

CAM Legislative Update 2018

Contractors Association of Minnesota Policy and Regulatory Update

HF 2696 (Rep. Tim Mahoney - D) and SF 2660 (Senator Jeff Howe - R)

This bill requires mortgage banks and lenders (banks) to sign a check over to homeowners within a timely period after work required to repair a storm occurrence has been completed.

Banks, on occasion, are a signatory on an insurance proceed for a storm occurrence. The issue is they will hold on to the proceed check, sometimes up to six months, before signing it over to the homeowner. This puts the homeowner and the contractor repairing the storm occurrence in a bad position. In most cases, the homeowner doesn't have funds available to pay for damages and costs to repair their home and the contractor cannot float the money while waiting to be paid for a job that has been performed.

As expected, the banks have several problems with the bill. CAM will be sitting down with to start discussing how this issue can best be resolved in the near future.

You can follow a link to the bill by clicking the HF 2696 above.

HF 1596 (Rep. Nick Zerwas and SF 1349 (Senator Mark Johnson - R)

Tim Johnson, partner at Smith, Jadin and Johnson, and CAM met with Senator Mark Johnson last week to discuss legislation that would effectively take away the ability for a homeowner to receive interest on an appraisal award when an insurance company makes a bad faith offer on property that has been damaged due to a storm occurrence.

While this is not directly related to important issues that CAM works on, it is important to CAM's clients. It simply slows down the process for homeowners who may have an insurance adjuster lowball a claim to get their home repaired when it has been damaged.

The number of claims going to appraisal has trickled due to a 2017 Minnesota Supreme Court decision allowing interest a claim if the insurance companies were found to have made a low offer to homeowners on a storm occurrence. CAM wants the best results for the homeowners to get relief by means of having their home repaired.

CAM will continue to monitor this since it is important for contractor to assist homeowners in repairing their damaged homes.

You can follow a link to the bill by clicking HF 1596 above.

Insurance Companies Denying Claims where the Building Code is not Enforced.

CAM met with the Association of Minnesota Building Officials (AMBO) to discuss resolving the problem of insurance companies denying claims where the Minnesota Statewide Building Code is not enforced.

CAM and AMBO will be meeting with DOLI and the Department of Commerce on April 11th to learn what can be done to stop the insurance companies from denying claims in areas of Minnesota where there is no official statewide building code enforcement.

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Important Reminder!

It's illegal for contractors to pay homeowners' insurance deductibles

Spring has sprung and due to the severe winter weather it looks as though exterior contractors will have a busy spring and summer. This is great news for the industry but contractors should be aware of a new state law requiring contractors to disclose on the contract that they are NOT ALLOWED to offer and/or pay for a homeowner's insurance deductible.

CAM advocated for this legislation last year citing contractors who have complied with the law that prohibits paying deductibles have lost business to contractors who illegally offer to pay deductibles or offer rebates or upgrades. Homeowners are unclear about this law and some still expect their contractor to help with insurance deductible costs. This new law provides contractors with solid information to show that this practice is illegal.

In short, state law prohibits contractors from offering to pay homeowners' insurance deductibles or offering anything of value as encouragement to enter into a contract to repair damage covered by an insurance claim. A newer law (effective since Aug. 1, 2018) requires that contractors include a written notification about the law in their "initial estimate." The "initial estimate" also includes price agreeable contracts. Insurance companies are required to provide a similar written notice to homeowners in their initial correspondence about a claim.

If your company performs insurance repair work, you will need to update your contracts to include a written notification about the law that prohibits paying deductibles. To stay on the safe side, CAM encourages contractors to update all of their contracts to include this notification.

The law does not require specific language on a contract, but one example is:

State law (Minn. Stat. § 325E.66) prohibits contractors from offering to pay a customer's insurance deductible or offering anything of value as an inducement to enter into a contract for home repairs that are to be paid for as a part of an insurance claim. Contractors who make such an offer are subject to public enforcement action by the Minnesota Department of Labor and Industry, including fines of up to \$10,000 per violation. Contact DOLI at 651-284-5069 or dli.contractor@state.mn.us, if you have further questions.