

March 14, 2011

The Honorable Clark Shultz, Chairperson
House Committee on Insurance
Statehouse, Room 166-W
Topeka, Kansas 66612

Dear Representative Shultz:

SUBJECT: Fiscal Note for HB 2307 by House Committee on Insurance

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2307 is respectfully submitted to your committee.

HB 2307 would enact the Kansas Residential Roofing Act. When providing goods or services that are to be paid from proceeds of a property or casualty insurance policy, it would be unlawful for a residential roofing contractor to advertise or promise to pay or rebate any or all of the insurance deductible. If a contractor violates this Act, then the insurer would not be obligated to consider the estimate prepared by that contractor and the insured or the insurer could bring an action against the contractor. A person who has entered into a written contract with a contractor to provide goods or services that is to be paid from proceeds of a property or casualty insurance policy would have the right to cancel the contract within 72 hours after the insured has been notified that part or the entire claim has been denied. The bill details the procedures for notifying the contractor of the cancellation. A contractor would be required to provide specific language to the insurer about notice of cancellation, which is detailed in the bill. If a contract has been cancelled, then the contractor would return any payments made within ten days after the cancellation, minus any emergency services performed.

If the Attorney General, county or district court attorney has reason to believe that a person is in violation of this Act, then they may bring action against the person to stop their actions. If a court issues a permanent injunction to stop violations of this Act, the court could direct the defendant to give back any money or property that was acquired by means of the violation, and the terms and conditions would be determined by the court. Any person who violates this Act would be liable for a civil penalty, which would be in addition to any other relief that would be granted. Violations of this Act would also be subject to the Kansas Consumer Protection Act.

The Kansas Insurance Department states that if HB 2307 were enacted, then it would require the property and casualty policy examiners to consider the additional provisions with regards to consumer protection issues that must be guarded in insurance policies. However, the

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Department indicates that any additional expenditures would be absorbed. In addition, the League of Kansas Municipalities indicates that passage of this bill would have a negligible fiscal effect on cities. The Kansas Association of Counties did not provide a fiscal effect statement; however, it could be assumed that the counties could also have a negligible fiscal effect.

HB 2307 has the potential for increasing litigation in the courts because of the new violation created by the bill. If it does, the Office of Judicial Administration indicates that there would be a fiscal effect on the operations of the court system. However, it is not possible to predict the number of additional court cases that would arise or how complex and time-consuming they would be. Therefore, a precise fiscal effect cannot be determined. In any case, the fiscal effect would most likely be accommodated within the existing schedule of court cases and would not require additional resources.

According to the Attorney General, this bill will increase the number of cases handled by the office starting in FY 2012. Therefore, the agency estimates it will need an attorney and an administrative assistant position to support the requirements of the bill. The agency estimates \$150,000 would be required for salary and wage expenditures along with travel and other operating expenditures, all from the State General Fund. The Division of the Budget believes the additional responsibilities of this bill, by itself, would not generate the necessary work to require two additional positions.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven J. Anderson", written in a cursive style.

Steven J. Anderson, CPA, MBA
Director of the Budget

cc: Zac Anshutz, Insurance Department
Mary Rinehart, Judiciary
Melissa Wangemann, KS Association of Counties
Larry Baer, League of KS Municipalities