

## [California Supreme Court Rules that Court of Appeal Used Incorrect Legal Analysis in Deciding that Claims Adjusters Are Not Exempt from Overtime Pay Requirement](#)

December 29, 2011 by [Larry Golub](#)

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In a unanimous opinion handed down on December 29, 2011, the California Supreme Court ruled in [Harris v. Superior Court](#) that the Court of Appeal used an erroneous analysis when it decided that claims adjusters are not exempt from California's overtime pay requirement.

The California Labor Code sets forth a general requirement that employees are entitled to overtime pay for work in excess of eight hours in one workday or 40 hours in one week. However, the Code exempts administrative employees from the overtime pay requirement.

Claims adjusters employed by Liberty Mutual Insurance Company and Golden Eagle Insurance Corporation sued the companies for damages based on the failure to pay them for overtime work. The companies argued that the adjusters were administrative employees and thus were not entitled to overtime pay.

The California Court of Appeal rejected the insurance companies' argument, primarily relying on a prior Court of Appeal decision in [Bell v. Farmers Insurance Exchange](#), 87 Cal. App. 4th 805 (2001). The companies asked the California Supreme Court to review the Court of Appeal's decision.

The Supreme Court's ruling concluded that the Court of Appeal used an incorrect analysis when it rejected the argument that the adjusters were administrative employees. According to the Supreme Court, the Court of Appeal relied too heavily on the administrative/production worker dichotomy used in the *Bell* decision and failed to consider more recent regulations issued by the California Industrial Welfare Commission and applicable federal regulations which are supposed to guide California in applying the administrative employee exemption to the general overtime requirement.

In reversing the Court of Appeal's decision, the Supreme Court remanded the case back to the Court of Appeal with directions that it apply the legal standards that are set forth in the Supreme Court's ruling.