



**SanHi**

GOVERNMENT STRATEGIES

A LIMITED LIABILITY LAW PARTNERSHIP

DATE: February 10, 2020

TO: Representative Takashi Ohno  
Chair, Committee on Intrastate Commerce  
*Submitted Via Capitol Website*

FROM: Rick Tsujimura

RE: **H.B. 1809 - Relating to Consumer Protection**  
**Hearing Date: Tuesday, February 11, 2020 at 11:25 a.m.**  
**Conference Room: 430**

---

Dear Chair Ohno, Vice Chair Kobayashi, and Members of the Committee on Intrastate Commerce:

I am Rick Tsujimura, representing State Farm Mutual Automobile Insurance Company (State Farm). State Farm offers these comments about H.B. 1809 Relating to Consumer Protection, and more specifically, Unscrupulous Roofing Contractor Scam Activities.

Although most roofing contractors are professionals that truly have the consumers interests in mind when they provide repair estimates, State Farm has found that after major storms there are some unscrupulous practitioners that descend upon neighborhoods after a significant weather event trying to “drum up” business and take advantage of consumers. This often involves the contractor telling the consumer that they can get them a “new roof at no cost to them,” and promising to “cover” the amount of the deductible when in reality that is built into the cost. The consumer is then pressured to immediately sign a binding contract for the full replacement cost.

When the insurance adjuster inspects the roof after the claim is filed and finds that there is little or no damage, the adjuster is forced to either deny the claim or approve it for the actual repair costs, which are far less than the contract price. This leaves consumers contractually obligated to pay for repairs that they don’t need and can’t afford. Often Hawaii’s more vulnerable citizens are the targets of these schemes. H.B. 1809 is a simple solution that at least five other states have adopted, including Georgia, Minnesota, Missouri, New York, and North Dakota. It prohibits roofers from offering to pay a homeowners insurance deductible as an incentive to hire the contractor, and allows a consumer five business days to rescind a contract after an insurer has inspected the roof and determined that “all or any part of the claim or contract is not a covered loss under the homeowners insurance policy.” This is a pro-consumer protection bill that will help prevent Hawaii’s citizens from being scammed into entering into deceptive roofing repair contracts.

Thank you for considering this pro-consumer legislation and for the opportunity to present this testimony.

**LATE**

February 10, 2020

Chair Takashi Ohno and Members of the Committee  
Committee on Intrastate Commerce  
Hawaii House of Representatives

RE: House Bill 1809 – Consumer Protection

Dear Chair Ohno and Members of the Committee:

The National Insurance Crime Bureau (NICB) is a national, century-old, not-for-profit organization supported by approximately 1,300 property and casualty insurance companies, including many who write business in Hawaii. Working hand-in-hand with our member companies and law enforcement, we investigate organized criminal conspiracies dealing with insurance fraud and vehicle crime.

Contractor fraud, particularly involving exterior repair, is widespread and problem, and Hawaii is not an exception. Often, in the aftermath of major storms or catastrophe, unscrupulous, aggressive contractors use the opportunity to prey upon already vulnerable consumers.

House bill 1809 seeks to provide important consumer protections, by:

1. Prohibiting full and partial deductible rebates. Some contractors will attempt to lure homeowners into agreeing to unnecessary or inflated claims by offering to rebate their deductible.
2. Providing for the right to cancel upon an adverse decision from an insurer. This important consumer protection helps ensure that homeowners that are misled by unscrupulous contractors into believing certain damage is covered or covered to a greater extent than it is, are not locked into a contract for extensive, expensive exterior repair work.

Subsequently, we ask for your support of HB 1809 which will help provide critical consumer protections and curtail aggressive, stormchasing contractors.

Thank you for your review and consideration; if you have any questions or need additional information, please contact me at [hhandler@nicb.org](mailto:hhandler@nicb.org) or 847-544-7083.

Sincerely,



Howard Handler  
Director, Government Affairs

## TESTIMONY OF MICHAEL TANOUE

---

COMMITTEE ON INTRASTATE COMMERCE  
Representative Takashi Ohno, Chair  
Representative Dale T. Kobayashi, Vice Chair

Tuesday, February 11, 2020  
11:25 a.m.

### **HB1809**

Chair Ohno, Vice Chair Kobayashi, and members of the Committee on Intrastate Commerce, my name is Michael Tanoue, counsel for Hawaii Insurers Council. The Hawaii Insurers Council is a non-profit trade association of property and casualty insurance companies licensed to do business in Hawaii. Member companies underwrite approximately forty percent of all property and casualty insurance premiums in the state.

Hawaii Insurers Council supports the intent of this bill. The bill puts in place consumer protection measures against unscrupulous roofing contractors, some of whom come into Hawaii after a wind event and misrepresent to homeowners, insurance benefits. In some cases, roofers obtain separate contracts from homeowners which can result in the homeowner having to pay for a roof out of pocket when the damage sustained could have been repaired.

We respectfully ask this committee to consider amending Section 444, Hawaii Revised Statutes, that regulates contractors which we believe is a more appropriate section of the law.

Thank you for the opportunity to testify.



# ROOFING CONTRACTORS ASSOCIATION OF HAWAII

Century Square 1188 Bishop St., Suite 1003, Honolulu, Hawaii 96813-3304  
Phone (808) 537-1224 Facsimile (808) 533-2739

**LATE**

February 11, 2020

Testimony To: House Committee on Intrastate Commerce  
Representative Takashi Ohno, Chair

Presented By: Tim Lyons, CAE  
Executive Director

Subject: H.B. 1809 – RELATING TO CONSUMER PROTECTION

Chair Ohno and Members of the Committee:

I am Tim Lyons, Executive Director of the Roofing Contractors Association of Hawaii and we have comments on this bill.

This bill addresses a grave problem; one that has affected consumers and tarnished the industry. As the bill points out, a few years ago a whole group of unsavory and unprofessional contractors known as “storm chasers” arrived in Hawaii after our last storm came through the islands. These individuals were very “polished”. They know how to deal with consumers and they particularly know how to deal with insurance companies and in most cases, they actually operate legally under the license law. They do that by finding some poor small unknowing licensed operator and tempt them into going along with their scheme with offers of lots of

money. They outrightly act as public adjustors, they outrightly rip-off the insurance companies and in most cases, the consumers get a brand new roof with a lot of cash left over.

When our organization heard about this scam going on several years ago, we worked with the Insurance Commissioner in order to educate our members as to what a public adjustor is and the fact that it takes a license under Chapter 431:9 to do these things. We also worked with the insurance companies who were unknowingly and routinely declaring roofs as total losses when many of them barely had damages. In short, the regular mainstream roofing contractors were not part of this scheme at all and we don't think they should suffer any over regulation as a result of the "bad guys".

We do think however that roofing contractors should not ever act as a public adjustor and to that extent we would encourage this Committee to consider incorporating something into Chapter 444 that prohibits contractors, any residential contractor not just roofing contractors, from acting as public adjustors. As a suggestion, Section 444-17, Revocation, Suspension, and Renewal of a license, lists a whole variety of items that constitute revocable actions or actions to suspend or a refusal to renew in items 1 – 22. We would recommend that item 23 be added; that a contractor may not act as public adjustor as defined under Section 431:9 HRS.

As to the operational aspects of the bill itself, we think it does have some operational and logistical problems. As an example, the bill allows the insured to rescind their contract within five (5) days after receiving notice from the insurer that their claim will not be covered. We think that it is important to note that in reality this means that the contractor will not start any repairs until the insured has received notice from their insurer that the claim will be honored.

With discussions and disputes that could be an extended time and in the meantime the consumer has a roof that needs repair.

In Section 2, item b (page 2) it indicates that an insured that has entered into a written contract with the roofing contractor to provide services to be paid from the proceeds of a insurance policy can rescind the contract. We are not quite sure how this is determined. The homeowner may indicate that is how he intends to pay the contractor but it doesn't appear that there would be any proof of that. Additionally, the notice of rescission is effective upon the deposit in the mail and that doesn't seem to make sense to us since that would be totally different from when the contractor actually receives the notice, if he gets the notice.

We would suggest that in the Notice of Rescission it include a requirement that a copy of the notification from the insurance company that the claim will not be honored be included with the Notice of Rescission that the contractor receives so that there is no dispute as to whether the claim was honored or not.

On page 7 it defines "Residential contractor" and mentions other exterior repair, replacement, construction, or reconstruction work on residential real estate. This is very broad and basically includes work from many different trades and across multiple scopes of licensure. Alternatively the definition of "roof system" is more specific but also includes "insulation" which may be both interior and/or exterior.

In short, it is not clear.

So in conclusion, we realize that there has been a problem in the past although we are not privy to any recent complaints. We know that our Association has worked with the regulatory authorities to be sure that our members are apprised of the regulations in this area and to assist them in anything that we can do in order to avoid consumer harm. We are happy to continue that effort however it would appear that the bill as written puts a confusing burden on all local contractors that is ill deserved.

Thank you.



**LATE**

**HB-1809**

Submitted on: 2/10/2020 1:52:37 PM

Testimony for IAC on 2/11/2020 11:25:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
camille erickson	Individual	Oppose	No

Comments:

I oppose this bill as it is written. I also want to testify that not all contractors working with insurance claims are dishonest or unethical. Our company is in good standing with all insurance companies we deal with. When an insurance adjuster writes up a claim, they often neglect to include all applicable items that affect the claim and repair needs. For example, they often do not include items that are required by law under building code even though the insured has building code upgrades on their policy. As the contractor, we would like to maintain the ability to point this out to the insurance company and request they approve additional funds, within their set industry pricing. This is a win for the consumers in Hawaii.

**LATE**

**HB-1809**

Submitted on: 2/10/2020 3:10:30 PM

Testimony for IAC on 2/11/2020 11:25:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Kevin Medeiros	Individual	Oppose	Yes

Comments:

**LATE**

**HB-1809**

Submitted on: 2/10/2020 3:30:35 PM

Testimony for IAC on 2/11/2020 11:25:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Ben Sims	Individual	Oppose	No

Comments:

I am formally opposing HB1809. Any negotiation for a construction agreement should be between a homeowner and contractor. If a homeowner and contractor agree to discount a project in order to win the bid, why should that be the concern of any state legislature or insurance company? I there is an agreed upon price that is \$500 less than what an insurance company gave, why does that matter to anyone.? Free market!