

[Well Adjusted: Masood Khan](#)

In this issue of “[Well Adjusted](#)”, we interview **Masood Khan**, who previously practiced law primarily representing insurers. Masood now represents policyholders as a public adjuster with Greenspan Adjusters International in their South San Francisco office.

UP: What is the “unauthorized practice of public adjusting”, and why should it be a concern to the public?

MK: The practice of public adjusting is regulated under the California Insurance Code Section 15007 et seq. It requires individuals who are going to be adjusting and negotiating the rights and obligations of insurance policyholders to be licensed and regulated with a certain minimum standard of education training and ethics.

The unauthorized practice of public adjusting occurs when an individual acts on behalf of or aids in any manner (emphasis added) an insured for compensation in the negotiation, adjustment and settlement of coverage and claim benefits in a first-party context without being licensed and under the jurisdiction of the Department of Insurance. If an unlicensed individual engages in such activity they are engaging in the unauthorized practice of public adjusting.

We do not let our lawyers, doctors, real estate and insurance agents, etc. engage in their professions without being licensed. Even our mechanics and our hairstylists are regulated and held to a certain minimum standard. Accordingly, individuals negotiating and compromising the rights of policyholders, particularly after they have suffered a loss, must be regulated, licensed and held to a higher standard.

Unfortunately, there are an abundance of construction firms, water and smoke remediation firms, and accounting companies that are engaging in unauthorized public adjusting, and breaking the law regularly, mostly with impunity.

UP: So let’s say I’m a business, and my warehouse catches fire, and my inventory is destroyed. What’s wrong with having my accountant or my bookkeeper prepare my insurance claim for me?

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MK: A distinction should be made between an employee of the insured and an outside consultant. Insured's employees do not fall within the scope of the Public Adjuster's Act, as they are not being specifically compensated for their involvement in claim preparation. However, a bookkeeper or an accountant that is not an employee of the insured, and not licensed by the Department of Insurance to represent a policyholder in the negotiation and settlement of an insured loss, is engaging in unauthorized public adjusting. Such illegal activity is contrary to public policy.

An insured's ability to recover insurance benefits can be seriously compromised by hiring a bookkeeper to prepare the insurance claim. First, a bookkeeper will not have the skills to navigate through the various coverage provisions. Unlike an experienced public adjuster who reads and evaluates such policies and endorsements during the normal course of everyday duties, a bookkeeper could do more harm than good by compiling an insured's complex commercial claim. A policy is a convoluted document, so you need the professional skills of a public adjuster to navigate it and legitimately maximize your recovery.

Second, and more importantly, to use your warehouse example, if your contents or business personal property burns, the bookkeeper is not going to be in a position to capture every single piece of stock, equipment, and personal property that was damaged in a fire. Most bookkeeping or accounting schedules include very generic valuations of personal property for tax purposes. An insurance company is going to require much more detail than that.

UP: Would the same go for a CPA?

MK: Unless a CPA is an employee of the insured, it's illegal for them to represent a policyholder for compensation in the settlement of an insurance claim without a license. A CPA would be an improper person to measure inventory losses. Additionally, simply having a CPA designation will ensure he/she has the skills necessary to measure and adjust the business interruption aspect of the claim. An insured would need the skills of a forensic insurance accountant who has intimate knowledge of the particular business, and one who is skilled in representing policyholders.

On the public adjusting side, for instance, Greenspan has retained in-house inventory specialists for fire losses. These staff members actually put on safety equipment and physically dig through burned sites and debris to capture damaged inventory. These inventory specialists will open up every box and drawer and count exactly what is inside -stock, stationery, furnishings, etc. They will spend days and sometimes

weeks with the client over the course of the claim to prepare a detailed inventory. They will research the price that each item is worth today, and not when you bought it a year or two ago. Then they can come up with a fair and reasonable deduction for depreciation, so you can receive the proper actual cash value, which is what insurance policies generally owe at the time of a loss. An accountant is not going to have that level of expertise and knowledge.

Similarly, Greenspan has in-house forensic accountants and CPAs who have intimate knowledge of various types of businesses, and how recovery for such business interruption claims is adjusted in the context of the insurance available. Application of business interruption, extra-expense and expediting expense, which are just some examples of the types of time element coverages, require sophisticated knowledge that one does not possess simply by earning a CPA designation. If a patient had a cardiology problem they would not want to go to an oncologist to treat them simply because both individuals had an MD designation. An aggrieved party with a legal real estate problem would not want a criminal lawyer to represent them just because he/she had a JD after their name. The same analogy goes for an insured who needs help with an insurance claim. They would need a public adjuster with an accounting specialty to help them navigate the coverage and claims issues.

UP: What percentage of the Greenspan Company's clients are businesses vs. individuals?

MK: We don't disclose to the public the percentage of client breakdown in terms of businesses or individuals. We have a residential division that handles rentals/dwelling claims. And, we have a commercial division that handles large complex losses.

UP: Approximately how many losses does Greenspan Company handle each year?

MK: I know Greenspan monitors the number of claims it handles each year to ensure that proper quality control standards in adjusting are followed.

UP: Do you get most of your clients by soliciting at the actual loss site, or are there other ways that people find you?

MK: A vast majority of clients are eventually referred to us through friends, lawyers, other professionals, or prior clients who have had positive experience with Greenspan. Sometimes people find us through word of mouth and/or Internet resources.

UP: And do you have a threshold below which you will not take a claim—a dollar amount?

MK: Yes, there is a threshold. The threshold varies as Greenspan monitors its claims load and business load to ensure it has the resources available to provide its customers with the quality service that they deserve. We have handled small and large losses. Of course, part of our job does involve consumer advocacy also, so we do try to help people as best we can.

UP: What is the current percentage range of a public adjuster fee in the state of California? Is there a going rate?

MK: I don't believe there is a going rate. The California Public Insurance Adjuster Act does not have a ceiling. I know in some states it is limited to ten percent.

UP: What is Greenspan's typical percentage?

MK: Greenspan does not have a typical arrangement—it varies by claim. Fees can fluctuate depending on a number of factors, including, but not limited to: (1) size of the claim or loss (2) types of coverage in place (3) the kind of coverage issues involved and/or (4) timing of our involvement. Certainly the fee percentage charged on a \$25 million claim would not be the same as a \$250,000 loss. We obviously like to get something that is a happy medium for the client we represent and the fees that we charge for our in-depth expertise. We find that balance.

UP: We understand the percentage to be between seven and fifteen percent—does that sound right to you?

MK: I cannot say that there is an industry standard. At Greenspan, I have seen claims that fall within the 7-15%, as you said.

UP: Do you feel there is more competition in your field today than when you first got into it?

MK: Yes, there is more competition. It is healthy for the marketplace of public adjusters. At Greenspan we are not concerned by it, since we pride ourselves on our work-product and the thousands of clients who have given us referrals for over 60 years.

If you take into account the unlicensed individuals like contractors, accountants, and other general consultants who illegally represent policyholders in their claims, then the competition is not only greater, but also very harmful for the general well being of the public at large, and their ability to be protected from unscrupulous persons.

UP: How can public adjusters get more money out of an insurance company than a policyholder can get on their own?

MK: It is simple. We level the playing field. If an insurance company adjuster told an insured following a fire to his 3,000 square foot house occupied by only two people, that what is standard in such a case is a one or two bedroom apartment or house, would he know if the information was correct? Would he know where to go to challenge it? There can be hundreds of issues on every claim where knowledge, background, expertise, experience and tenacity come together over and over again to get a policyholder more than he can on his own.

It is the insurance company adjuster's job to protect his principal. He does so by paying as little as possible. Having him represent both sides, considering he gets paid by the insurance company, makes no sense. As public adjusters, we see to it that the policyholder is on equal footing. It requires availability of proper resources, knowledge, expertise, experience, perseverance, creativity, and just being proactive. Expertise comes with time, and through experience dealing with different types of claims and issues in a variety of ways.

UP: I've heard critics say that public adjusters justify their fee by padding the numbers. What is your response to that?

MK: No insurance company will ever pay a client more than they are owed after the carrier is absolutely convinced of the obligation. Any public adjuster that "pads" a claim is only asking for a protracted and drawn out adjustment that will hurt their client as well as the public adjuster's own reputation. This will ultimately result in a reduction in business for the public adjuster.

Every industry has bad eggs. I've had a philosophy that has worked for me on both sides: being aggressive, defensible and reasonable. That is why it is critical that the Department of Insurance license and regulate anyone who engages in representing a policyholder in a first-party claim.

At Greenspan we add value through our expertise with properly and accurately measuring insurance claims. We have in-house inventory specialists who go through a damaged site, and physically count every T-shirt, sock, pencil, or whatever personal articles you have. Our building estimators have construction backgrounds and know how to properly cost what it takes to put a property back to its pre-loss condition. And, our in-house accountants and CPAs have tremendous knowledge about numerous types of companies, which allows them to accurately schedule a business interruption claim. Finally, having public adjusters who zealously advocate the policyholder's right to fair and just indemnity under the policy is critical. That is how a public adjuster should add value.