

TO: Representative Anthony Brown, Chair – House Commerce Committee

FROM: Kimberly Conrow – State Farm Insurance Companies

Re: HB 2554

Date: February 9, 2012

Good afternoon. My name is Kimberly Conrow. I am a Fire Claim Team Manager at State Farm Insurance. I am pleased to be here today to discuss State Farm's support of the KS Roofing Contractor Registration Act, HB 2554.

HB 2554 would help to prevent consumers in Kansas from being taken advantage of by certain "bad actor" residential contractors.

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

From the outright theft of funds paid up front, to faulty workmanship, over inflated pricing, substandard materials, cost overruns, and failure to complete a job according to agreed-on schedules, we've witnessed many different forms of "bad actors" 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 without incident of a weather event. In some cases there are instances of "bad actors" actually intentionally creating damage.

We've found these "bad actors" primary targets are any and all homeowners who may not understand how to identify a legitimate contractor from 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 detailed 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 labor and workmanship; and
- 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 “bad actors” not only cost insurance companies measurable dollars in false/fraudulent claims, but immeasurable goodwill as relationships between policyholders and insurance companies can be irrevocably damaged with denied claims and dropped policies.

HB 2554 is a strong consumer protection bill that would help prohibit “fly-by-night” firms from engaging in “bad acts”. HB 2554 would:

- Make it difficult for “fly –by-night” roofers to do business in any area.
- Help protect consumers from being taking advantage of during a difficult situation.

We believe most residential contractors are reputable and honest business persons. In fact, we believe those 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 money lost to a “bad actor”.

We urge you to support HB 2554 to help better protect consumers. Thank you for your time today.