

AMENDED IN ASSEMBLY MARCH 20, 2025

AMENDED IN ASSEMBLY MARCH 10, 2025

CALIFORNIA LEGISLATURE—2025–26 REGULAR SESSION

**ASSEMBLY BILL**

**No. 597**

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**Introduced by Assembly Member Harabedian**

February 13, 2025

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An act to amend Section 15027 of the Insurance Code, relating to ~~insurance~~, *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, any amount paid to the insured prior to the date of the written contract with the public adjuster or on an insurer's payment for specific claims or coverages to which the services do not apply. The bill would also prohibit the fee, commission, or other valuable consideration from being greater than 15% of the amount paid by the insurer after the date of the written contract if the claim pertains to a catastrophic disaster or state of emergency, as defined. The bill would make these provisions applicable to policies of residential and commercial property insurance, as specified.

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: ~~majority~~<sup>2/3</sup>. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: yes.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 15027 of the Insurance Code is amended  
2 to read:  
3 15027. (a) A licensee shall not, directly or indirectly, act within  
4 this state as a public insurance adjuster without having first entered  
5 into a contract, in writing, on a form approved by the insurance  
6 commissioner and executed in duplicate by the public adjuster and  
7 the insured or a duly authorized representative. One original  
8 contract shall be kept on file by the licensee, available at all times  
9 for inspection, without notice, by the commissioner or the  
10 commissioner's duly authorized representative, and one original  
11 contract shall be given to the insured.  
12 (b) The written contract between the licensee and the insured  
13 shall contain each of the following:  
14 (1) Title of "Public Adjuster Contract."  
15 (2) The name, business name, license number, telephone  
16 number, and address of the licensee.  
17 (3) The name and address of the insured.  
18 (4) A description of the loss and its location, if applicable.  
19 (5) The name of the insurer and the policy number, if known.  
20 (6) The full salary, fee, commission, or other consideration the  
21 licensee is to receive for services under the contract.  
22 (7) A description of the services to be provided to the insured,  
23 including, but not limited to, the specific claim and coverages to  
24 which the services apply.  
25 (8) Signatures of the licensee and the insured.  
26 (9) The date the contract was signed by the licensee and the  
27 date the contract was signed by the insured.  
28 (10) The following statement: "As a public adjuster, I am  
29 required by the California Insurance Code to post a surety bond  
30 in the sum of \$20,000 to cover certain kinds of claims made by  
31 you, the insured. If you have any questions concerning the surety  
32 bond, you may contact the California Department of Insurance  
33 Licensing Hotline at 1-800-967-9331 or [www.insurance.ca.gov](http://www.insurance.ca.gov)."

1 (11) A statement of the compensation to the licensee, including  
2 the percentage and base to which the percentage applies, including  
3 the specific claim and coverages to which the compensation  
4 applies.

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

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

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

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

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

17 (4) Allows the licensee's fee, commission, or other valuable  
18 consideration to be for, or based upon, any amount paid to the  
19 insured by the insurer prior to the date of the written contract  
20 between the insured and the public adjuster.

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

24 (6) If the claim pertains to a catastrophic disaster, as defined in  
25 Section 15001, or a state of emergency, as defined in Section 8558  
26 of the Government Code, the licensee's fee, commission, or other  
27 valuable consideration shall not be greater than 15 percent of the  
28 amount paid by the insurer after the date of the written contract  
29 between the insured and the public adjuster for specific claims and  
30 coverages to which the services apply. This paragraph shall apply  
31 to all claims relating to ~~both~~ *either* of the following:

32 (A) A policy of residential property insurance as defined in  
33 subdivision (a) of Section 10087.

34 (B) A policy of commercial property insurance that is subject  
35 to Section 675.5 and involving policy limits of ten million dollars  
36 (\$10,000,000) or less.

37 (d) A licensee shall not solicit or attempt to solicit a policyholder  
38 or policyholder's representative for employment during a  
39 loss-producing occurrence. A loss-producing occurrence continues

1 to exist when any of the following conditions exist at the property  
2 that is subject to solicitation:

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

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

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

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

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

18 (1) A provision allowing the client to cancel the contract by  
19 written notice sent or delivered by certified mail, return receipt  
20 requested, or other form of mailing that provides proof of mailing,  
21 to the licensee by midnight of the third business day after the day  
22 on which the client signs a contract that complies with this section  
23 and is provided a copy of that signed contract. Each copy of the  
24 contract shall contain a completed form, captioned “Notice of  
25 Cancellation,” that shall be placed at the end of the contract and  
26 be separated from the remainder of the contract by a printed line.  
27 Nothing shall be printed on the reverse side of the notice form.  
28 The notice form shall be completed by the licensee, and shall  
29 contain in type of at least 10-point the following statement written  
30 in the same language, e.g., Spanish, as used in the contract:

31  
32 Notice of Cancellation

33  
34 \_\_\_\_\_  
35 (Date of Contract)  
36

37 You may cancel this contract within three business days from  
38 the above date that you signed the contract and you were provided  
39 with a copy of that signed contract, except that, as it pertains to a  
40 catastrophic disaster, as defined in Section 15001, or a state of

1 emergency, as defined in Section 8558 of the Government Code,  
 2 your right to cancel is five calendar days without any penalty or  
 3 obligation to pay your public adjuster, other than for reimbursement  
 4 of moneys paid by your public adjuster for out-of-pocket  
 5 emergency expenses for you or on your behalf. If your public  
 6 adjuster seeks reimbursement from you for out-of-pocket  
 7 emergency expenses, your public adjuster shall provide you with  
 8 an itemized statement of those emergency expenses advanced to  
 9 you or on your behalf if the cancellation is made within the first  
 10 three business days after the contract was signed by you and you  
 11 were provided a copy of the signed contract. This contract does  
 12 not permit your public adjuster to recover any costs, except for  
 13 out-of-pocket emergency expenses advanced to you.

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

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

22 \_\_\_\_\_  
 23

(name of public adjuster)

24 at

25 \_\_\_\_\_  
 26

(address of public adjuster's place of business)

27  
 28  
 29  
 30 not later than midnight of \_\_\_\_\_

(Date)

31 I hereby cancel this contract \_\_\_\_\_  
 32

(Date)

33 \_\_\_\_\_  
 34

(Client's signature)

35  
 36  
 37 (2) The statement "WE REPRESENT THE INSURED ONLY"  
 38 prominently displayed in at least 10-point type.

39 (3) (A) A provision disclosing the percentage of the insured's  
 40 claim, or other fee, that the licensee will charge for services to be

1 performed by the licensee. The licensee shall obtain the initials of  
2 the insured next to this provision.

3 (B) A statement in at least 10-point type in immediate proximity  
4 to the provision specified in subparagraph (A), as follows: “For  
5 claims pertaining to a catastrophic disaster or a state of emergency  
6 declared by the President of the United States or the Governor of  
7 California, the total cost for the services performed pursuant to  
8 this contract shall not exceed 15 percent of the amount paid by the  
9 insurer after the effective date of this contract for claims and  
10 coverages to which those services apply.”

11 (C) A clear and conspicuous statement in at least 10-point type  
12 in immediate proximity to the statement specified in subparagraph  
13 (B) indicating whether or not the claim or claims to which the  
14 services apply pertain to a catastrophic disaster, as defined in  
15 Section 15001, or a state of emergency, as defined in Section 8558  
16 of the Government Code.

17 (4) A conspicuous statement in at least 10-point type in  
18 immediate proximity to the space reserved for the client’s signature,  
19 as follows: “You may cancel this contract at any time before  
20 midnight of the third business day after the date of this contract.  
21 See the notice of cancellation form at the end of this contract for  
22 an explanation of this right.”

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

13  
14 "DISCLOSURE  
15

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

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

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

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

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

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

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

8 You have the right to cancel the contract with your public  
9 adjuster, without any penalty or obligation, within three business  
10 days from the date the contract is signed. If the contract was  
11 established from a catastrophic disaster, as defined in subdivision  
12 (c) of Section 15001, or a state of emergency, as defined in Section  
13 8558 of the Government Code, the insured has the right to cancel  
14 within five calendar days.

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

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

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

28 If you have any concerns or questions, the officers at the  
29 California Department of Insurance Consumer Hotline are there  
30 to help you. Please contact them at 1-800-927-HELP (4357) or  
31 [www.insurance.ca.gov](http://www.insurance.ca.gov).”

32

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

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

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

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

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

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