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April 11, 2016

Director John M. Huff
President
National Association of
Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

Dear Director Huff:

I write on behalf of the officers and directors of the National Association of Public Insurance Adjusters (NAPIA) with an urgent request for the National Association of Insurance Commissioners to undertake an immediate review of the practice of insurance companies adopting a practice of utilizing managed repair programs for property claims, and using contractors controlled by claims organizations to provide repair services. The hundreds of trained, licensed and regulated public insurance adjuster members of NAPIA consider such arrangements to be an impermissible conflict of interest and potentially harmful to insurance consumers.

Insurance carriers have been adopting managed repair programs to combat unscrupulous behavior by contractors, including those who have also engaged--with carrier acquiescence in some cases--in the unauthorized practice of public adjusting (UPPA). These behaviors have resulted in inflated claims, poor workmanship and other consequences that have increased the cost of claims, and the cost of insurance overall. While NAPIA recognizes some of these complaints as legitimate, and has teamed up with organizations like the Coalition Against Insurance Fraud to combat the scourge of bad contractors, the insurer remedy is no better than the ailment when the interests of the insurance consumer are considered.

This is not the first time insurance carriers have tried to direct claimants to preferred vendors. The practice has been prevalent in the automobile insurance area for years; the record on automobile directed repair may not be the best argument for the industry as it seeks to justify managed property repair. One thing that is not seen in directed repair of cars that is a cornerstone of managed property repair; the contractors are owned or controlled by insurance organizations, such as claims adjustment companies who already have relationships with the very insurers they are now servicing as contractors. It brings new validity to the question of whether "independent" adjusters who perform claims services for the industry really can be independent when they are part of the claims process itself.

NAPIA, for its part, prohibits its members from being public insurance adjusters and contractors. Period. It is not that NAPIA allows its members to be contractors some times and adjusters some times; it prohibits its members from being both even when those disciplines don't overlap. That is the only way to assure that public adjusters serve

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the single master of the insurance consumer/claimant's best interest under the insurance laws of the state's in which they are authorized to practice.

Managed property repair is one of several initiatives that the insurance industry has undertaken in recent years to curtail the rights of insureds. We strongly recommend that the NAIC review all such activities as they are inter-related efforts to control costs, streamline the claims process and reduce claims payouts--all of benefit to the insurers and not to the consumer.

The public adjuster profession is most concerned that managed property repair programs will discourage, if not outright prohibit, claimants from seeking assistance in understanding and managing claims discussions with carriers. As it is now, claimants are at significant disadvantage except for the presence of those who have only the consumer's interest as their foremost priority, public adjusters, by definition, being among those parties.

An examination of industry practices by one or more of the various working groups of the Property/Casualty Insurance (C) Committee and the Market Regulation and Consumer Affairs (D) Committee as they relate to managed repair programs and other recent coverage and policy form adjustments done in an effort to control costs would go far to either assure consumer confidence that such changes are not detrimental to consumers or highlight imbalances in industry actions and the obligations that insurers have to the laws and regulations governing insurance and the consumers they serve. We believe there will be a finding of an imbalance that needs to be remedied.

We look forward to working with you and your members in cooperation with the carrier community and the NAIC designated consumer representatives to fully vet the effect of recent insurer actions, and to highlight the mutual concerns that we share with the insurers over contractors who are doing harm to insurers, insureds and the public adjuster profession.

Sincerely,



R. Scott deLuise, SPPA
President

cc: Director John M. Huff
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