

## **Public adjusters can help consumers with fire claims, but tread cautiously**

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People who lost homes in the Wine Country fires might be approached by public adjusters offering to represent them in their insurance claims.

While some disaster victims have had good experiences with public adjusters, consumer advocates and the California Department of Insurance warn against rushing into anything. They say policyholders should try working with the insurance company first. If they feel they are being mistreated, they should file a complaint with the Insurance Department and consider hiring a public adjuster or attorney.

Before hiring a public adjuster, consumers should make sure the adjuster is licensed with the Insurance Department and interview former clients.

Public adjusters should not be confused with adjusters who are employed by the insurance companies or “independent adjusters,” who are hired on a contract basis to represent the company.

Public adjusters represent only the policyholder for a fee. The good ones can help consumers understand their policy, inventory everything they lost, come up with replacement values and negotiate with insurance companies to maximize their reimbursement.

Most charge a percentage of the settled claim amount, typically 5 to 15 percent. “We encourage people to get them to work for 7 percent,” said Amy Bach, executive director of consumer group United Policyholders.

Bear in mind this is a percentage of the total settlement, not the difference between what the insurance company offered initially and what the public adjuster negotiated.

Most states, including California, license and regulate them. Some limit their fees. California does not, but it does prohibit a public adjuster from charging a fee that would result in customers getting less than they were paid by the insurance company before they hired the adjuster.

This “value-added” proposition was part of a bill signed into law last year. It was designed to crack down on abuses the California Department of Insurance discovered after getting complaints about public adjusters. They included “unfairly charging consumers when taking over partially settled claims,”

entering disaster areas prematurely to solicit customers, and using “high-pressure tactics to coerce distraught consumers to enter into contracts,” the department said.

SB488 also clarified when public adjusters can solicit customers. During a catastrophic disaster, they cannot solicit customers until seven calendar days after the disaster ends, emergency responders have left the scene and any evacuation orders have been lifted. These blackout rules do not apply to adjusters working for insurance companies.)

“Solicit” generally means contacting individual customers door to door or by phone. During the blackout period, they can truthfully advertise their services and respond to potential customers who initiate contact. The law also gives customers five calendar days to cancel a contract with a public adjuster if the loss was caused by a catastrophic disaster.

Robert Hunter, the Consumer Federation of America’s insurance director, said fire victims should “use them cautiously. It all depends on the complexity of your situation and how it’s going with your company.”

If it’s going well, you can probably handle it yourself. “If you feel like you are being given the runaround, constantly delayed or mistreated,” and believe the company is acting in bad faith, you might want to hire a lawyer, he said. If your situation is in between, that’s where a public adjuster comes in.

Shortly after their house in Calaveras County burned down in the Butte Fire two years ago, James Pesout and his wife, Ann, hired Greenspan Adjusters International to represent them. Its fee will be 10 percent of the final settlement. Pesout said it’s been well worth it.

For contents coverage, the Greenspan adjuster helped them inventory everything they had lost, down to Q-tips and Phillips screwdrivers, along with each item’s age and condition. “They kept us going. They said, ‘I’ll be back in three weeks, here is your homework,’” Pesout said. “They went to the Internet, found prices for everything. The spreadsheet was outrageous.”

Pesout had \$272,000 in contents coverage. “Greenspan evaluated our contents at \$450,000,” and the insurance company agreed to pay the maximum \$272,000, but it took two years.

For the structure, Greenspan took the couple’s house plans and priced out every single board, gutter and light fixture, Pesout said. It estimated the cost to rebuild at \$710,000. The insurance company came in at \$430,000. After several rounds of negotiations, the insurance company went up to \$585,000 and Greenspan came down to \$691,000.

Pesout is now hiring a local contractor to estimate some things that he thinks the insurance company, and possibly Greenspan, are grossly underestimating.

State Insurance Commissioner Dave Jones said, “We had very few complaints about insurance companies) coming out of the Butte Fire in 2015. We had to intervene in some cases. But, by and large,

they did a pretty good job. Our hope is they will do a similar good job” in the North Bay. Jones said consumers should try working with their insurance company before hiring a public adjuster. Jeff Blyskal, senior editor with Consumer Reports, agreed. He said fire victims should talk to a contractor and get an idea what it would cost to replace a home, then get an estimate from their insurance company. If they are very far apart, it might be worth hiring a public adjuster. Gordon Scott, Greenspan’s president, said most customers come in before the insurance company has made an offer, usually on the advice of their attorney or accountant. He compared it to real estate, where buyers are advised to get their own agent and not use the seller’s. “It’s very difficult for one person to be fair when representing both sides,” he said. His firm, based in South San Francisco, usually charges 10 percent of the settlement, but the fee is subject to “the size of the claim and the timing of our involvement. If we get involved in the beginning, before there are problems, it’s subject to a reduction.”