

Revisions marks reflect proposed changes from Public Adjuster Model Act adopted by the NAIC in 2005.

INSURANCE ADJUSTMENT BUREAU, INC.'S COMMENTS REGARDING AND SUGGESTED CHANGES TO THE PUBLIC ADJUSTER LICENSING MODEL ACT

(Please note that we have inserted, into the below comment boxes, both comments to the proposed amendments to the Public Adjuster Licensing Model Act, which are in regular type, and suggested changes to the proposed amendments to the Model Act, which suggested changes have been italicized and bolded.)

PUBLIC ADJUSTER LICENSING MODEL ACT

Table of Contents

Section 1.	Purpose and Scope
Section 2.	Definitions
Section 3.	License Required
Section 4.	Application for License
Section 5.	Resident License
Section 6.	Examination
Section 7.	Exemptions from Examination
Section 8.	Nonresident License Reciprocity
Section 9.	License
Section 10.	Apprentice Public Adjuster License [Optional]
Section 11.	License Denial, Nonrenewal, or Revocation
Section 12.	Bond or Letter of Credit
Section 13.	Continuing Education
Section 14.	Public Adjuster Fees
Section 15.	Contract Between Public Adjuster and Insured
Section 16.	Unlicensed Actors
Section 16 ¹⁷ .	Escrow or Trust Accounts
Section 17 ¹⁸ .	Record Retention
Section 18 ¹⁹ .	Standards of Conduct of Public Adjuster
Section 19 ²⁰ .	Reporting of Actions
Section 20 ²¹ .	Regulations
Section 21 ²² .	Severability
Section 22 ²³ .	Effective Date

Section 1. Purpose and Scope

This Act governs the qualifications and procedures for the licensing of public adjusters. It specifies the duties of and restrictions on public adjusters, which include limiting their licensure to assisting insureds in first party claims.

Drafting Note: It is recommended that any statute or regulation inconsistent with this Act be repealed or amended.

Drafting Note: This Act also requires a report to the insurance commissioner of any action in another jurisdiction against either the public adjuster license or licensee.

Section 2. Definitions

- A. "Apprentice public adjuster" means the one who is qualified in all respects as a public adjuster except as to experience, education and/or training.
- B. "Business entity" means a corporation, association, partnership, limited liability company, limited liability partnership or other legal entity.
- C. "Catastrophic disaster" according to the Federal Response Plan, means an event that results in large numbers of deaths and injuries; causes extensive damage or destruction of facilities that provide and sustain human needs; produces an overwhelming demand on state and local response resources and mechanisms; causes a severe long-term effect on general economic activity; and severely affects state, local and private

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sector capabilities to begin and sustain response activities. A catastrophic disaster shall be declared by the President of the United States or the Governor of the state or district in which the disaster occurred.

- D. “Fingerprints” for the purposes of this act, means an impression of the lines on the finger taken for purpose of identification. The impression may be electronic or in ink converted to electronic format.
- E. “Home state” means the District of Columbia and any state or territory of the United States in which the public adjuster’s principal place of residence or principal place of business is located. If neither the state in which the public adjuster maintains the principal place of residence nor the state in which the public adjuster maintains the principal place of business has a substantially similar law governing public adjusters, the public adjuster may declare another state in which it becomes licensed and acts as a public adjuster to be the ‘home state.’
- F. “Individual” means a natural person.
- G. “Person” means an individual or a business entity.
- H. “Public adjuster” means any person who, for compensation or any other thing of value on behalf of the insured:
 - (1) Acts or aids, solely in relation to first party claims arising under insurance contracts that insure the real or personal property of the insured, on behalf of an insured in negotiating for, or effecting the settlement of, a claim for loss or damage covered by an insurance contract;
 - (2) Advertises for employment as a public adjuster of insurance claims or solicits business or represents himself or herself to the public as an public adjuster of first party insurance claims for losses or damages arising out of policies of insurance that insure real or personal property; or
 - (3) Directly or indirectly solicits business, investigates or adjusts losses, or advises an insured about first party claims for losses or damages arising out of policies of insurance that insure real or personal property for another person engaged in the business of adjusting losses or damages covered by an insurance policy, for the insured.
- I. “Uniform individual application” means the current version of the National Association of Insurance Commissioners (NAIC) Uniform Individual Application for resident and nonresident individuals.
- J. [Optional] “Uniform business entity application” means the current version of the National Association of Insurance Commissioners (NAIC) Uniform Business Entity Application for resident and nonresident business entities.

Drafting Note: Subsection J is optional and would apply only to those states that have a business entity license requirement.

Drafting Note: If any term is similarly defined in a relevant section of the state’s insurance code, do not include the definition of the term in this Act or, in the alternative, reference the statute: “[term] is defined in [insert appropriate reference to state law or regulation].”

Section 3. License Required

- A. A person shall not act, ~~or~~ hold himself out as a public adjuster, or negotiate a contract for public adjusting services in this state unless the person is licensed as a public adjuster in accordance with this Act.

Insert Suggested Language

Regarding the proposed revisions to **Section 3, License Required**, subsection A, we suggest expanding the scope of the revisions, to address not only the problem of persons falsely presenting themselves to insureds as public adjusters, but also the problem of other bad actors who, without misrepresenting themselves as public adjusters to insureds, still beguile insureds into letting them handle all or part of their insurance claims. Such bad actors include emergency service providers, contractors, consultants, and other persons or entities who otherwise mispresent themselves to insureds as someone who can assist them with their insurance claims. These outfits and individuals, without referencing public adjusters, still mislead homeowners and business owners into thinking that they are allowed to represent them and adjust their property insurance

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claims, and that they have the requisite skills to do so, even though they have no public adjusting license whatsoever, nor the requisite knowledge, training, or experience to adjust property insurance claims. We often encounter such individuals and outfits who tell insureds, verbally or in writing, or in advertising (which could be printed or in other media), that they will handle their insurance claims or otherwise represent them or deal with their insurance companies. This all amounts to the illegal practicing of public adjusting.

And the problem is getting worse, not better. The problem of unlicensed persons and outfits acting as unlicensed public adjusters has proliferated in this country to the point that it has become an epidemic. It is particularly bad after a natural disaster, such as a tornado, hurricane, flood, etc., when insureds are most vulnerable. Regardless of when it happens, it endangers insureds, and it harms licensed, ethical public adjusters.

To prevent such misbehavior, and its resulting harm to insureds and licensed public adjusters, we suggest adding a sentence to subsection A, along the following lines: "A person also shall not represent to any other person, verbally or in writing, or in advertising, whether printed or in any other media, that he or she, in any way, will handle the other person's insurance claim in whole or in part, or act as the other person's representative in the claim, or otherwise communicate with an insurer on behalf of the other person, unless that person is licensed as a public adjuster in accordance with this Act, or is an attorney."

- B. A person licensed as a public adjuster shall not misrepresent to a claimant that he or she is an adjuster representing an insurer in any capacity, including acting as an employee of the insurer or acting as an independent adjuster unless so appointed by an insurer in writing to act on the insurer's behalf for that specific claim or purpose. A licensed public adjuster is prohibited from charging that specific claimant a fee when appointed by the insurer and the appointment is accepted by the public adjuster.
- C. A business entity acting as a public adjuster is required to obtain a public adjuster license. Application shall be made using the Uniform Business Entity Application. Before approving the application, the insurance commissioner shall find that:
 - (1) The business entity has paid the fees set forth in [insert appropriate reference to state law or regulation]; and
 - (2) The business entity has designated a licensed public adjuster responsible for the business entity's compliance with the insurance laws, rules and regulations of this state.

Drafting Note: Subsection C is optional and would apply only to those states that have a business entity license requirement.

- D. Notwithstanding subsection A through C, a license as a public adjuster shall not be required of the following:
 - (1) An attorney-at-law admitted to practice in this state, when acting in his or her professional capacity as an attorney;
 - (2) A person who negotiates or settles claims arising under a life or health insurance policy or an annuity contract;
 - (3) A person employed only for the purpose of obtaining facts surrounding a loss or furnishing technical assistance to a licensed public adjuster, including photographers, estimators, private investigators, engineers and handwriting experts;
 - (4) A licensed health care provider, or employee of a licensed health care provider, who prepares or files a health claim form on behalf of a patient; or
 - (5) A person who settles subrogation claims between insurers.

Section 4. Application for License

- A. A person applying for a public adjuster license shall make application to the commissioner on the appropriate uniform application or other application prescribed by the commissioner.

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- B. The applicant shall declare under penalty of perjury and under penalty of refusal, suspension or revocation of the license that the statements made in the application are true, correct and complete to the best of the applicant's knowledge and belief.
- C. In order to make a determination of license eligibility, the insurance commissioner is authorized to require fingerprints of applicants and submit the fingerprints and the fee required to perform the criminal history record checks to the state identification bureau (or state department of justice public state agency) and the Federal Bureau of Investigation (FBI) for state and national criminal history record checks; the insurance commissioner shall require a criminal history record check on each applicant in accordance with this Act. The insurance commissioner shall require each applicant to submit a full set of fingerprints in order for the insurance commissioner to obtain and receive National Criminal History Records from the FBI Criminal Justice Information Services Division.
- (1) The insurance commissioner may contract for the collection, transmission and resubmission of fingerprints required under this section. If the commissioner does so, the fee for collecting, transmitting and retaining fingerprints shall be payable directly to the contractor by the person. The insurance commissioner may agree to a reasonable fingerprinting fee to be charged by the contractor.
 - (2) The insurance commissioner may waive submission of fingerprints by any person that has previously furnished fingerprints and those fingerprints are on file with the Central Repository of the National Association of Insurance Commissioners (NAIC), its affiliates or subsidiaries.
 - (3) The insurance commissioner is authorized to receive criminal history record information in lieu of the [insert reference to Department of Justice/Public Safety Agency] that submitted the fingerprints to the FBI.
 - (4) The insurance commissioner is authorized to submit electronic fingerprint records and necessary identifying information to the NAIC, its affiliates or subsidiaries for permanent retention in a centralized repository. The purpose of such a centralized repository is to provide insurance commissioners with access to fingerprint records in order to perform criminal history record checks.

Drafting Note: The FBI requires that fingerprints be submitted to the state Department of Law Enforcement, Public Safety or Criminal Justice for a check of state records before the fingerprints are submitted to the FBI for a criminal history check. The FBI recommends all fingerprint submissions to be in an electronic format. The FBI has approved the language in Section 4 (C) to authorize a state identification bureau to submit fingerprints on behalf of its applicants in conjunction with licensing and employment.

Drafting Note: If the state has adopted the Producer Licensing Model Act, it may not be necessary to adopt this section. Rather, the state may want to amend its relevant insurance producer statute to include public adjusters.

Drafting Note: This provision does not permit the sharing of criminal history record information with the NAIC or other insurance commissioners as such sharing of information is prohibited by 28 CFR 20.33.

Section 5. Resident License

- A. Before issuing a public adjuster license to an applicant under this section, the commissioner shall find that the applicant:
- (1) Is eligible to designate this state as his or her home state or is a nonresident who is not eligible for a license under Section 8;
 - (2) Has not committed any act that is a ground for denial, suspension or revocation of a license as set forth in Section 11;
 - (3) Is trustworthy, reliable, and of good reputation, evidence of which may be determined by the commissioner;
 - (4) Is financially responsible to exercise the license and has provided proof of financial responsibility

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as required in Section 12 of this Act;

- (5) Has paid the fees set forth in [insert appropriate reference to state law or regulation]; and
 - (6) Maintains an office in the home state of residence with public access by reasonable appointment and/or regular business hours. This includes a designated office within a home state of residence.
- B. In addition to satisfying the requirements of Subsection A, an individual shall
- (1) Be at least eighteen (18) years of age; and
 - (2) Have successfully passed the public adjuster examination.
 - (3) Designate a licensed individual public adjuster responsible for the business entity's compliance with the insurance laws, rules, and regulations of this state; and
 - (4) Designate only licensed individual public adjusters to exercise the business entity's license.

Drafting Note: Subsection C is optional and would apply only to those states that have a business entity license requirement. C's PLMA Section 6B.

- C. The commissioner may require any documents reasonably necessary to verify the information contained in the application.

Section 6. Examination

- A. An individual applying for a public adjuster license under this act shall pass a written examination unless exempt pursuant to Section 7. The examination shall test the knowledge of the individual concerning the duties and responsibilities of a public adjuster and the insurance laws and regulations of this state. Examinations required by this section shall be developed and conducted under rules and regulations prescribed by the commissioner.
- B. The commissioner may make arrangements, including contracting with an outside testing service, for administering examinations and collecting the nonrefundable fee set forth in [insert appropriate reference to state law or regulation].
- C. Each individual applying for an examination shall remit a non-refundable fee as prescribed by the commissioner as set forth in [insert appropriate reference to state law or regulation].
- D. An individual who fails to appear for the examination as scheduled or fails to pass the examination, shall reapply for an examination and remit all required fees and forms before being rescheduled for another examination.

Drafting Note: A state may wish to prescribe by regulation limitations on the frequency of application for examination in addition to other preclicensing requirements.

Drafting Note: If the state has adopted the Producer Licensing Model Act, it may not be necessary to adopt this section. Rather, the state may want to amend its relevant insurance producer statute to include public adjusters.

Section 7. Exemptions from Examination

- A. An individual who applies for a public adjuster license in this state who was previously licensed as a public adjuster in another state based on an public adjuster examination shall not be required to complete any preclicensing examination. This exemption is only available if the person is currently licensed in that state or if the application is received within twelve (12) months of the cancellation of the applicant's previous license and if the prior state issues a certification that, at the time of cancellation, the applicant was in good standing in that state or the state's producer database records or records maintained by the NAIC, its affiliates, or subsidiaries, indicate that the public adjuster is or was licensed in good standing.

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- B. A person licensed as a public adjuster in another state based on an public adjuster examination who moves to this state shall make application within ninety (90) days of establishing legal residence to become a resident licensee pursuant to Section 5. No prelicensing examination shall be required of that person to obtain a public adjuster license.
- C. An individual who applies for a public adjuster license in this state who was previously licensed as a public adjuster in this state shall not be required to complete any prelicensing examination. This exemption is only available if the application is received within twelve (12) months of the cancellation of the applicant's previous license in this state and if, at the time of cancellation, the applicant was in good standing in this state.

Drafting Note: If the state has adopted the Producer Licensing Model Act , it may not be necessary to adopt this section. Rather, the state may want to amend its relevant insurance producer statute to include public adjusters.

Section 8. Nonresident License Reciprocity

- A. Unless denied licensure pursuant to Section 11, a nonresident person shall receive a nonresident public adjuster license if:
 - (1) The person is currently licensed as a resident public adjuster and in good standing in his or her home state;
 - (2) The person has submitted the proper request for licensure, has paid the fees required by [insert appropriate reference to state law or regulation] [NAIC's PLMA Section 8A(2)], and has provided proof of financial responsibility as required in Section 12 of this Act;
 - (3) The person has submitted or transmitted to the commissioner the appropriate completed application for licensure; and
 - (4) The person's home state awards non-resident public adjuster licenses to residents of this state on the same basis.
- B. The commissioner may verify the public adjuster's licensing status through the producer database maintained by the NAIC, its affiliates, or subsidiaries.
- C. As a condition to continuation of a public adjuster license issued under this section, the licensee shall maintain a resident public adjuster license in his or her home state. The non-resident public adjuster license issued under this section shall terminate and be surrendered immediately to the commissioner if the home state public adjuster license terminates for any reason, unless the public adjuster has been issued a license as a resident public adjuster in his or her new home state. Notification to the state or states where non-resident license is issued must be made as soon as possible, yet no later that thirty (30) days of change in new state resident license. Licensee shall include new and old address. A new state resident license is required for non-resident licenses to remain valid. The new state resident license must have reciprocity with the licensing non-resident state(s) for the non-resident license not to terminate.

Drafting Note: If the state has adopted the PLMA, it may not be necessary to adopt this section. Rather, the state may want to amend its relevant insurance producer statute to include public adjusters.

Section 9. License

- A. Unless denied licensure under this Act, persons who have met the requirements of this Act shall be issued a public adjuster license.
- B. A public adjuster license shall remain in effect unless revoked, terminated or suspended as long as the request for renewal and fee set forth in [insert appropriate reference to state law or regulation] is paid and any other requirements for license renewal are met by the due date.

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- C. The licensee shall inform the commissioner by any means acceptable to the commissioner of a change of address, change of legal name, or change of information submitted on the application within thirty (30) days of the change.
- D. A licensed public adjuster shall be subject to [cite state’s Unfair Claims Settlement Act and state’s Trade Practices and Fraud sections of the Insurance Code].
- E. A public adjuster who allows his or her license to lapse may, within twelve (12) months from the due date of the renewal, be issued a new public adjuster license upon the commissioner’s receipt of the request for renewal. However, a penalty in the amount of double the unpaid renewal fee shall be required for the issue of the new public adjuster license. The new public adjuster license shall be effective the date the commissioner receives the request for renewal and the late payment penalty.
- F. Any public adjuster licensee that fails to apply for renewal of a license before expiration of the current license shall pay a lapsed license fee of twice the license fee and be subject to other penalties as provided by law before the license will be renewed. If the Department receives the request for reinstatement and the required lapsed license fee within sixty (60) days of the date the license lapsed, the Department shall reinstate the license retroactively to the date the license lapsed. If the Department receives the request for reinstatement and the required lapsed license fee after sixty (60) days but within one year of the date the license lapsed, the Department shall reinstate the license prospectively with the date the license is reinstated. If the person applies for reinstatement more than one year from date of lapse, the person shall reapply for the license under this Act.
- G. A licensed public adjuster that is unable to comply with license renewal procedures due to military service, a long-term medical disability, or some other extenuating circumstance, may request a waiver of those procedures. The public adjuster may also request a waiver of any examination requirement, fine, or other sanction imposed for failure to comply with renewal procedures.

Drafting Note: References to license “renewal” should be deleted in those states that do not require license renewal.

- H. The license shall contain the licensee’s name, city and state of business address, personal identification number, the date of issuance, the expiration date, and any other information the commissioner deems necessary. I. In order to assist in the performance of the commissioner’s duties, the commissioner may contract with non-governmental entities, including the NAIC or any affiliates or subsidiaries that the NAIC oversees, to perform any ministerial functions, including the collection of fees and data, related to licensing that the commissioner may deem appropriate.]

Drafting Note: If the state has adopted the Producer Licensing Model Act, it may not be necessary to adopt this section. Rather, the state may want to amend its relevant insurance producer statute to include public adjusters.

Section 10. Apprentice Public Adjuster License [Optional]

- A. The apprentice public adjuster license is an optional license to facilitate the training necessary to ensure reasonable competency to fulfill the responsibilities of a public adjuster as defined in [insert state statute].
- B. The apprentice public adjuster license shall be subject to the following terms and conditions:
 - (1) An attestation/certification from a licensed public adjuster (licensee) shall accompany an application for an initial apprentice public adjuster license assuming responsibility for all actions of such applicant;
 - (2) The apprentice public adjuster is authorized to adjust claims in the state that has issued licensure only;
 - (3) The apprentice public adjuster shall not be required to take and successfully complete the prescribed public adjuster examination;

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- (4) The licensee shall at all times be an employee of a public adjuster and subject to training, direction, and control by a licensed public adjuster;
- (5) The apprentice public adjuster license is for a period not to exceed twelve (12) months, the license shall not be renewed;
- (6) The licensee is restricted to participation in factual investigation, tentative closing and solicitation of losses subject to the review and final determination of a licensed public adjuster;
- (7) Compensation of an apprentice public adjuster shall be on a salaried or hourly basis only; and
- (8) The licensee shall be subject to suspension, revocation, or conditions in accordance with [Insert State Laws].

Section 11. License Denial, Non-renewal or Revocation

A. The commissioner may place on probation, suspend, revoke or refuse to issue or renew a public adjuster's license or may levy a civil penalty in accordance with [insert appropriate reference to state law] or any combination of actions, for any one or more of the following causes:

- (1) Providing incorrect, misleading, incomplete, or materially untrue information in the license application;
- (2) Violating any insurance laws, or violating any regulation, subpoena, or order of the commissioner or of another state's insurance commissioner;
- (3) Obtaining or attempting to obtain a license through misrepresentation or fraud;
- (4) Improperly withholding, misappropriating, or converting any monies or properties received in the course of doing insurance business;
- (5) Intentionally misrepresenting the terms of an actual or proposed insurance contract or application for insurance;
- (6) Having been convicted of a felony;
- (7) Having admitted or been found to have committed any insurance unfair trade practice or insurance fraud;
- (8) Using fraudulent, coercive or dishonest practices; or demonstrating incompetence, untrustworthiness or financial irresponsibility in the conduct of business in this state or elsewhere;
- (9) Having an insurance license, or its equivalent, denied, suspended, or revoked in any other state, province, district or territory;
- (10) Forging another's name to an application for insurance or to any document related to an insurance transaction;
- (11) Cheating, including improperly using notes or any other reference material, to complete an examination for an insurance license;
- (12) Knowingly accepting insurance business from an individual who is not licensed but who is required to be licensed by the commissioner;
- (13) Failing to comply with an administrative or court order imposing a child support obligation; or

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- (14) Failing to pay state income tax or comply with any administrative or court order directing payment of state income tax.

Drafting Note: Paragraph (14) is for those states that have a state income tax.

- B. In the event that the action by the commissioner is to deny an application for or not renew a license, the commissioner shall notify the applicant or licensee and advise, in writing, the applicant or licensee of the reason for the non-renewal or denial of the applicant's or licensee's license. The applicant or licensee may make written demand upon the commissioner within [insert appropriate time period from state's administrative procedure act] for a hearing before the commissioner to determine the reasonableness of the commissioner's action. The hearing shall be held within [insert time period from state law] and shall be held pursuant to [insert appropriate reference to state law].
- C. The license of a business entity may be suspended, revoked or refused if the commissioner finds, after hearing, that an individual licensee's violation was known or should have been known by one or more of the partners, officers or managers acting on behalf of the business entity and the violation was neither reported to the commissioner nor corrective action taken.
- D. In addition to or in lieu of any applicable denial, suspension or revocation of a license, a person may, after hearing, be subject to a civil fine according to [insert appropriate reference to state law].
- E. The commissioner shall retain the authority to enforce the provisions of and impose any penalty or remedy authorized by this Act and Title [insert appropriate reference to state law] against any person who is under investigation for or charged with a violation of this Act or Title [insert appropriate reference to state law] even if the person's license or registration has been surrendered or has lapsed by operation of law.

Drafting Note: If the state has adopted the Producer Licensing Model Act, it may not be necessary to adopt this section. The state may want to amend its relevant insurance producer statute to include public adjusters.

Section 12. Bond or Letter of Credit

Prior to issuance of a license as a public adjuster and for the duration of the license, the applicant shall secure evidence of financial responsibility in a format prescribed by the insurance commissioner through a security bond or irrevocable letter of credit:

- A. A surety bond executed and issued by an insurer authorized to issue surety bonds in this state, which bond:
 - (1) Shall be in the minimum amount of \$20,000;
 - (2) Shall be in favor of this state and shall specifically authorize recovery by the commissioner on behalf of any person in this state who sustained damages as the result of erroneous acts, failure to act, conviction of fraud, or conviction of unfair practices in his or her capacity as a public adjuster; and
 - (3) Shall not be terminated unless at least thirty (30) days' prior written notice will have been filed with the commissioner and given to the licensee.
- B. An irrevocable letter of credit issued by a qualified financial institution, which letter of credit:
 - (1) Shall be in the minimum amount of \$20,000;
 - (2) Shall be to an account to the commissioner and subject to lawful levy of execution on behalf of any person to whom the public adjuster has been found to be legally liable as the result of erroneous acts, failure to act, fraudulent acts, or unfair practices in his or her capacity as a public adjuster; and
 - (3) Shall not be terminated unless at least thirty (30) days' prior written notice will have been filed

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with the commissioner and given to the licensee.

- C. The issuer of the evidence of financial responsibility shall notify the commissioner upon termination of the bond or letter of credit, unless otherwise directed by the commissioner.
- D. The commissioner may ask for the evidence of financial responsibility at any time he or she deems relevant.
- E. The authority to act as a public adjuster shall automatically terminate if the evidence of financial responsibility terminates or becomes impaired.

Section 13. Continuing Education

- A. An individual, who holds a public adjuster license and who is not exempt under Subsection B of this section, shall satisfactorily complete a minimum of twenty-four (24) hours of continuing education courses, including ethics, reported on a biennial basis in conjunction with the license renewal cycle.
- B. This section shall not apply to:
 - (1) Licensees not licensed for one full year prior to the end of the applicable continuing education biennium; or
 - (2) Licensees holding nonresident public adjuster licenses who have met the continuing education requirements of their home state and whose home state gives credit to residents of this state on the same basis.
- C. Only continuing education courses approved by the commissioner shall be used to satisfy the continuing education requirement of Subsection A.

Section 14. Public Adjuster Fees

- ~~A. [Optional] A public adjuster may charge the insured a reasonable fee as determined by state law [insert appropriate reference to state law or regulation].~~

~~Drafting Note: This model designates Section 14A as optional. A majority of the states do not require a cap on fees of public adjusters.~~

Insert Suggested Language

The proposed revisions to **Section 14, Public Adjuster Fees**, would delete the current subsection A, which states: “[Optional] a public adjuster may charge the insured a reasonable fee as determined by state law [insert appropriate reference to state law or regulation].” The proposed revisions also would delete the related Drafting Note, which states: “This model designates Section 14A as optional. A majority of the states do not require a cap on fees of public adjusters.” The new subsection D in the proposed Model Act (replacing subsection F in the current Act) would impose an across-the-board cap of 15% on all public adjuster fees. However, there are problematic losses, and claims that are very difficult and time-consuming to adjust, which warrant a higher fee. Most states still do not impose a cap on public adjuster fees.

We respectfully suggest that the proposed amendment not be adopted, and that the above-quoted language of the current Model Act, and its Drafting Note, be retained. Failing that, we suggest that the cap in the proposed Model Act be increased to 25%.

- ~~BA.~~ A public adjuster shall not pay a commission, service fee or other valuable consideration to a person for investigating or settling claims in this state if that person is required to be licensed under this Act and is not so licensed.
- ~~CB.~~ A person shall not accept a commission, service fee or other valuable consideration for investigating or settling claims in this state if that person is required to be licensed under this Act and is not so licensed.

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~~DC.~~ A public adjuster may pay or assign commission, service fees or other valuable consideration to persons who do not investigate or settle claims in this state, unless the payment would violate [insert appropriate reference to state law, i.e. citation to anti-rebating statute or sharing commission statute, if applicable].

~~ED.~~ [Optional] In the event of a catastrophic disaster, there shall be limits on catastrophic fees. No public adjuster shall charge, agree to or accept as compensation or reimbursement any payment, commission, fee, or other thing of value equal to ~~of~~ more than ten percent (10%) ~~of any insurance settlement or proceeds for any catastrophic insurance claim settlement, and no more than fifteen percent (15%) for any insurance claim settlement.~~ No public adjuster shall require, demand or accept any fee, retainer, compensation, deposit, or other thing of value, prior to settlement of a claim.

Drafting Note: This model designates Section 14E, as optional. It is recommended that the states that establish catastrophic fees utilize the recommended language in this model.

Insert Suggested Language

Also, the proposed new subsection D states in its last sentence, as the current Model Act does: “No public adjuster shall require, demand or accept any fee, retainer, compensation, deposit, or other thing of value, prior to settlement of a claim.” Usually, a claim is not settled all at once – especially complex commercial claims and large homeowner claims involving a lot of money. Advances and partial payments are often made before there is a final settlement, and they can be substantial and the product of much effort expended by the public adjuster. This sentence could be construed to mean that no fee is due until a claim is finally and completely settled, no matter how much work the public adjuster did before then, or how much was advanced or paid by the insurer before the settlement.

Therefore, we suggest that it be changed to read something like: “No public adjuster shall require, demand, or accept any fee, retainer, compensation, deposit, or other thing of value, prior to payment, advance payment, or partial payment of a claim, and then only on what is actually paid to the insured or on behalf of the insured.”

Section 15. Contract Between Public Adjuster and Insured

- A. Public adjusters shall ensure that all contracts for their services are in writing and contain the following terms:
- (1) Legible full name of the adjuster signing the contract, as specified in Department of Insurance records;
 - (2) Permanent home state business address and phone number;
 - (3) Department of Insurance license number;
 - (4) Title of “Public Adjuster Contract”;
 - (5) The insured’s full name, street address, insurance company name and policy number, if known or upon notification;
 - (6) A description of the loss and its location, if applicable;
 - (7) Description of services to be provided to the insured;
 - (8) Signatures of the public adjuster and the insured;
 - (9) Date contract was signed by the public adjuster and date the contract was signed by the insured;
 - (10) Attestation language stating that the public adjuster is fully bonded pursuant to state law; and
 - (11) Full salary, fee, commission, compensation or other considerations the public adjuster is to receive

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for services.

- B. The contract may specify that the public adjuster shall be named as a co-payee on an insurer's payment of a claim.
- (1) If the compensation is based on a share of the insurance settlement, the exact percentage shall be specified.
 - (2) Initial expenses to be reimbursed to the public adjuster from the proceeds of the claim payment shall be specified by type, with dollar estimates set forth in the contract and with any additional expenses first approved by the insured.
 - (3) Compensation provisions in a public adjusting contract shall not be redacted in any copy of the contract provided to the commissioner. Such a redaction shall constitute an omission of material fact in violation of [insert reference to relevant state law].
- C. If the insurer, not later than seventy-two (72) hours after the date on which the loss is reported to the insurer, either pays or commits in writing to pay to the insured the policy limit of the insurance policy, the public adjuster shall:
- (1) Not receive a commission consisting of a percentage of the total amount paid by an insurer to resolve a claim;
 - (2) Inform the insured that loss recovery amount might not be increased by insurer; and
 - (3) Be entitled only to reasonable compensation from the insured for services provided by the public adjuster on behalf of the insured, based on the time spent on a claim and expenses incurred by the public adjuster, until the claim is paid or the insured receives a written commitment to pay from the insurer.
- D. A public adjuster shall provide the insured a written disclosure concerning any direct or indirect financial interest that the public adjuster has with any other party who is involved in any aspect of the claim, other than the salary, fee, commission or other consideration established in the written contract with the insured, including but not limited to any ownership of, other than as a minority stockholder, or any compensation expected to be received from, any construction firm, salvage firm, building appraisal firm, motor vehicle repair shop, or any other firm which that provides estimates for work, or that performs any work, in conjunction with damages caused by the insured loss on which the public adjuster is engaged. The word "firm" shall include any corporation, partnership, association, joint-stock company or person.
- E. A public adjuster contract may not contain any contract term that:
- (1) Allows the public adjuster's percentage fee to be collected when money is due from an insurance company, but not paid, or that allows a public adjuster to collect the entire fee from the first check issued by an insurance company, rather than as percentage of each check issued by an insurance company;
 - (2) Requires the insured to authorize an insurance company to issue a check only in the name of the public adjuster;
 - (3) Imposes collection costs or late fees; or
 - (4) Precludes a public adjuster from pursuing civil remedies.
- F. Prior to the signing of the contract the public adjuster shall provide the insured with a separate disclosure document regarding the claim process that states:

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- (1) Property insurance policies obligate the insured to present a claim to his or her insurance company for consideration. There are three (3) types of adjusters that could be involved in that process. The definitions of the three types are as follows:
 - (a) “Company adjuster” means the insurance adjusters who are employees of an insurance company. They represent the interest of the insurance company and are paid by the insurance company. They will not charge you a fee.
 - (b) “Independent adjuster” means the insurance adjusters who are hired on a contract basis by an insurance company to represent the insurance company’s interest in the settlement of the claim. They are paid by your insurance company. They will not charge you a fee.
 - (c) “Public adjuster” means the insurance adjusters who do not work for any insurance company. They work for the insured to assist in the preparation, presentation and settlement of the claim. The insured hires them by signing a contract agreeing to pay them a fee or commission based on a percentage of the settlement, or other method of compensation.
 - (2) The insured is not required to hire a public adjuster to help the insured meet his or her obligations under the policy, but has the right to do so.
 - (3) The insured has the right to initiate direct communications with the insured’s attorney, the insurer, the insurer’s adjuster, and the insurer’s attorney, or any other person regarding the settlement of the insured’s claim.
 - (4) The public adjuster is not a representative or employee of the insurer.
 - (5) The salary, fee, commission or other consideration is the obligation of the insured, not the insurer.
- G. The contracts shall be executed in duplicate to provide an original contract to the public adjuster, and an original contract to the insured. The public adjuster's original contract shall be available at all times for inspection without notice by the commissioner.
- H.** The public adjuster shall provide the insurer a notification letter, which has been signed by the insured, authorizing the public adjuster to represent the insured’s interest. The insurer shall verify the public adjuster holds a valid license with the Department.

Insert Suggested Language

Section 15, Contract Between Public Adjuster and Insured of the proposed Model Act, at subsection H, would add the following sentence to the end of the subsection: “The insurer shall verify the public adjuster holds a valid license with the Department.” It does not specify how the insurer shall verify it. At times, we have had problems with adjusters representing insurers demanding that we produce a copy of our public adjuster’s license, even though they know we are licensed, and it is really meant to harass the public adjuster. Furthermore, the most reliable way to verify that someone is licensed as a public adjuster is through the relevant state’s Insurance Department. In Pennsylvania, this information is readily available to the public on the Insurance Department’s website.

Accordingly, we suggest using this language instead: “The insurer shall verify, with the relevant Insurance Department, that the public adjuster holds a valid license.”

- I. The public adjuster shall give the insured written notice of the insured’s right as provided in [cite the state consumer protection laws].
- J. The insured has the right to rescind the contract within three (3) business days after the date the contract was signed. The rescission shall be in writing and mailed or delivered to the public adjuster at the address in the contract within the three (3) business day period.
- K. If the insured exercises the right to rescind the contract, anything of value given by the insured under the

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contract will be returned to the insured within fifteen (15) business days following the receipt by the public adjuster of the cancellation notice.

L. Subject to its terms relating to assignability, a property insurance policy, whether heretofore or hereafter issued, under the terms of which the policy and its rights and benefits are assignable, may provide that the rights and benefits under the insurance may only be assigned to a person who has the legal authority to represent the named insured and may explicitly prohibit assignment of rights and benefits to any other person, including a property repair contractor. For purposes of this subsection, having “legal authority to represent the named insured” includes the person named by the named insured as having the named insured’s power of attorney, the person who is the name insured’s licensed public adjuster, or any other comparable person. Property repair contractors operating in this State may not subvert the public adjuster licensing requirements of [insert appropriate reference to state law] through the acquisition of a power of attorney from the named insured.

Insert Suggested Language

Section 15, Contract Between Public Adjuster and Insured, of the proposed Model Act, adds a new subsection L, relating to assigning rights and benefits under a property insurance policy. In that regard, we note the following for your consideration.

First, this new subsection L begins by stating that the insured’s right to assign post-loss benefits owed under a property insurance policy is: “Subject to its terms relating to assignability.” Typically, policies are not assignable, but the right to receive insurance proceeds after a loss is assignable. However, the above-quoted language could be construed as allowing an insurer to insert language into the policy, which would bar any post-loss assignments whatsoever. While we are not attorneys and do not act as such, we are advised by counsel that, under Pennsylvania law, once a property loss occurs, an insured may assign the insurance benefits from that loss as a matter of right, and the insurer may not prohibit it. This proposed revision could be construed as allowing an insurer to prohibit any post-loss assignment, which according to counsel would be contrary to existing law.

Second, this new subsection L would give insurers the power to restrict post-loss assignments to, “the person named by the named insured as having the named insured’s power of attorney, the person who is the name [sic] insured’s licensed public adjuster, or any comparable person.” Again, while we are not attorneys and do not act as such, we are advised by counsel that allowing insurers to restrict post-loss assignments in that way would also be contrary to existing law. One example that counsel gave us was when an insured suffers a loss to his property, and before the insurance claim is resolved, sells the property, and in either the agreement of sale or at closing, assigns the right to receive the insurance benefits to the buyer. This new language could be construed as allowing an insurer to forbid such an assignment, which counsel advises is legal under existing law.

Considering the foregoing, except as noted in the following paragraph, we respectfully suggest that new subsection L not be adopted, and that the issue be left to the courts to address under the well-established laws governing assignments of insurance proceeds.

However, we also believe that the last sentence of new subsection L should be adopted, and even strengthened. That sentence provides: “Property repair contractors operating in this State may not subvert the public adjuster licensing requirements of (insert appropriate reference to state law) through the acquisition of a power of attorney from the named insured.” It has been our experience that, not only property repair contractors, but also other individuals and outfits, such as emergency service providers, consultants, and other persons or entities who misrepresent themselves to insureds as someone who can assist them with their insurance claims, attempt to subvert public adjuster licensing requirements by having insureds give them a power of attorney.

We therefore suggest that this prohibition be set apart in its own subsection, and the language be broadened from applying only to “property repair contractors,” to also encompassing other contractors, emergency service providers, consultants, and other persons or entities who misrepresent themselves to insureds as someone who can assist them with their insurance claims, and who may prey on insureds in this fashion.

Drafting Note: The details in this section should comply with your state’s consumer protection contract rescission law.

Section 16. Unlicensed Actors

A person or entity commits a fraudulent insurance act if he or she:

A. Represents or advertises themselves to be a public adjuster who has not met the requirements of licensure under [insert appropriate reference to state law].

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B. Conducts business for which a license is required under this Act without a license.

Insert Suggested Language

Regarding the proposed new **Section 16, Unlicensed Actors**, we suggest that a third type of fraudulent insurance act be specified in this section, to cover the situation when emergency service providers, contractors, consultants, and other persons or entities who misrepresent themselves to insureds, tell an insured that they are able and willing to handle their insurance claim or a part of it, or to represent them against their insurance company. In that regard, it has been our experience that such bad actors frequently, without presenting themselves as public adjusters, nevertheless hold themselves out, verbally or in writing, or in their advertising, whether written or in other media, as able and willing to handle the insured's claim or a portion of it, or represent them against their insurance company. That should be prohibited as well.

To prevent such misbehavior, we suggest adding a third fraudulent insurance act here, along the following lines: "A person or entity commits a fraudulent insurance act if he or she: ... C. Represents to any other person, in writing, verbally, or in any form of advertising, that he or she, in any way, will handle the other person's insurance claim in whole or in part, or act as the other person's representative in the claim, or otherwise communicate with an insurer on behalf of the other person, unless that person is licensed as a public adjuster in accordance with this Act, or is an attorney."

Section ~~16~~17. Escrow or Trust Accounts

A public adjuster who receives, accepts or holds any funds on behalf of an insured, towards the settlement of a claim for loss or damage, shall deposit the funds in a non-interest bearing escrow or trust account in a financial institution that is insured by an agency of the federal government in the public adjuster's home state or where the loss occurred.

Section ~~17~~18. Record Retention

- A. A public adjuster shall maintain a complete record of each transaction as a public adjuster. The records required by this section shall include the following:
- (1) Name of the insured;
 - (2) Date, location and amount of the loss;
 - (3) Copy of the contract between the public adjuster and insured;
 - (4) Name of the insurer, amount, expiration date and number of each policy carried with respect to the loss;
 - (5) Itemized statement of the insured's recoveries;
 - (6) Itemized statement of all compensation received by the public adjuster, from any source whatsoever, in connection with the loss;
 - (7) A register of all monies received, deposited, disbursed, or withdrawn in connection with a transaction with an insured, including fees transfers and disbursements from a trust account and all transactions concerning all interest bearing accounts;
 - (8) Name of public adjuster who executed the contract;
 - (9) Name of the attorney representing the insured, if applicable, and the name of the claims representatives of the insurance company; and
 - (10) Evidence of financial responsibility in a format prescribed by the insurance commissioner.
- B. Records shall be maintained for at least five (5) years after the termination of the transaction with an insured and shall be open to examination by the commissioner at all times.

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- C. Records submitted to the commissioner in accordance with this section that contain information identified in writing as proprietary by the public adjuster shall be treated as confidential by the commissioner and shall not be subject to [insert reference to open record laws] of this state.

Section 1819. Standards of Conduct of Public Adjuster

- A. A public adjuster is obligated, under his or her license, to serve with objectivity and complete loyalty the interest of his client alone; and to render to the insured such information, counsel and service, as within the knowledge, understanding and opinion in good faith of the licensee, as will best serve the insured's insurance claim needs and interest.
- B. A public adjuster shall not solicit, or attempt to solicit, an insured during the progress of a loss-producing occurrence, as defined in the insured's insurance contract.

~~C. A public adjuster shall not advertise or infer damage has occurred as result of unless an inspection of the property has been completed.~~

Insert Suggested Language
None

~~D. A public adjuster shall not offer to pay an insured's deductible, or claim the insured's deductible will be waived, as an inducement to using the services of a public adjuster.~~

Insert Suggested Language
None

~~E. A public adjuster shall not permit an unlicensed employee or representative of the public adjuster to conduct business for which a license is required under this Act.~~

~~D. A public adjuster shall not have a direct or indirect financial interest in any aspect of the claim, other than the salary, fee, commission or other consideration established in the written contract with the insured, unless full written disclosure has been made to the insured as set forth in Section 15G.~~

Insert Suggested Language

Standards of Conduct of Public Adjuster, Section 18, subsection D, of the current Model Act allows a public adjuster to have an interest in the claim, other than the adjusting fee, so long as, "full written disclosure has been made to the insured." That quoted language has been deleted from the proposed Model Act, at **Section 19, Standards of Conduct of Public Adjuster**, subsection G.

We believe that the aforesaid full written disclosure ensures transparency and adequately protects the insured, and respectfully suggest that it be retained, and that the proposal amendment not be adopted.

~~E. A public adjuster shall not acquire any interest in salvage of property subject to the contract with the insured unless the public adjuster obtains written permission from the insured after settlement of the claim with the insurer as set forth in Section 15G.~~

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~~F.~~ The public adjuster shall abstain from referring or directing the insured to get needed repairs or services in connection with a loss from any person, ~~unless disclosed to the insured:~~

~~(1) With whom the public adjuster has a financial interest; or~~

~~(2) From whom the public adjuster may receive direct or indirect compensation for the referral.~~

Insert Suggested Language

Similarly, **Section 18, Standards of Conduct of Public Adjuster**, subsection F, of the current Model Act allows the public adjuster to refer or direct the insured to obtain repairs or services from another entity with whom the public adjuster has a financial interest, or from whom the public adjuster may receive compensation for the referral, so long as it is “disclosed to the insured.” The proposed revision would be a total prohibition of any such referrals. While we are not attorneys, and do not act as such, counsel advises that, in Pennsylvania, the public adjuster is allowed to make such referrals so long as the proper disclosure is made to the insured.

Therefore, again, we believe that this ensures transparency and adequately protects the insured, and we respectfully suggest that the proposed amendment not be adopted, and that this provision remain as it is in the current Model Act.

Drafting Note: Optional language for Subsection F: “Licensees may not solicit a client for employment between the hours of ___ pm and ___ am.”

~~G.~~ The public adjuster shall disclose to an insured if he or she has any interest or will be compensated by any construction firm, salvage firm, building appraisal firm, motor vehicle repair shop or any other firm that performs any work in conjunction with damages caused by the insured loss. The word "firm" shall include any corporation, partnership, association, joint-stock company or individual as set forth in Section 15A(4).

~~H.~~ Any compensation or anything of value in connection with an insured’s specific loss that will be received by a public adjuster shall be disclosed by the public adjuster to the insured in writing including the source and amount of any such compensation.

~~I.~~ Public adjusters shall adhere to the following general ethical requirements:

- (1) A public adjuster shall not undertake the adjustment of any claim if the public adjuster is not competent and knowledgeable as to the terms and conditions of the insurance coverage, or which otherwise exceeds the public adjuster’s current expertise;
- (2) A public adjuster shall not knowingly make any oral or written material misrepresentations or statements which are false or maliciously critical and intended to injure any person engaged in the business of insurance to any insured client or potential insured client;
- (3) No public adjuster, while so licensed by the Department, may represent or act as a company adjuster, or independent adjuster on the same claim;

Drafting Note: If a state only allows licensure in one class of adjuster licensing, the adjuster may not represent another type of licensure in any circumstance.

- (4) The contract shall not be construed to prevent an insured from pursuing any civil remedy after the three-business day revocation or cancellation period;
- (5) A public adjuster shall not enter into a contract or accept a power of attorney that vests in the public adjuster the effective authority to choose the persons who shall perform repair work; and
- (6) A public adjuster shall ensure that all contracts for the public adjuster’s services are in writing and set forth all terms and conditions of the engagement.

~~J.~~ A public adjuster may not agree to any loss settlement without the insured’s knowledge and consent.

Section ~~19~~20. Reporting of Actions

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- A. The public adjuster shall report to the commissioner any administrative action taken against the public adjuster in another jurisdiction or by another governmental agency in this state within thirty (30) days of the final disposition of the matter. This report shall include a copy of the order, consent to order, or other relevant legal documents.
- B. Within thirty (30) days of the initial pretrial hearing date, the public adjuster shall report to the commissioner any criminal prosecution of the public adjuster taken in any jurisdiction. The report shall include a copy of the initial complaint filed, the order resulting from the hearing, and any other relevant legal documents.

Drafting Note: If the state has adopted the Producer Licensing Model Act , it may not be necessary to adopt this section. Rather, the state may want to amend its relevant insurance producer statute to include public adjusters.

Section ~~20~~21. Regulations

The commissioner may, in accordance with [insert appropriate reference to state law], promulgate reasonable regulations as are necessary or proper to carry out the purposes of this Act.

Section ~~21~~22. Severability

If any provisions of this Act, or the application of a provision to any person or circumstances, shall be held invalid, the remainder of the Act, and the application of the provision to persons or circumstances other than those to which it is held invalid, shall not be affected.

Section ~~22~~23. Effective Date

This Act shall take effect [insert date]. Provided, however that the provision of Section 4 do not become effective until a state participates in the NAIC's central repository for the purpose of obtaining criminal background information.

Drafting Note: A minimum of six months to one-year implementation time for proper notice of changes, fees, and procedures is recommended.

Chronological Summary of Action (all references are to the Proceedings of the NAIC).

2005 Proc. 2nd Quarter 698 (adopted by parent committee).

2005 Proc. 3rd Quarter 26, 35-49 (amended and adopted by Plenary).

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NAIC Public Insurance Adjuster Surety Bond Sample

BOND NO. _____

Know All Persons by These Presents:

That we, _____ as Principal, whose address is _____
_____ and _____ as Surety, being a surety company authorized
to do business in the State of _____ re bound to the _____ Department of Insurance in the sum of \$10,000.00 as specified
at [insert reference to state law or regulation]. The specified sum is payable to the [insert state] Department of Insurance for
the use and benefit of any customer of the above described Principal and as defined by the [insert state] Insurance Code,
[insert citation] in acceptable currency of the United States in accordance with the statutory provision cited above. By this
instrument, we jointly and severally firmly bind ourselves, out heir s, executors, administrators, successors and assigns.

The conditions of the above obligations are:

Whereas the above named Principal has applied to the [insert state] Department of Insurance for a license as a Public
Insurance Adjuster to engage in or continue the business of insurance as a Public Insurance Adjuster in accordance with the
[insert state] Insurance Code;

Now, Therefore, should the Principal discharge losses that result from any final judgment recovered against the Principal by
any customer, this obligation will become void. If this obligation is not void, it remains in full force and effect, subject to the
following conditions:

1. As of _____, 20_____, this bond will be in full force and effect indefinitely. Continuation or renewal
certificates are unnecessary.
2. The surety may, at any time, terminate this bond by submitting written notice to the [insert state] Department of
Insurance thirty (30) days prior to the termination date. The surety, however, remains liable for any defaults under this bond
committed prior to the termination date.
3. In no event will the aggregate liability of the Surety under this bond, for any or all damages to one or more
claimants, exceed the penal sum of this bond.

In Witness Whereof said Principal and Surety have executed this bond this _____ day of _____
, 20__ to be effective the _____ day of _____, 20_____.

PRINCIPAL

BY

ADDRESS

SURETY