane season.*

For those convinced I've been exaggerating the link between Public Adjusters (PAs) and the lack of any replacement cost "hold back" provision, consider the case of Jorge Espinosa. Arrested in May and charged with 18 felony counts, his debut was in 2004 when he resigned from the Miami-Dade Police Department for killing an unarmed teenage burglar -- an event he often referenced to reluctant clients of his newest venture, Global Adjusting, LLC.

Facts of his arrest reveal an intimate marriage between PAs and replacement cost coverage -- one is the messenger; the other, the message.

The message -- the pot of gold that used to be at the end of the rainbow -- is now at the beginning. Instead of actually spending new dollars to replace old property, you can get all your money up front, and, even better, you can spend it however you want: on a new big screen TV, on a new car, a vacation, some lingering bad debts, or all of the above. All you have to do is give 20 percent to the messenger.

In this case, Espinosa and a friend arrived at a home where a small kitchen fire had been promptly settled weeks before. Their new replacement cost message: "You could get more, much more, if your tile floors had also been damaged." Seeing no such damage, Espinosa smashed the floor with a frying pan, then with a hammer, and cloaked his display with a cover story about a dropped plate -- value of the no hold back replacement cost claim...\$70,000. Amount deserved using the hold back provision...\$9,000.

For a look into the soul of the replacement cost hold back provision, read the very enlightening arrest affidavit of Jorge Espinosa by clicking here

<http://community.faia.com/library/000/001/98/PA%20Law%20Enforcement%20documents%2005-13-10.pdf> .

For those who still believe that a purchase of replacement cost coverage warrants replacement cost payments without a hold back, consider this: The price for RCV is roughly 25 percent more than ACV with a hold back provision! Without a hold back provision (ala Espinosa) it's more like 75 percent more and climbing. Florida is the only venue in the entire world that does not have a hold back provision for replacement cost. Replacement cost would not exist if it were not for the hold back provision.

Look at what Espinosa and other bad PAs are doing (though most not as overtly) and ask yourself: Is it any wonder that frequency and severity have skyrocketed? Is it any wonder that losses per policy are up 65 percent? Is it any wonder Florida has 3,200 new PA messengers, almost 90 percent of who are located in Dade and Broward counties?

There's no room for subtlety. Senate Bill 2044 was just a start. For a return to normalcy, we must limit the activities of PAs and completely eliminate the prohibition against a replacement cost hold back provision.