

Dear Scott,

On behalf of Gene Veno and AAIPA I thank you for the opportunity to further explain our position on fee caps and why they are bad for consumers. As you may know from your experience in the insurance industry, according to the Insurance Information Institute 2010 Insurance Fact Book, eighty-seven percent of all property damage claims nationwide are valued at between \$2,494 and \$7163. If a fee cap were enacted on these averaged sized claims, it would not be economically feasible for a public adjuster to provide representation to consumers, since the public adjuster would not earn enough to cover time and expenses in real dollars. A broad based fee cap would limit representation to only those with large losses, or wealthy homeowners or business owners, thus discriminating against the average homeowner or “mom and pop” business, with a small loss. These are the very people that need the services of the public adjuster the most, since their claims may be undervalued by the insurance company without the expertise of the public adjuster.

Most individuals do not have the expertise to properly evaluate their insurance coverage or to estimate the actual damage and effectively negotiate with the insurance company adjuster who does have such expertise. This inequality is what leads to the undervaluing of claims. The consumer with these types of claims is most likely unable to hire an attorney for representation either, due to the prohibitive cost of paying the attorney on an hourly basis, or finding an attorney to charge a contingent fee on a small claim.

Further, imposing a fee cap would also discriminate against those with home prices in the lower ranges, since the damage to those properties may not rise to the level of a large claim. Thus people with lower value properties would be denied representation, leaving help on the claims process for only the high value properties. The fee caps would disenfranchise these homeowners with low value properties.

Fee caps appear on the surface to be for the benefit of the homeowner, but instead serve to limit the homeowner’s access to a public adjuster and a fair insurance settlement. For these reasons, our members cannot support the Bill in its present form.

We understand the need for lower fees in the wake of a storm causing substantial property damage and would be in favor of a fee cap on these types of losses, if necessary. On these large claims, the market generally self-regulates, and the fees charged are actually lower than the 12.5% proposed in the Bill. It is only on the small to averaged sized claims that the public adjusters must charge more.

Let us know if you need any more information.

Very truly yours,

Holly K. Soffer

Holly K. Soffer, Esq., counsel to AAIPA