

Testimony of the Contractors License Board

**Before the
House Committee on Consumer Protection & Commerce
Thursday, March 18, 2021
2:00 p.m.
Via Videoconference**

**On the following measure:
S.B. 601, S.D. 1, RELATING TO ROOFING CONTRACTORS**

Chair Johanson and Members of the Committee:

My name is Candace Ito, and I am the Executive Officer of the Contractors License Board (Board). The Board opposes this bill.

The purposes of this bill are 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.

The Board opposes this bill because it creates separate requirements for roofing contractors relating to the insured under a property or casualty insurance policy. Hawaii Revised Statutes (HRS) chapter 431, article 9, already pertains to individuals who act as or engage in the practice of a public adjuster. Administration bills H.B. 942/S.B. 1096, Relating to Insurance, were introduced this session to strengthen the public adjuster statutes. The Board firmly believes that the contractor licensing law, codified in HRS chapter 444, is not the appropriate statutory chapter to address unlicensed public adjusters, which this bill intends to do.

The Board also has serious concerns that the definition of "roofing contractor" on page 7, line 14 to page 8, line 5, of the bill is inconsistent with the definition of the same term in the Board's administrative rules (i.e., Hawaii Administrative Rules sections 16-77-28(b) and 16-77-28(c)). The addition of "gutter, downspout, and siding services" will allow a licensed roofing contractor to perform specialized work that falls under separate contractor license classifications without first having met the requisite experience

requirements to perform such work. Therefore, these terms should be deleted from the “roofing contractor” definition.

Additionally, page 3, line 21 to page 4, line 3, provides the effective date of the notice of rescission as “upon deposit in the United States mail,” which is very difficult to verify; a postmark could instead be used to document the effective date of the notice of recession.

Thank you for the opportunity to testify on this bill.



March 17, 2021

Chair Aaron Johanson and Members of the Committee
Committee on Consumer Protection and Commerce
Hawaii House of Representatives

RE: Senate Bill 601 SD 1 – Contractor Fraud

Dear Chair Johanson and Members of the Committee:

The National Insurance Crime Bureau (NICB) is a national, century-old, not-for-profit organization supported by approximately 1,200 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 roofing and roofing-related services, is a widespread 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.

Senate Bill 601 SD 1, among other things, 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 SB 601 SD 1 which will help provide critical consumer protections and curtail aggressive, storm chasing contractors.

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

Sincerely,

A handwritten signature in blue ink that reads "Howard Handler".

Howard Handler
Senior Director, Government Affairs



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GOVERNMENT STRATEGIES

A LIMITED LIABILITY LAW PARTNERSHIP

DATE: March 17, 2021

TO: Representative Aaron Johanson
Chair, Committee on Consumer Protection & Commerce
Submitted Via Capitol Website

FROM: Rick Tsujimura

RE: **S.B. 601, S.D. 1 - Relating to Roofing Contractors**
Hearing Date: Thursday, March 18, 2021 at 2:00 p.m.

Dear Chair Johanson, Vice Chair Kitagawa, and Members of the Committee on Consumer Protection and Commerce:

I am Rick Tsujimura, representing State Farm Mutual Automobile Insurance Company (State Farm). State Farm offers these comments about S.B. 601, S.D.1 Relating to Roofing Contractors.

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. S.B. 601, S.D.1 is a simple solution that 22 states have adopted including Alabama, Arizona, Arkansas, Colorado, Georgia, Illinois, Kentucky, Minnesota, Mississippi, Missouri, Nebraska, New York, North Dakota, South Carolina, South Dakota, Tennessee, Utah, Washington, West Virginia, Wisconsin, and Wyoming.

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.



ROOFING CONTRACTORS ASSOCIATION OF HAWAII

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

March 18, 2021

Testimony To: House Committee on Consumer Protection & Commerce
Representative Aaron Ling Johanson, Chair

Presented By: Tim Lyons, Executive Director

Subject: S.B. 601, SD 1 – RELATING TO ROOFING CONTRACTORS.

Chair Johanson and Members of the Committee:

I am Tim Lyons, Executive Director of the Roofing Contractors Association of Hawaii. We oppose this bill.

We oppose this bill not based on any desire to see contractors “rip off” consumers but because we believe that the end result of this bill will be confusion between consumers and contractors and accomplish no real purpose.

First and foremost, we have not heard of any complaints in this area for years and in fact, our last check with RICO resulted in zero complaints. The few complaints we have heard about appear to be from agents who perhaps led their customers to believe that the claim would be covered only to find out that the carrier refused.

We have three (3) objections:

1. The bill calls for a five (5) day recession period. A three (3) day recession period is already required for all door-to-door sales (481C-2, HRS) including sales covered by this bill. Is there some evidence that it needs to be different and longer? We respectfully request an alignment with 481C-2.
2. In Section 2 ____ (b) indicates that the recession notice is effective upon deposit in the United States mail; not certified mail, not even with proof of mailing. At least the rescission notice in 481-C-2 is evidenced by mailing (postmark) a notice. With no disrespect to the USPS, mail delivery lately has certainly not been what it used to be and why a recession notice would be based on the date you drop it in the mailbox as opposed to the date the contracting party received it or its postmark, we are not quite sure. We therefore request a simple amendment on page 3, line 20 to read, “...providing written notice of recession with copy of the insurer’s claim coverage decision that all or any part of the claim or contract is not a covered loss...” Additionally, it would appear to apply even if the contract was for \$2,000.00 but the insurance company only honored a \$1995.00 claim? Further, 481-C-2 also provides the wording that goods (materials) ordered and delivered but not used will be returned. This bill does not. And, lastly, is there no expiration for the allowable review? 10 days, 6 months, 1 year? It would only be reasonable for a contractor to begin work on any project of this nature AFTER expiration of the recession period but when is that? In the meantime the consumer has a roof problem!

3. This bill proposes to deal with situations where the consumer is going to use proceeds from a property or casualty insurance policy claim. But, how is the roofing contractor to know how the consumer plans on paying for the job? We will advise contractors to add a box on their contract that the consumer can check that says This contract will not be paid for with insurance proceeds.

And lastly we would point out that roofing contractors are not the only ones to do roofs. Sheetmetal contractors do metal roofs, structural steel contractors do metal roofs and general contractors do wood shake/shingle roofs but they do not appear to be covered. The bill should be reworded to cover all contractors who do roofing work.

So, we don't know what this bill really accomplishes. We don't think that roofing contractors should act as public adjustors and S.B. 1096, which this Committee heard addresses this issue. We think that the insurance laws are where public adjustor language and its prohibitions should be found.

Based on the above and the fact that we see this bill accomplishing absolutely nothing that is not already covered, we oppose it. The bill has very limited applicability and would only apply where the work called for exceeds what the insurance carrier is willing to pay.

Lastly, it has been reported that similar legislation exists in other states however, we would like to point out that they are typically states that do not have the same regulatory structure for contractors that we have, plus the enforcement arm of RICO. In fact, only about half the states

have contractor licensing and it is the “other half” that has found it necessary to implement legislation as contemplated by this bill.

In conclusion, we don't think this bill is necessary and is likely to hurt more than help.

Thank you.