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AB-597 Public insurance adjusters. (2025-2026)

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Date Published: 07/14/2025 02:00 PM

AMENDED IN SENATE JULY 14, 2025

AMENDED IN SENATE JULY 03, 2025

AMENDED IN ASSEMBLY MARCH 20, 2025

AMENDED IN ASSEMBLY MARCH 10, 2025

CALIFORNIA LEGISLATURE— 2025–2026 REGULAR SESSION

ASSEMBLY BILL

NO. 597

**Introduced by Assembly Member Harabedian
(Coauthor: Assembly Member Schiavo)**

February 13, 2025

An act to amend Section 15027 of the Insurance Code, relating to insurance, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 597, as amended, Harabedian. Public insurance adjusters.

Existing law, the Public Insurance Adjusters Act, governs the regulation, licensing, and registration of public insurance adjusters and requires the Insurance Commissioner to administer the act. The act prohibits a licensee from acting as a public insurance adjuster without having first entered into a written contract and governs the form and content of the contract, including setting forth required and prohibited contract terms, including requiring a description of the services to be provided to the insured. Existing law prohibits a public adjuster from receiving a fee or other consideration in excess of the amount or percentage provided in the contract. A person who violates these provisions is guilty of a misdemeanor.

This bill would require the contract between the public adjuster and the insured to include a description of the services to be provided, including the specific claim and coverages to which the services apply. The bill would prohibit a public adjuster contract from allowing a licensee's fee, commission, or other valuable consideration to be for, or based upon, (1) any amount paid to the insured prior to the date of the written contract with the public adjuster ~~or~~ *if the claim pertains to a catastrophic disaster or a state of emergency, or, (2)* on an insurer's payment for specific claims or coverages to which the services do not apply.

Existing law prohibits licensees from soliciting or attempting to solicit employment from a client during a loss-producing occurrence, or from soliciting a policyholder or initiating contact with a policyholder during specified hours.

This bill would instead prohibit licensees from soliciting or attempting to solicit employment from a policyholder or their representative during a loss-producing occurrence and would prohibit a licensee from also soliciting or contacting a policyholder's representative during those specified hours.

Existing law entitles an insured to rescind a contract without any time limit if the licensee misrepresents or conceals a material fact from the insured before the execution of the contract. Existing law authorizes an insured to cancel a contract with a public adjuster within 5 calendar days of signing it and being provided a copy of the signed contract if the loss is included in an area subject to catastrophic disaster.

This bill would expand those provisions to entitle an insured to void or rescind the contract if the licensee misrepresents or conceals a material fact before the execution of the contract or solicits employment in violation of the provisions described above. The bill would also extend the ability to cancel a contract within 5 calendar days if a property loss is included in an area subject to a state of emergency. The bill would make conforming changes to a "Notice of Cancellation" form required to be included with each contract and other related disclosures.

Because a violation of these provisions would be a crime, the bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

This bill would declare that it is to take effect immediately as an urgency statute.

Vote: 2/3 Appropriation: no Fiscal Committee: yes Local Program: yes

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 15027 of the Insurance Code is amended to read:

15027. (a) A licensee shall not, directly or indirectly, act within this state as a public insurance adjuster without having first entered into a contract, in writing, on a form approved by the insurance commissioner and executed in duplicate by the public adjuster and the insured or a duly authorized representative. One original contract shall be kept on file by the licensee, available at all times for inspection, without notice, by the commissioner or the commissioner's duly authorized representative, and one original contract shall be given to the insured.

(b) The written contract between the licensee and the insured shall contain each of the following:

- (1) Title of "Public Adjuster Contract."
- (2) The name, business name, license number, telephone number, and address of the licensee.
- (3) The name and address of the insured.
- (4) A description of the loss and its location, if applicable.
- (5) The name of the insurer and the policy number, if known.
- (6) The full salary, fee, commission, or other consideration the licensee is to receive for services under the contract.
- (7) A public adjuster's fee, commission, or other valuable consideration shall not cause the insured to receive less than any amount paid to the insured by the insurer prior to the date of the written contract between the insured and the public adjuster.
- (8) A description of the services to be provided to the insured, including, but not limited to, the specific claim and coverages to which the services apply.
- (9) Signatures of the licensee and the insured.
- (10) The date the contract was signed by the licensee and the date the contract was signed by the insured.
- (11) The following statement: "As a public adjuster, I am required by the California Insurance Code to post a surety bond in the sum of \$20,000 to cover certain kinds of claims made by you, the insured. If you have any questions concerning the surety bond, you may contact the California Department of Insurance Licensing Hotline at 1-800-967-9331 or www.insurance.ca.gov."
- (12) A statement of the compensation to the licensee, including the percentage and base to which the percentage applies, including the specific claim and coverages to which the compensation applies.

(13) A statement that the insured has the right to cancel the contract within three business days of signing it and being provided the signed contract.

(c) A contract covered by this section shall not contain a contract term that does any of the following:

(1) Allows the licensee's fee to be collected when money is due from an insurer, but not paid, or allows a licensee to collect the entire fee from the first payment issued by an insurer, rather than as a percentage of each payment issued by an insurer.

(2) Requires the insured to authorize an insurer to issue a payment only in the name of the licensee.

(3) Imposes late fees or collection costs on the insured.

(4) Allows the licensee's fee, commission, or other valuable consideration to be for, or based upon, any amount paid to the insured by the insurer prior to the date of the written contract between the insured and the public ~~adjuster~~ *adjuster, if the claim pertains to a catastrophic disaster, as defined in Section 15001, or a state of emergency, as defined in Section 8558 of the Government Code.*

(5) Allows the licensee's fee, commission, or other valuable consideration to be for, or based upon, an insurer's payment for specific claims or coverages to which the services do not apply.

(d) A licensee shall not solicit or attempt to solicit a policyholder or policyholder's representative for employment during a loss-producing occurrence. A loss-producing occurrence continues to exist when any of the following conditions exist at the property that is subject to solicitation:

(1) Any of the circumstances that caused the loss are present at the property where the solicitation would otherwise take place.

(2) Emergency responders are present at the property where the solicitation would otherwise take place.

(3) An evacuation order is still in effect at the property where the solicitation would otherwise take place.

(e) A licensee or any other person or entity offering, for a fee, service regulated by this chapter shall not solicit a policyholder or policyholder's representative for employment or initiate any contact with a policyholder or their representative between the hours of 6 p.m. and 8 a.m., unless requested by the policyholder or policyholder's representative.

(f) A licensee shall not use any form of contract other than that approved by the commissioner and that contains each of the following:

(1) A provision allowing the client to cancel the contract by written notice sent or delivered by certified mail, return receipt requested, or other form of mailing that provides proof of mailing, to the licensee by midnight of the third business day after the day on which the client signs a contract that complies with this section and is provided a copy of that signed contract. Each copy of the contract shall contain a completed form, captioned "Notice of Cancellation," that shall be placed at the end of the contract and be separated from the remainder of the contract by a printed line. Nothing shall be printed on the reverse side of the notice form. The notice form shall be completed by the licensee, and shall contain in at least 12-point type the following statement written in the same language, example, Spanish, as used in the contract:

Notice of Cancellation

(Date of Contract)

You may cancel this contract within three business days from the above date that you signed the contract and you were provided with a copy of that signed contract, except that, as it pertains to a catastrophic disaster, as defined in Section 15001, or a state of emergency, as defined in Section 8558 of the Government Code, your right to cancel is five calendar days without any penalty or obligation to pay your public adjuster, other than for reimbursement of moneys paid by your public adjuster for out-of-pocket emergency expenses for you or on your behalf. If your public adjuster seeks reimbursement from you for out-of-pocket emergency expenses, your public adjuster shall provide you with an itemized statement of those emergency expenses advanced to you or on your behalf if the cancellation is made within the first three business days after the contract was signed by you and you were provided a copy of the signed contract. This contract does not permit your public adjuster to recover any costs, except for out-of-pocket emergency expenses advanced to you.

If you cancel, any money or other consideration paid by you will be returned within five business days following the receipt of your cancellation notice, and any security interest arising out of the transaction will be canceled.

To cancel this contract, mail or deliver by certified mail, return receipt requested, or other form of mailing that provides proof of mailing, a signed and dated copy of this cancellation notice, or any other written notice, or send a telegram to:

(name of public adjuster)

at

(address of public adjuster's place of business)

not later than midnight of

(Date)

I hereby cancel this contract

(Date)

(Client's signature)

(2) The statement "WE REPRESENT THE INSURED ONLY" prominently displayed in at least 12-point type.

(3) (A) A provision disclosing the percentage of the insured's claim, or other fee, that the licensee will charge for services to be performed by the licensee. The licensee shall obtain the initials of the insured next to this provision.

(B) A clear and conspicuous statement in at least 12-point type in immediate proximity to the statement specified in subparagraph (A) indicating whether or not the claim or claims to which the services apply pertain to a catastrophic disaster, as defined in Section 15001, or a state of emergency, as defined in Section 8558 of the Government Code.

(4) A conspicuous statement in at least 12-point type in immediate proximity to the space reserved for the client's signature, as follows: "You may cancel this contract at any time before midnight of the third business day after the date of this contract. See the notice of cancellation form at the end of this contract for an explanation of this right."

(g) A licensee shall not knowingly make a false report to the licensee's employer or divulge to any other person, except as the licensee may be required by law to do so, any information acquired by the licensee, except at the direction of the employer or a client for whom the information is obtained.

(h) A licensee shall not use a badge in connection with the official activities of the licensee's business.

(i) A licensee shall not permit an employee or agent in the licensee's own name to advertise, engage clients, furnish reports, or present bills to clients, or in any manner whatever to conduct business for which a license is required under this chapter.

(j) Pursuant to subdivisions (a) and (c) of Section 15006, the commissioner has the authority to enforce this chapter and prosecute violations of this chapter committed by unlicensed persons or entities that hold themselves out or act as public insurance adjusters.

(k) For purposes of this section, "business day" has the same meaning as defined in subdivision (e) of Section 1689.5 of the Civil Code, as in effect on the operative date of this statute.

(l) The contract and the notice of cancellation set forth in paragraph (1) of subdivision (f) shall be written in the same language, e.g., Spanish, as principally used in the negotiation of the contract.

(m) Within five business days after a contract has been canceled, the licensee shall tender to the client any payments made by the client and any note or other evidence of indebtedness, including an itemized statement of all amounts tendered to the client.

(n) The licensee is not entitled to compensation for services performed before cancellation, other than for reimbursement of moneys paid by the licensee for out-of-pocket emergency expenses for the client or on behalf of the client. If the licensee seeks reimbursement from the client for out-of-pocket emergency expenses, and if the cancellation is made within the first three business days after the contract was initiated, the licensee shall provide the client with an itemized statement of those emergency expenses advanced to the client or on behalf of the client by the licensee. This subdivision does not permit the licensee to recover any costs, except for out-of-pocket emergency expenses advanced to the client. Any security interest shall be canceled upon cancellation of the contract.

(o) Notice of cancellation given by the client need not take the particular form specified in paragraph (1) of subdivision (f). Notice of cancellation, however expressed, is effective if it indicates the intention of the client not to be bound by the contract.

(p) Cancellation occurs when the client gives written notice of cancellation by certified mail, return receipt requested, or other form of mailing that provides proof of mailing, to the licensee at the address specified in the contract.

(q) Notice of cancellation, if given by mail, is effective when sent by certified mail, return receipt requested, or other form of mailing that provides proof of mailing, properly addressed with postage prepaid.

(r) Until the licensee has complied with this section, the client may cancel the contract.

(s) The contracts shall be executed in duplicate. The licensee shall retain one original contract, and shall provide the insured with an original contract.

(t) The licensee shall provide the client with an original contract and notice of cancellation at the time the client signs the contract.

(u) A confession of judgment or waiver of the provisions of this chapter shall be deemed contrary to public policy and shall be void and unenforceable.

(v) Before the signing of the contract, the licensee shall provide the insured with a separate printed disclosure document in the following form that bears the name and license number of the licensee:

"DISCLOSURE

There are three types of insurance adjusters that could be involved in the processing of your insurance claim. The definitions of the three types are as follows:

(1) Public adjusters are the insurance adjusters who do not work for your insurance company. They work for you, the insured, to assist in the preparation, presentation, and settlement of your claim. You hire them by signing a contract and agreeing to pay them a fee or commission based on a percentage of the settlement, or other method of compensation. Public adjusters are required to be licensed, bonded, and tested by the State of California to represent your interest only.

(2) Company adjusters are the insurance adjusters who are employees of your insurance company. They represent your insurance company and are paid by your insurance company. They will not charge you a fee and are not individually licensed or tested by the State of California.

(3) Independent adjusters are the insurance adjusters who are hired on a contract basis by your insurance company to represent the company in the settlement of the claim. They are paid by your insurance company. They will not charge you a fee.

You have the right, but are not required, to use the services of a public adjuster in the preparation and handling of your insurance claim.

Public adjusters cannot solicit your business while the loss is underway, or between the hours of 6 p.m. and 8 a.m.

Your "Public Adjuster Contract," with a public adjuster representing you, should clearly indicate the amount of the fee you will be paying to your public adjuster. Your contract, with this fee percentage, should be acknowledged by your initials on the "Public Adjuster Contract." The salary, fee, commission, or other consideration is to be paid by you (the insured), not the insurance company (insurer).

You have the right to cancel the contract with your public adjuster, without any penalty or obligation, within three business days from the date the contract is signed. If the contract was established from a catastrophic disaster, as defined in subdivision (c) of Section 15001, or a state of emergency, as defined in Section 8558 of the Government Code, the insured has the right to cancel within five calendar days.

If you cancel the contract with your public adjuster, any money or other consideration paid by you will be returned within five business days following the receipt of your cancellation notice, and any security interest arising out of the transaction will be canceled.

To cancel the contract with your public adjuster, mail or deliver by certified mail, return receipt requested, or other form of mailing that provides proof of mailing, a signed and dated copy of the cancellation notice, or any other written notice, or send a telegram to the public adjuster at the address in the contract.

You have the right to, and may, communicate with your insurance company at any time if you feel the need during the claims process.

If you have any concerns or questions, the officers at the California Department of Insurance Consumer Hotline are there to help you. Please contact them at 1-800-927-HELP (4357) or www.insurance.ca.gov.

(w) No later than three business days after the cancellation has expired, the public adjuster shall notify the insurer, its adjuster, or its attorney, that the public adjuster has entered into a written contract with the insured.

(x) If the licensee misrepresents or conceals a material fact from the insured before the execution of the contract, or solicits employment in violation of subdivision (d) or (e), the insured is entitled to void or rescind the contract without time limit.

(y) Notwithstanding any other provision of this section, if a property loss is included in an area that is subject to a catastrophic disaster, as defined in Section 15001, or a state of emergency, as defined in Section 8558 of the Government Code, the insured may cancel a contract with a public adjuster within five calendar days of signing it and being provided a copy of the signed contract.

SEC. 2. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

SEC. 3. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the California Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to provide critical safeguards and protect wildfire victims and those particularly vulnerable from predatory and exploitative practices, including unfair fees and price gouging from public adjusters, in the aftermath of major disasters and to ensure fair treatment and financial security for those rebuilding their lives, it is necessary that this act take effect immediately.