

Honolulu, Hawaii

FEB 14 2020

RE: S.B. No. 2422
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirtieth State Legislature
Regular Session of 2020
State of Hawaii

Sir:

Your Committee on Commerce, Consumer Protection, and Health,
to which was referred S.B. No. 2422 entitled:

"A BILL FOR AN ACT RELATING TO ROOFING CONTRACTORS,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Prohibit roofing contractors from offering to pay, in any monetary form, an insured's insurance deductible as an incentive to encourage the insured to hire the contractor; and
- (2) Allow insureds to rescind contracts with roofing contractors within five business days of receiving notification from an insurer that all or any part of a claim or contract is not a covered loss under the insured's insurance policy.

Your Committee received testimony in support of this measure from the Hawaii Insurer's Council, National Insurance Crime Bureau, National Association of Mutual Insurance Companies, and the Hawaii Public Adjusters Corporation. Your Committee received testimony in opposition to this measure from four individuals. Your Committee received comments on this measure from the Contractors License Board, State Farm Mutual Automobile Insurance Company, and the Roofing Contractors Association of Hawaii.



Your Committee finds that contractor fraud, particularly involving exterior repair, is a widespread problem. Often, in the aftermath of a major storm, unscrupulous and aggressive contractors use the opportunity to prey upon already vulnerable consumers. This typically involves a contractor telling the consumer that they have to get a new roof, which the contractor claims will be covered by their homeowner's insurance, and promises to pay the deductible amount, which is actually built into the cost. The consumer is then pressured to immediately sign a binding contract for the full replacement cost. When an insurance adjuster later inspects the roof after the claim is filed and finds that there is only little or no damage, the adjuster is forced to either deny the claim or approve it for only the actual repair costs, which are far less than the contract price, leaving the consumer with no choice but to pay for goods and services that were not necessary. This measure protects consumers and is consistent with residential roofing repair consumer protection bills that have been adopted in other states throughout the country.

Your Committee notes the concerns raised in the Roofing Contractor's Association of Hawaii testimony that additional safeguards should be put in place to prohibit any residential contractor, not just roofing contractors, from acting as a public adjuster. Accordingly, amendments to this measure are necessary to address these concerns.

Your Committee further notes the concerns raised in the public hearing on this measure that chapter 480, Hawaii Revised Statutes is perhaps better suited for the provisions of this measure, rather than chapter 444, Hawaii Revised Statutes. Your Committee also notes that the Contractors License Board testified that chapter 444, Hawaii Revised Statutes, is not the appropriate chapter to address unlicensed insurance adjusters. Your Committee finds these issues and concerns merit further consideration and requests that your Committee on Judiciary further examine these issues raised by the testifiers on this measure.

Your Committee has amended this measure by:

- (1) Inserting language that allows the Contractors License Board to revoke, suspend, or refuse to renew a license



for a contractor that performs as a public adjuster, as defined in section 431:9-105, Hawaii Revised Statutes; and

- (2) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Commerce, Consumer Protection, and Health that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2422, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2422, S.D. 1, and be referred to your Committee on Judiciary.

Respectfully submitted on
behalf of the members of the
Committee on Commerce, Consumer
Protection, and Health,



ROSALYN H. BAKER, Chair



