

TO: The Honorable Julia Lynn, Chair
Senate Commerce Committee

FROM: William W. Sneed, Legislative Counsel
The State Farm Insurance Companies

SUBJECT: H.B. 2024

DATE: March 18, 2013

Madam Chair, Members of the Committee: My name is Bill Sneed and I represent the State Farm Insurance Companies ("State Farm"). State Farm is the largest insurer of homes and automobiles in Kansas. State Farm insures one out of every three cars and one out of every four homes in the United States.

At our request, the House Commerce Committee introduced what became H.B. 2024. That bill, commonly referred to as the "roofers bill," is intended to help curb some abuses in the state after terrible storm losses.

State Farm rarely takes a position on legislation that in any way creates new regulations on some outside industry. State Farm knows what regulation is like, as we are involved in one of the most regulated industries in the United States. However, sometimes facts arise for which the private marketplace is unable to find a reasonable solution, and as such we turn our attention to the policymakers for them to examine and to determine whether it is good public policy to formulate regulation.

With that background, we have had extensive discussions with the Kansas Roofers Association and the Attorney General's office. Because of the onslaught of storm chasers, many of whom are fly-by-night individuals who pose as skilled contractors, we believe that the Legislature must take some steps to prohibit this ongoing problem.

Perhaps one question you might have is why State Farm cares. We care because the ultimate person left holding the bag is our customer, who unfortunately gets involved with these unscrupulous individuals, and when the day is done, he or she is the one left to sort out the mess. There is really nothing we can do to help our customer at that point.

This legislation, we believe, is a moderate, small step in attempting to address this problem. It will provide the Attorney General the means to monitor the situation and determine whether the Legislature should consider even more affirmative restrictions.

We think it is important to note that the Kansas Roofers Association, whose members will be subject to this proposal, has endorsed the matter and urged the passage of H.B. 2024.

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Also, with my testimony is remarks by Kimberly Conroy, a fire claims manager with State Farm Insurance. Ms. Conroy provides some real-life examples of what occurs out in the field.

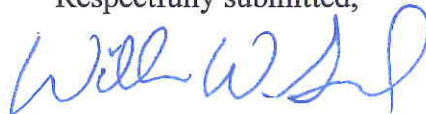
An example in Kansas that we have seen includes pressing an older homeowner to immediately sign up or the roofer threatened that he would leave and wouldn't have time for the homeowner in the future.

Another incident involved pressuring a Kansas homeowner to sign over the settlement check before the roofer would agree to start work. After the check was signed and cashed, very little work was done.

Finally, I would point out that the House passed H.B. 2024 by a vote of 106-16.

Thank you for the opportunity to present these comments. We respectfully request that you act favorably on H.B. 2024. I am available for questions at your convenience.

Respectfully submitted,



William W. Sneed

WWS:kjb

March 18, 2013

TO: Senator Julia Lynn, Chair—Senate Commerce Committee

FROM: Kimberly Conrow—State Farm Insurance Companies

RE: HB 2024

Dear Chairwoman Lynn:

My name is Kimberly Conrow. I am a Fire Claim Team Manager at State Farm Insurance. I am pleased to submit my written testimony to the committee, and to express State Farm's support of the KS Roofing Registration Act, HB 2024.

HB 2024 would help to prevent consumers in Kansas from being taken advantage of by a few residential contractors with bad intentions.

Year after year, we see people falling victim to unscrupulous individuals posing as skilled, legitimate, licensed and bonded home improvement/home repair contractors. We've found these contractors have become very savvy in finding ways to circumvent systems and/or break the rules designed to protect consumers and businesses.

From the outright theft of funds paid up front, to faulty workmanship, inflated pricing, substandard materials, cost overruns, and failure to complete a job according to schedule, we've witnessed many different forms of transient contractors taking advantage of consumers.

More often than not, we used to experience problems with customers being taken advantage of only after severe hail, wind or thunderstorms. Unfortunately, it has now become more common to see consumers being taken advantage of beyond significant weather events. In some cases there are instances of individuals intentionally creating damage.

We've found these contractors primary targets are homeowners who may not understand how to distinguish between a legitimate contractor and a fraudulent one. We've experienced those often most vulnerable to fraudulent methods are disaster and storm victims, senior citizens, first-time homebuyers, the physically challenged, and women.

A few examples of problems experienced include roofing contractors:

- Offering to repair damages to a residential property by promising to pay or rebate any or all of the deductible by inflating the cost of repairs;
- Fabricating damage;
- Asking for full payment in advance from the consumer without completing the repairs;
- Going door to door and reporting claims for the insured using after hour service;
- Staging injury and then filing claims against an individual's homeowners policy;
- Providing poor workmanship;

- Convincing individuals to sign a contract. If no damage ends up being present, the consumer in most cases is still bound to the signed contract.

These individuals and companies not only cost consumers measurable dollars in false/fraudulent claims, but cause the loss of immeasurable goodwill between policyholders and insurance companies as these relationships can become irrevocably damaged with denied claims and dropped policies.

HB 2024 is a strong consumer protection bill that would help prohibit transient firms from engaging in some of the practices I mentioned earlier. HB2024 would:

- Make it difficult for transient roofers to do business in any area;
- Help protect consumers from being taken advantage of during a difficult situation.

We believe most residential contractors are reputable and honest business persons. In fact, we believe reputable and honest Kansas roofers would want to see this legislation passed as well to help them protect their businesses.

We believe it is clear there is a need to provide consumers with additional protections from those firms that do not have “true” ties to the community and often move on after taking advantage of unsuspecting consumers. Those consumers are often left with no alternatives but to contact their insurance companies for help, which in most instances there’s nothing we can do to help once someone has been taken advantage of. And, unfortunately, from what we’ve witnessed, it is extremely rare that a homeowner recovers the lost money

We urge you to support HB 2024 to help protect consumers.

Sincerely,

Kimberly Conrow
State Farm Insurance Companies