

Insurance and Real Estate Committee HOUSE FAVORABLE REPORT

Bill No.: HB-5373

AN ACT CONCERNING HOME IMPROVEMENT CONTRACTORS AND

Title: SALESPERSONS.

Vote Date: 3/10/2020

Vote Action: Joint Favorable

PH Date: 3/10/2020

File No.:

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SPONSORS OF BILL:

Insurance and Real Estate Committee

REASONS FOR BILL:

This bill will (1) change both the permissible and required terms of home improvement contracts; (2) preclude home improvement contractors from engaging in certain conduct to induce owners to enter into home improvement contracts; (3) require home improvement contractors to notify the commissioner regarding changes in their business names, trade names and addresses; (4) require home improvement contractors to maintain insurance coverage; (5) expand the required content of the application for a certificate of registration as a home improvement contractor; and (6) modify the grounds on which the Commissioner of Consumer Protection may (A) reprimand or place a home improvement contractor or salesperson on probation, or (B) revoke, suspend, or refuse to issue or renew a certificate of registration as a home improvement contractor or salesperson.

RESPONSE FROM ADMINISTRATION/AGENCY:

Michelle Seagull, Commissioner, Dept of Consumer Protection stated this bill would make significant changes to Connecticut General Statutes Chapter 400, Home Improvement Contractors. The Department of Consumer Protection (DCP) would need substantial additional resources to implement the proposed changes. Additionally, it is important to note that Senate Bill 182, An Act Concerning New Home Contractors and Home Improvement Contractors, which also seeks to make numerous changes to these statutes, is before the General Law Committee. DCP worked with proponents of this bill to ensure it could be implemented without the need for additional resources. We would advise the proponents of HB 5373 to collaborate with those working on SB 182.

NATURE AND SOURCES OF SUPPORT:

Joy Avallone, General Counsel of Insurance Association of CT feels this legislation, which seeks to protect consumers from unscrupulous contractor practices. Much of its language is derived from the National Conference of Insurance Legislators' Storm Chaser Consumer Protection Act ("NCOIL Act"), which was adopted by the NCOIL Executive Committee on July 19, 2015. This model bill is aimed at discouraging the less than reputable practice by certain contractors who seek work after storm damage from price-gouging by placing certain registration and insurance requirements in place and by granting homeowners certain rights. It establishes minimum standards for contracts and promotes fair and honest practices for contractors.

American Property Casualty Insurance Association stated this legislation will add valuable consumer protections for homeowners when seeking to have their homes repaired or improved. While the vast majority of contractors are honest and scrupulous business persons, there are a small group of people who purport to be legitimate contractors but are actually con artists. These people often focus on making repairs to roofs and are commonly known as "storm chasers" because they often come into an area right after a natural disaster promising to quickly and efficiently restore the roofs of people who have suffered damage or loss from the disaster. Often, the work performed by these scammers is substandard or incomplete. These con artists will walk door to door in a neighborhood and use high-pressure sales tactics to compel consumers into signing roofing repair contracts. A particular target for storm chasers is the elderly, especially those who have paid off their mortgages because if a mortgage is not paid off, then the insurer must include the mortgage holder on the claim check. This proposed legislation would address this problem by, among other protections, establishing a prohibition of roofing contractors advertising or promising to pay or rebate all or any portion of an insurance deductible as an inducement for a homeowner to enter into a home improvement contract. This legislation would also allow homeowners to cancel a home improvement contract within three business days after receiving notice from the homeowner's insurer that the claim has been denied in whole or in part. Within ten days of the cancellation, the contractor would be required to return any payments made by the insured and cancel the contractor's security interest, if any. These valuable consumer protections will help to ensure that homeowners are not preyed upon and victimized following a disaster by unscrupulous home improvement contractors.

Darren Toth, Co-President CT Association of Public Insurance Adjusters stated that individuals from Wallingford, CT suffered a devastating fire in January 2019. In the immediate aftermath of the fire, they were solicited by a number of contractors. They ended up signing on with a contractor whose contract contained no price for the contractor's services, but rather the assignment of benefits of the Homeowners policy. They were assured that the contractor would handle all aspects of their insurance claim and would rebuild their home like new for the amount paid by their insurance. After the insurance company negotiated and settled the claim with the contractor, work started and the inferior work began. In the early stages of the repair the homeowner fired the contractor for shoddy work. This is a law in Rhode Island and we believe it should be one in CT.

Ken Uraski, Past President, CT Association of Public Insurance Adjusters feels most contractors are honest and hard working. As Public Adjusters, we interface with these professionals on a daily basis. There are unscrupulous ones, however, who travel to areas that suffer storm damage attempting to sign as many contracts for home repair as they can.

They hoodwink the homeowner into thinking they will provide immediate repairs, all in exchange for a large deposit or signing for the assignment of benefits of the insurance policy. They might not be properly registered or insured, provide shoddy work or simply disappear after cashing the deposit check. House Bill 5373 attempts to address these problems. The genesis of this bill is a model "Storm Chaser" law that was drafted and adopted by the National Conference of Insurance Legislators (NCOIL). We would ask that you consider an addition to the bill to address "Assignment of Benefit." This is where the contractor has the insured sign a form giving them (the contractor) sole control over negotiating the claim and in some case receive direct payment of the claim from the insurer.

NATURE AND SOURCES OF OPPOSITION:

Alan Hanbury, President of Hanbury Builders, Inc . feels except for the requirements for the General liability insurance which is currently required but no proof is required, and the part about trying to cheat the insurance company out of the deductible that the client should be paying, the rest of the changes don't make sense to me, I can't imagine what problem they are trying to correct as anyone can ask for these pieces of information and the contractor can agree, not agree or charge to do that extra work needed. We are requiring 99.97 % of contracts which never make it to the guaranty fund by your own data, about 117-150 folks in the last 5 years out of probably 1.2 million jobs completed. This will burden tons of contracts written (about 3 million) and not signed as well as the 1.2 million signed with all this paperwork that virtually nobody has ever asked me for.

Jim Perras, CEO Home Builders & Remodelers Association of CT stated if passed as currently written it will only serve to penalize and disadvantage law abiding contractors while growing the underground home improvement market and jeopardizing unsuspecting homeowners.

They support Sec. 2(2) of this bill, but oppose Sec. 2(3) of the bill along with Sec. 4, Sec. 6, and Sec. 7. In the end, this bill will have the cumulative effect of disadvantaging law-abiding contractors by raising their costs of doing business. Resulting in, more homeowners going to the underground market where they will find minimal consumer protection available to them should they fall victim of fraud, shoddy workmanship or negligent acts.

Robert Wiedenmann, Jr. Sunwood Development Corp feels that as currently proposed this bill will cause undue hardship on legitimate contractors and less reputable contractors to work underground. Requiring social security numbers and residence addresses of principals in this age of identity theft is foolish and should be removed. Contracts will be considered invalid if they do not include over 17 specific items, including specific information on independent contractors and subcontractors. Many of these contractors may not have been selected at the time a contract is signed. There is a requirement that contractors must allow payments by credit card. I and many other contractors do not accept this form of payment. Why should the state dictate what form of payments must be accepted? Lastly, there is a requirement that 2 notice of cancellation forms be included in a contract. How easy is it for a homeowner to claim they had not received these forms and cause the contract to be considered invalid?

Diane Kubeck

March 30,2020