
LEGAL UPDATE

Legal Services Division



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UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF IOWA COURT DECISION — REGULATION OF PUBLIC ADJUSTERS.

Legal Updates, prepared by the nonpartisan Legal Services Division of the Legislative Services Agency, provide summaries of recent meetings, court decisions, Attorney General Opinions, regulatory actions, federal actions, and other occurrences of a legal nature that may be pertinent to the General Assembly's consideration of a topic and are intended for use primarily by legislators, legislative staff, and other persons interested in legislative matters. The reader is cautioned against using information contained in a legal update to draw conclusions as to the legality of a particular behavior or set of circumstances and should not be interpreted as advocating a particular course of action.

Shamrock Hills, LLC v. The State of Iowa

Filed September 25, 2025, and dismissed September 19, 2025

No. 4:24-cv-00340

www.documentcloud.org/documents/26140843-shamrock-order-to-dismiss/

Background. On July 2, 2024, the Assistant Bureau Chief of the Iowa Insurance Division (Division) Market Regulation Bureau sent a warning notice to Shamrock Hills, a residential contractor, stating the Division had reviewed Shamrock Hills' business activity and identified activity consistent with unlicensed public adjusting in violation of Iowa Code sections 103A.71(3) and 522C.2(7) (Code 2025). A "public adjuster" is generally defined to mean any person who negotiates a claim on behalf of an insured for compensation. In response to an inquiry by Shamrock Hills, the Division provided a follow-up email containing a nonexhaustive list of the alleged wrongful actions. Shamrock Hills brought a lawsuit against the State challenging the constitutionality of Iowa Code sections 103A.71(3) and 522C.2(7), asserting the statutes infringe upon Shamrock Hills' freedom of speech rights under the First Amendment to the United States Constitution and are unconstitutionally vague under the Fourteenth Amendment to the United States Constitution. Shamrock Hills sought injunctive relief and pursued a declaratory judgment holding the statutes unconstitutional. The State filed a motion to dismiss, and Shamrock Hills filed a resistance to the motion.

Issues. Whether Iowa's regulatory scheme prohibiting unlicensed residential contractors from acting as public adjusters violated Shamrock Hills' freedom of speech rights under the First Amendment to the United States Constitution and were the statutes unconstitutionally vague under the Fourteenth Amendment.

Holding. The court held that the statutory scheme was a valid regulation of professional conduct and did not infringe upon Shamrock Hills' First Amendment rights and was not unconstitutionally vague under the Fourteenth Amendment. Accordingly, the court granted the State's motion to dismiss, and addressed other procedural issues relating to the case.

Analysis.

First Amendment Claims. Shamrock Hills asserted that the Iowa regulatory scheme violated the First Amendment because the business of residential contracting involves speech and conduct, and the statute regulated negotiating, advertising, soliciting, and advising, which involve communication. The court explained that the mere fact that the illegal act of a residential contractor holding themselves out as a public

adjuster is evidenced by words or speech does not invoke First Amendment protections, and the statute had a legitimate regulatory goal to target the elimination of conduct injurious to society. The court held that the statutory scheme fell within the permissible regulation of professional conduct with only incidental impacts on speech.

Shamrock Hills also asserted that the regulatory scheme violated the First Amendment by prohibiting advertising. Under the First Amendment, commercial speech is only afforded protection if it is for a lawful purpose. The Iowa statute prohibits unlicensed residential contractors from advertising themselves as public adjusters. Because Iowa may prohibit a residential contractor from acting as a licensed public adjuster, an advertisement from a residential contractor holding themselves out as a public adjuster is not speech targeted at a lawful purpose, the court found the regulation constitutional.

Fourteenth Amendment Claims. Shamrock Hills challenged the Iowa regulatory scheme as vague under the Fourteenth Amendment. The court found that the statutory scheme provided adequate warning to Shamrock Hills of what actions did and did not violate the statute, because the statute clearly and unambiguously prohibited residential contractors from acting as public adjusters. The court relied on the interpretation by the Iowa Supreme Court that the statute clearly and unambiguously prohibited residential contractors from acting as public adjusters, including soliciting business, investigating losses, and advising insureds regarding claims. The court held that it was clear that Shamrock Hills was properly on notice as to what actions were prohibited by the statute and the statutory language provided sufficient guidance and standards by which to apply the law.

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