

STATE OF ALASKA

DEPARTMENT OF COMMERCE AND
ECONOMIC DEVELOPMENT

DIVISION OF INSURANCE

WALTER J. HICKEL, GOVERNOR

P.O. BOX 110805
JUNEAU, ALASKA 99811-0805
PHONE: (907) 465-2515
FAX: (907) 465-3422
TDD: (907) 465-5437

BULLETIN 93-08

RE: ADJUSTERS AND APPRAISERS; NONRESIDENT ADJUSTERS; ACV AND SALVAGE

The division has received inquiries occasioned by the Unfair Claim Settlement Act and Practices regulation that took effect May 6, 1989 and revisions to the Alaska Insurance Code regarding licensing and activities of independent adjusters that took effect July 1, 1992. This bulletin will focus upon three issues: adjusters and appraisers; unlicensed nonresident adjusters; and total loss settlements involving ACV calculations and salvage.

When must a person who appraises damage to motor vehicles or property be licensed as an independent adjuster?

An independent adjuster is "a person who, for compensation as an independent contractor or as an employee of an independent contractor, for fee or commission, investigates or adjusts losses or claims arising under insurance contracts on behalf of an insurer." [AS 21.90.900(18)]

So long as an appraiser neither investigates nor adjusts losses or claims, the appraiser is not required to be licensed as an independent adjuster. In other words, if the scope of a person's assignment and work is only to evaluate the extent of damage to a motor vehicle or to property (if a total loss, the actual cost to purchase comparable vehicle or property), the person is not acting as an independent adjuster. Such an appraiser may reach an agreed price with a repair facility only to the extent the cost of materials and labor is agreed to in order to confirm that the appraiser's evaluation is a fair and appropriate amount--what one may reasonably be expected to be charged for the repairs. An appraiser is one who provides expert opinion regarding the extent of the damage. Such an expert opinion may also extend to areas such as previous damage or salvage value.

Without being licensed as an independent adjuster, an appraiser may not become involved in the investigation or adjustment of losses or claims. Activities such as negotiations with insureds, claimants, or repair facilities require licensure as an independent adjuster. Only a licensed independent adjuster can authorize repairs, decide which damage is covered, or decide which damage an insured or insurer is liable. These activities stray from the evaluation of damage into the **realm** of investigation or adjustment of losses or claims.

How many losses may a nonresident independent adjuster handle in Alaska? Are there any requirements or conditions for an unlicensed nonresident independent adjuster to handle a loss in Alaska?

Effective July 1, 1992, AS 21.27.860 specified that a nonresident independent adjuster not licensed by Alaska may act as an adjuster and adjust only a single loss in Alaska during a calendar year. However, an unlicensed nonresident adjuster may adjust that single loss only if the person is licensed by and in good standing with its resident state and notifies the director within ten days after the start of an investigation or adjustment of the adjuster's individual name and firm name (if any), its business mailing address, its business physical address and phone number, its licensing state of residence, and its residence license number.

A nonresident independent adjuster not licensed by Alaska who handles more than one loss during a calendar year or who fails to notify the director of the required information within ten days is subject to significant penalties under AS 21.27.440 (such as \$25,000 for each willful violation).

What is owed if an insured wants to retain the salvage when the insurer determines a total loss has occurred and seeks to settle on an ACV basis?

The correct calculation for a total loss on the basis of actual cash value is based upon the actual cost to purchase a comparable item, including all applicable taxes, license fees, destination or delivery charges, and other fees incident to transfer of ownership. This calculation is not contingent upon salvage, nor does the calculation of actual cash value change if the insured seeks to retain the salvage rather than have the salvage turned over to the insurer for disposition.

The salvage has a market value based upon what salvage buyers are willing to pay for the remains of a total loss. Costs incidental to the transfer of title and possession of the salvage may reduce the net recovery to the insurer (whether such costs are paid by the insurer directly or deducted by the salvage buyer from what is paid to the insurer). If an insured successfully "bids" to retain the salvage, the insurer may pay the insured the net of actual cash value including applicable taxes, license fees, destination and delivery charges, and other fees incidental to transfer of ownership that are required to be included in the calculation of actual cash value less the successful salvage "bid" (and deductible, if any). An insurer may not reduce, prorate, or otherwise not pay the entire actual cash value, including all applicable taxes, licensing fees, destination and delivery charges, and other fees incident to transfer of ownership if the insured retains the salvage.

I hope that this bulletin provides guidance in these three areas.

Effective this 10th day of May, 1993



David J. Walsh, Director
Division of Insurance