

STAND. COM. REP. NO.

Honolulu, Hawaii

FEB 11 2022

RE: S.B. No. 2277
S.D. 1

2229

Honorable Ronald D. Kouchi
President of the Senate
Thirty-First State Legislature
Regular Session of 2022
State of Hawaii

Sir:

Your Committee on Commerce and Consumer Protection, to which was referred S.B. No. 2277 entitled:

"A BILL FOR AN ACT RELATING TO CONTRACTOR PRACTICES,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Prohibit a contractor from advertising or promising to pay or rebate a property or casualty insurance deductible, or any portion thereof, to induce an insured property owner to purchase goods or services;
- (2) Allow an insured to rescind a contract with a contractor within five business days after the date the contract is executed;
- (3) Require a contractor to furnish a property owner with a written five-business-day right of rescission form advising the property owner of the legal right to rescind the contract within the allotted time;
- (4) Require a contractor to return funds to an insured homeowner within five business days of receipt of an executed right of rescission notice; and



- (5) Prohibit a contractor from representing or negotiating, or offering or advertising to represent or negotiate, on behalf of an insured or claimant in connection with the repair or reconstruction work associated with any insurance claim.

Your Committee received testimony in support of this measure from the Hawaii Insurers Council, Hawaii Public Adjusters, National Insurance Crime Bureau, American Property Casualty Insurance Association, National Association of Public Adjusters, United Policyholders, and one individual. Your Committee received testimony in opposition to this measure from the Roofing Contractors Association of Hawaii. Your Committee received comments on this measure from the Contractors License Board and State Farm Automobile Insurance Company.

Your Committee finds that contractor fraud, particularly involving roofing and roofing-related services, continues to be a widespread problem across the country, including in Hawaii. After a storm, some unscrupulous contractors use the catastrophe to prey upon already vulnerable consumers by making misrepresentations that the replacement of their roof will be covered by their insurance policy. If an insured is coerced into signing a contract with a contractor to make extensive repairs that an insurance adjuster later determines were unnecessary or not covered, the consumer remains contractually obligated to pay for repairs they do not need and cannot afford. This measure joins Hawaii with twenty-two other states that have adopted similar consumer protection laws aimed at limiting the scope in which contractors can engage with homeowners to prevent consumers from being scammed into entering into deceptive repair contracts.

Your Committee has amended this measure by:

- (1) Clarifying that a contractor shall not pay or rebate, or promise to pay or rebate, a policyholder's insurance deductible, or any portion thereof;
- (2) Clarifying that a contractor shall not represent or negotiate, or offer or advertise to represent or negotiate, on behalf of an insured or a claimant, any insurance claim in connection with the repair or reconstruction work associated with the insurance claim;



- (3) Inserting a definition for the term "pay or rebate";
- (4) Clarifying the definition of "promise to pay or rebate";
- (5) Requiring a notice of rescission to be made by means of certified mail, return receipt requested;
- (6) Inserting an effective date of July 1, 2022; and
- (7) 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 and Consumer Protection that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2277, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2277, S.D. 1, and be referred to your Committee on Judiciary.

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

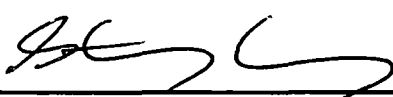


ROSALYN H. BAKER, Chair



The Senate
Thirty-First Legislature
State of Hawai'i

Record of Votes
Committee on Commerce and Consumer Protection
CPN

Bill / Resolution No.:*	Committee Referral:	Date:		
SB 2277	CPN, JDC	1-28-2022		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
BAKER, Rosalyn H. (C)	✓			
CHANG, Stanley (VC)	✓			
DECOITE, Lynn	✓			
NISHIHARA, Clarence K.	✓			
RIVIERE, Gil	✓			
SAN BUENAVENTURA, Joy A.	✓			
FEVELLA, Kurt	✓			
TOTAL	7			
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
				
Distribution:				
Original	Yellow	Pink	Goldenrod	
File with Committee Report	Clerk's Office	Drafting Agency	Committee File Copy	

*Only one measure per Record of Votes