

Email received from a trial lawyer, requesting anonymity, regarding Stremms & my post titled “Collapse of an Evil Empire! PART I”, June 15, 2020.

Good evening Scott,

It was a pleasure speaking with you earlier. As discussed and agreed, I am expecting that you not disclose the source of the information that I shared earlier with you and I outline below.

As I shared with you earlier, there are a number bad apples in our industry who are harming policyholders (and ultimately the property insurance industry) through an organized scheme to defraud consumers. This fraud is routinely perpetrated through unscrupulous “arrangements” between corrupt public adjusters and attorneys, and this scheme has gone undetected for years. It’s time that it stop.

As we all know, Florida Statute § 626.854 regulates what public adjusters may charge consumers. This compensation is premised on percentage of insurance benefits paid. The statute states that public adjusters may not charge more than twenty percent, and in cases involving no more than percent for claims based on events that are the subject of a declaration of a state of emergency by the Governor. Well, a number of unprincipled individuals have figured out a way around this restriction despite the statute prohibiting “[a]ny maneuver, shift, or device through which the limits on compensation set forth in this subsection are exceeded...” Here’s how it works...

A number of attorneys conspire with corrupt public adjusters to settle all their cases “globally”. So, what does a “global” settlement mean? It’s a settlement reached in a lawsuit between the policyholder and the insurance company for a lump sum (non-delineated) amount. The settlement sum covers any and all claims for: 1) indemnity under the policy, 2) interest, 3) attorney fees and costs; and 4) any and all extra-contractual claims. The problem with this type of “global” settlement is that public adjusters may only charge a percentage of the indemnity portion of the recovery. Attorneys in bed with these accomplice public adjusters will bully policyholders into paying the public adjusters a percentage based on the entire “global” settlement.

Please note the following example of how “global” settlements are used to (improperly) line the pockets of public adjusters.

A public adjuster can make roughly four times what should be charged in either a small denied claim (roughly \$15,000) or a big covered claim that involves a small valuation dispute (where an insurer voluntarily pays \$200,000 and the policyholder’s public adjuster demands \$215,000). It’s done by the public adjuster simply feeding the claim to an attorney who is willing to participate in an illicit arrangement to file a lawsuit and settle the claim “globally”. Understand, many insurers are not set up to immediately disgorge money following a lawsuit. Typically discovery ensues following the filing of a lawsuit, as well as some pretty basic litigation. It is not difficult for a plaintiff attorney to expend numerous hours of billable time over the first five or six months prosecuting the case – especially if the attorney bills like what was alleged in the Stremms investigation. Ultimately, most of these small valuation dispute cases settle within a year. Ethical lawyers generally attempt to bifurcate the indemnity from the fees and costs in order to properly compensate the public adjuster. Unethical lawyers push for “global” settlements in order to control the disbursement and overcompensate the public adjuster (who is the referral source to the attorney).

Note the difference in the two examples below.

Proper Public Adjuster Compensation

Indemnity (Policy Benefits)	\$15,000.00
Attorney Fees and Costs	\$40,000.00
Interest, Bad Faith, Etc.	\$5,000.00
10% Public Adjuster Fee	\$1,500.00

Improper Public Adjuster Compensation

Global Settlement	\$60,000.00
10% Public Adjuster Fee	\$6,000.00

In the first example, the plaintiff attorney agrees with the insurer on the allocation of the monies paid. In this example it results with the policyholder receiving \$15,000.

In the second example, there is no allocation of the settlement proceeds whatsoever. Corrupt plaintiff attorneys intentionally mischaracterize the entire settlement sum as indemnity under the policy. Then they advise their clients to pay 10% of the entire settlement sum to the public adjuster. This, of course, results in a lesser recovery to the policyholder. In this second example the policyholder is left with \$10,500 – almost a third less than if the attorney properly apportioned the funds.

The real harm, however, is what this deplorable practice breeds – thousands of lawsuits that would otherwise never exist. The reason is simple – a public adjuster would not be incentivized to feed a small disputed claim to an attorney if the public adjuster's fee remains under a couple thousand dollars. (They would have to wait months to collect, sit for a deposition, and so forth – all for less than a couple thousand dollars.) As a practical matter, the public adjuster would simply not take on the case, or simply settle the case with the insurer early on. The situation is different if the public adjuster is making \$6,000.

Having had a number of public adjusters boldly show up at my office and unashamedly solicit our firm to participate in “the global settlement arrangement” disgusts me. Time and again we have heard “I can refer you guys all the claims you want if and only if you promise to settle the claims globally.” It was just as shocking to read what was recently alleged against Strems and his partner. Again, all this illicit activity that is poisoning the first-party property insurance market has to be stopped.

Perhaps a simple change in the statute further regulating public adjusters fees can make a big difference to consumers and the long term health of the industry.

If you are interested, I would like to follow up and share a little more from the perspective of an attorney ethically representing policyholders.

Thank you for your time.

