



Luther S. Olsen
State Senator
14th District

Assembly Bill 81 and Senate Bill 79
Testimony of Senator Luther Olsen

Senate Committee on Energy, Consumer Protection, and Government Reform

Thank you Chairman Cowles and committee members for holding a hearing on Assembly Bill 81 and Senate Bill 79. Representative Scott Krug and I introduced this legislation as a consumer protection measure to defend Wisconsinites against unscrupulous “storm chaser” contractors.

In the aftermath of a violent storm, unsuspecting homeowners have been targeted by unscrupulous contractors who follow intense storms across the nation. These contractors knock on doors offering quick but costly deals, preying on those who are unable or unaware of the vulnerable situation. In an effort to curtail these aggressive contractors, 18 states including our neighboring states of Iowa, Illinois and Minnesota have passed legislation establishing similar consumer protections against these dishonest practices.

According to the Department of Agriculture, Trade and Consumer Protection (DATCP), home repair complaints rank in the top 5 most common grievances the Department deals with. The Department spends a significant amount of time and outreach resources urging Wisconsin residents to be on the lookout for these “storm chaser” contractors. At this point, DATCP may give tips on what to look out for when hiring a contractor. However, this legislation is necessary to protect consumers. Without this legislation, we are allowing a safe haven for these dishonest contractors to continue to do business in our state.

Since the introduction of Assembly Bill 81 and Senate Bill 79, Representative Krug and I have introduced a Substitute Amendment which prohibits a contractor from promising to pay or rebate all or any portion of a property insurance deductible as an incentive for entering into certain

contracts. It also includes a forfeiture of not less than \$500 but not more than \$1000 in the case of a violation. The Substitute Amendment also allows a consumer to cancel a contract with a contractor, by written notice, within three business days after being notified by the insurer, that all or any part of the claim or contract is not a covered loss under the policy. However, if the contractor has performed any emergency services, the contractor is very much entitled to the reasonable value of those services.

This Substitute Amendment is the culmination of months of input in which we have addressed concerns to both ensure certainty for contractors while also protecting consumers.



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Posted: Wed 10:57 PM, Apr 24, 2013

Reporter: Phil LevinEmail

Updated: Wed 11:33 PM, Apr 24, 2013

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Floods and Spring Season Bring Home Improvement Scams

POSTED Wednesday, April 24, 2013 — 10:45 p.m.

Reporter: Phil Levin

Experts warn neighborhoods full of flooded homes could draw "storm chasing" contractors to the area, and the potential for scams.

In Newville near Edgerton, Jeff Valentine says his home was surrounded by 15 feet of floodwater in 2008. This spring his garage is only under 8 inches, but he may still have to call in some help.



"I basically went by my friends knowing somebody to do a quality job, and they did," he said. "It worked out for the best."

Valentine says in 2008 he was solicited by fliers but chose the advice of neighbors instead. Experts call groups that seek jobs near disaster damage "storm chasers."

"They've got all this equipment, they've got the trucks, they look like a legitimate company," said Regional Better Business Bureau Director Kimberly Hazen. "But they're not licensed so if something goes wrong with the work that they've done on your home or whatever it is, the flood damage, the hail damage, you may be liable for that shoddy work."

Hazen says to be particularly wary of those that solicit by coming to the door, especially if they ask for payment upfront. She recommends writing a "refusal script" to be prepared to turn someone down. And anyone pressured into signing something on the spot may have a way out.

"There's a three day cooling off rule and that gives you three days to cancel a contract that you sign at any place other than that normal business operating location," she said.

You can check for licensing and registration information with the BBB and the state's Department of Safety and Professional Services. If the work quality is inferior, you can contact local inspectors. For contract issues, contact the Wisconsin Department of Agriculture, Trade, and Consumer Protection.

Hazen and DATCP both indicate they get some of the most complaints about asphalt crews. They say many times someone will claim they have extra material from a neighbor's project and install the product poorly. Other installers quote one price before they begin working and demand another after they finish, or demand the entire payment upfront.

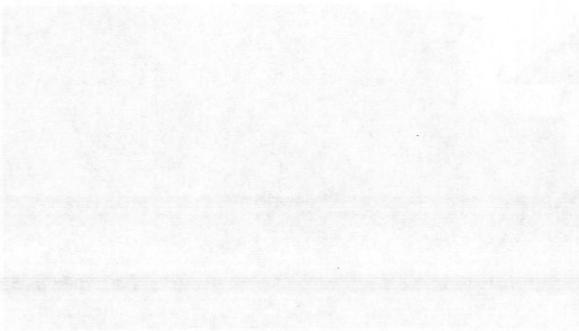
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<http://www.nbc15.com/home/headlines/Floods-and-Spring-Season-Bring--204609261.html>

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As 'storm chaser' season arrives, beware fly-by-night contractors, officials warn

By JIM LEUTE

Saturday, June 16, 2012

JANESVILLE — Shawn McCarten's first cause for concern was when the contractor handed him a cell phone with preprogrammed numbers for insurance company claims divisions.

"Here, wanna open a claim?" the contractor asked McCarten.

McCarten opened a claim with his insurance company for hail damage at his Janesville house, and he did sign an agreement for the northern Wisconsin-based contractor to do the work.

His second cause for concern came less than 12 hours later: a phone message from the contractor that crews would be starting the roofing project the next day.

"I didn't get that message until 4 a.m., just a few hours before they were going to start," McCarten said. "I let them go ahead and do the roof."

Even though the contractor has an impressive website and a new office in Janesville, McCarten said the company was too aggressive in its bid to repair his hail damage, which most likely occurred during a storm last August.

"They were in my neighborhood, knocking on all the doors," he said. "Just for giggles, I had them look at my roof, and, of course, they found hail damage."

McCarten doesn't dispute that there was damage to his roof and siding. He believes, however, that the contractor was too aggressive in getting him to sign a contract and complete the job "for whatever the insurance company was willing to pay them."

Each spring, the state Department of Agriculture, Trade and Consumer Protection urges Wisconsin residents to be on the lookout for "storm chasers," which the department describes as fly-by-night contractors that scam homeowners desperate for damage repair.

Often, the department said, these contractors appear in communities and neighborhoods that have suffered storm damage.

"If contractors show up unannounced at your door immediately after a severe storm, be skeptical of their services," said Sandy Chalmers, an administrator with the department. "Storm chasers go from home to home to pressure victims into paying up front for quick repairs. They are typically from out-of-state, have little or no background in home repair and charge high prices for shoddy work."

In fairness, the contractor who did McCarten's work does not meet the department's classic definition of a "storm chaser."

But the company is new to Janesville, its crew has knocked on doors in storm-damaged neighborhoods and McCarten said it was overly aggressive in its approach.

"It happens every year," said Roger Olson of ABC Seamless in Janesville. "They appear out of nowhere, knock on doors and pressure people into thinking they have storm or hail damage."

Olson said storm chasers have sophisticated computer programs that direct them to storm-damaged areas.

"They often do the work as quick as they can and use the cheapest products available," he said, noting that state law gives consumers three days to rescind signed contracts. "People are getting taken advantage of."

"I'm out on the streets every day giving estimates, and I see a new vehicle every day."

With more than 20 years of local experience, Todd Thiele has seen it as well. He owns Todd Thiele Roofing & Construction in Janesville, and one of his advertising slogans is "No Storm Chasers Here."

"Unfortunately, it's pretty much a common occurrence in the industry," Thiele said. "They've got historical storm maps and an email network alerting them to where hail has fallen."

"Then they go door to door, pressure people into signing and get whatever they can from the insurance company."

Often, he said, the storm chasers cut corners and don't do the job the insurance company is paying them to do.

"I go back every year and fix what wasn't done right in the first place," Thiele said.

McCarten said his roofing job turned out OK.

"But I had to sit there and baby-sit because they wanted to cut some corners on drip edges and gutter guards," he said.

With his roof complete, McCarten wanted to get estimates for the siding work. The contractor, McCarten said, was hesitant but relented to provide an estimate from its office.

"I said, 'How in the hell can you give me an estimate on my siding from your office?'" McCarten said.

McCarten canceled the siding job and turned to local contractors.

"Whenever I talked to them, I talked to four or five different people and always got different answers," he said. "They just work too fast, too hastily and are too aggressive for me."

Chalmers agrees.

"If your home has been damaged in a storm, you may be relieved to have a contractor on your doorstep claiming to be able to bring your property back to normal," she said. "But hiring the first contractor who knocks on your door will make a stressful situation even worse if you get scammed."

“Take the time to study up on contractors in your local area and ask for recommendations from friends and neighbors.”

Contractor hiring tips

The Wisconsin Department of Agriculture, Trade and Consumer Protection offers these tips for homeowners with storm damage:

- Be wary of any contractor who knocks at your door. Call the police or sheriff's office to check them out.
- Try to get a local contractor. Ask contractors if they are subcontracting your job. Be careful if local contractors are using outside subcontractors.
- Get lien waivers from anyone you pay for home repairs. If the person collecting the money does not pay the supplier or workers, a lien could be put on your property.
- Get a written contract with start and completion dates and warranty information. Make certain the contract states exactly what work is to be done and what materials are to be used. Never rely on verbal commitment.
- Contractors that register with the state are issued a card. Make sure that any contractor you are considering hiring shows you their state registration card.
- Have someone watch the work being done. Ask your local building inspectors to visit your job site often.
- Request a copy of the contractor's certificate of liability insurance.

For more information, visit datcp.wisconsin.gov, email datcp@wi.gov

or call 1-800-422-7128.

Published at: <http://www.GazetteXtra.com/news/2012/jun/16/storm-chaser-season-arrives-beware-fly--night-cont/>



Severe Weather Brings Out Sketchy Home Repair Contractors

Release Date: April 5, 2012

Contact: Jerad Albracht, 608-224-5007
Jim Dick, Communications Director, 608-224-5020

MADISON – A number of Glendale residents recently received direct mail fliers from a Georgia-based “insurance replacement company.” The company told the residents that they could get their roofs replaced for damage sustained during a May 2011 storm that was a federally-declared disaster. This is completely false – there wasn’t a federally-declared weather disaster in Wisconsin as the result of a May 2011 storm.

With the spring and summer storm seasons just around the corner, the Wisconsin Department of Agriculture, Trade and Consumer Protection (DATCP) is urging Wisconsin residents to be on the lookout for “storm chasers”: fly-by-night contractors that scam homeowners who are desperate for damage repair assistance after a major storm.

“If contractors show up unannounced at your door immediately after a severe storm, be skeptical of their services,” said Sandy Chalmers, Division Administrator for Trade and Consumer Protection. “Storm chasers go from home to home to pressure victims into paying up front for quick repairs. They are typically from out-of-state, have little or no background in home repair and charge high prices for shoddy work.”

Home repair contractors are required to register with the Wisconsin Department of Safety and Professional Services (DSPS), but are not licensed. Registration with DSPS does not guarantee a contractor has any actual knowledge or experience in home repair.

A “deal” with these contractors often ends one of two ways: a homeowner pays upfront for work that is never completed or a contractor starts a job but continually ups his price as the project progresses.

Consumer Protection offers these tips for homeowners with storm damage:

- Be wary of any contractor who knocks at your door. Call the police or sheriff's department to check them out.
- Try to get a local contractor. Ask contractors if they are subcontracting your job. Be careful if local contractors are using outside subcontractors.
- Get lien waivers from anyone you pay for home repairs. It is necessary to do this because if the person collecting the money does not pay the supplier or worker, a lien could be put on your property.
- Get a written contract with a start and completion date and warranty information. Also, make certain the contract states exactly what work is to be done and what materials are to be used. Never rely on verbal commitment.
- Contractors that register with the state are issued a card. Make sure that any contractor you are considering hiring shows you their state registration card.
- Have someone watch the work being done. Ask your local building inspectors to visit your job site often.
- Request a copy of the contractor's certificate of liability insurance.

“If your home has been damaged in a storm, you may be relieved to have a contractor on your doorstep claiming to be able to bring your property back to normal,” added Chalmers. “But hiring the first contractor who knocks on your door will make a stressful situation even worse if you get scammed.

“Take the time to study up on contractors in your local area and ask for recommendations from friends and neighbors.”

(MORE)

Protecting Wisconsin Consumers for 75 Years

Beware of home improvement transients

As sure as the summer brings tourists to Wisconsin, it also brings transient home improvement workers and scams. And these rip-off artists will probably hit your community.

Transient contractors specialize in blacktopping driveways, installing lightning rods, painting, roofing and siding.

Their work and materials are inferior and they are likely to steal from you.

A consumer who pays for what he thinks is a bargain price for blacktopping may soon have dandelions growing through his driveway. Homes may need repainting after the next rainfall.

Or the cost of the job may rise considerably after the work is performed and the consumer may be intimidated into paying the increase.

Transients hit an area, take the money, and run. Frequently they know the quickest route to the banks in your area to cash checks.

Transients lure you with a "free inspection" which could result in damage to your property.

If transients come to your door:

- Don't give into their high-pressure tactics.
- Don't let them in your home. They are experts at finding and taking valuables.
- Determine the make and model of their vehicles and get license plate numbers, and alert local law enforcement.
- Call the police immediately if they begin to do a job without your authorization.

If you need home improvement work done:

- Contact a local business.
- Get recommendations from friends and neighbors. It is not always wise to hire an unknown door-to-door seller for home improvement work.
- Contact the Bureau of Consumer Protection to find out if there are complaints on file against the contractor.

For more information or to file a complaint, visit our website or contact the Bureau of Consumer Protection.

Bureau of Consumer Protection
2811 Agriculture Drive
PO Box 8911
Madison WI 53708-8911

E-MAIL:
DATCPHotline@wisconsin.gov

WEBSITE:
datcp.wisconsin.gov

Toll-free in WI: (800) 422-7128
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May 20, 2013

The Honorable Robert Cowles
Chair, Senate Committee on Energy,
Consumer Protection, and Government Reform
Room 118S, State Capitol Building
Madison, Wisconsin 53708

Re: Testimony Letter in Support of SB 79 and AB 81 – Committee Hearing, May 21, 2013

Dear Chairman Cowles and Members of the Committee:

The National Association of Mutual Insurance Companies (NAMIC) writes in support of SB 79 and AB 81, two bills which establish consumer protections for citizens devastated by natural disaster. The bills also help guard the reputation of Wisconsin's small businesses that work tirelessly to help communities recover after disaster.

NAMIC is the largest and most diverse property/casualty trade association in the country, with 1,400 regional and local mutual insurance member companies serving more than 135 million auto, home, and business policyholders and writing in excess of \$196 billion in annual premiums. More than 200,000 people are employed by NAMIC member companies. In Wisconsin, we have 190 member companies, including 115 domiciled companies, which underwrite 51% of the state's insurance business.

In Wisconsin, when disaster hits, the community pulls together. Unfortunately, there are those who prey on the vulnerable at this critical time. Unscrupulous persons, usually from out of state, descend in order to take advantage of those most in need, especially seniors. They engage in high pressure pitches for repair services, much of which is either unneeded or performed in a shoddy fashion. In addition to practically robbing storm victims, they damage the reputation of and take business from the ethical, local companies that have served the community for years.

Both SB 79 and AB 81 perform a valued service by cracking down on these "storm scammers." They protect citizens from high pressure sales tactics and other unethical behavior. NAMIC urges a vote in favor of the bills when they are considered in executive session.

We appreciate your effort in giving this issue the serious attention it deserves. If there is anything NAMIC can do to assist you, or if you have any questions or comments, please do not hesitate to contact me. In the meantime, I remain,

Sincerely,



Mark Johnston
State Affairs Manager - Midwest



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Hanover Insurance Group
Homestead Mutual Insurance Co
Integrity Mutual Insurance
Jewelers Mutual Insurance
League of Wisconsin Municipalities
Mutual Insurance
Liberty Mutual Group
Maple Valley Mutual Insurance
Mount Morris Mutual
Mutual of Wausau Insurance
Nationwide Indemnity
Old Republic Surety Co
Partners Mutual Insurance Co
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State Farm Insurance
State Auto Insurance Cos
Sugar Creek Mutual Insurance Co
Travelers
United Wisconsin Insurance Co
USAA
WEA Property & Casualty Co
West Bend Mutual Insurance
Western National Mutual Ins Co
Wilson Mutual Insurance
Wise County Mutual Insurance Co
Wise Mutual Insurance Co
Wise Reinsurance Corp

May 21, 2013

TO: Members of the Senate Committee on Energy, Consumer Protection, and Government Reform

FR: Andy Franken

RE: Support SB-79/AB- 81

On behalf of the Wisconsin Insurance Alliance, I ask you to SUPPORT Senate Bill 79/Assembly Bill 81, relating to contracting with residential contractors.

The Wisconsin Insurance Alliance (WIA) is a state trade association of property and casualty insurance companies. Our membership ranges from some of the largest property and casualty insurers in the country to some of the smaller Wisconsin town mutual insurance companies.

Wisconsin residents spend over \$1 billion on homeowners insurance annually. Homeowner insurers return a significant portion of those dollars back to consumers and the local economy when they facilitate the repair of damaged homes. Companies work in good faith to settle claims to consumer satisfaction. Although not perfect, the marketplace in Wisconsin works and works well for consumers. According to the most recent report from the National Association of Insurance Commissioners, Wisconsin ranks the fourth lowest in average homeowner premium.

Senate Bill 79/Assembly Bill 81 provide protections for consumers when confronted with unscrupulous and aggressive contractors. The legislation provides three main protections:

- Prohibits tactics to induce customers such as providing payment for insurance deductibles
- Allows consumers to rescind contract if losses are not covered in whole or in part by the insurance policy.
- Requires return of any payments if the contract is rescinded under the provisions of the bill

Thank you for your consideration.

TO: Members of the Senate Committee on Energy, Consumer Protection, and Government Reform

FROM: Matt Banaszynski
Executive Vice President

DATE: May 21, 2013

RE: Support for Senate Bill 79 (SB 79) and Assembly Bill 81 (AB 81)

On behalf of the Independent Insurance Agents of Wisconsin (IIAW), I urge you to support SB 79 and its Assembly companion, AB 81, relating to contracting with residential contractors.

SB 79/AB 81

Otherwise referred to as the "Storm Scammer" bill, this legislation establishes basic consumer protections for homeowners against unscrupulous contractors who aggressively seek to lure unsuspecting residents into signing costly repair contracts. In 2012, the DATCP Bureau of Consumer Protection listed *Home Improvement* as fifth highest in the number of consumer complaints received. SB 79/AB 81 would help prevent Wisconsin from becoming a safe harbor for bad contractors since many of our neighboring states have enacted or seek to enact laws that rein in fraudulent practices. The bill as amended would:

- Prohibit a contractor from offering to pay or rebate all or any portion of a property insurance deductible.
- Provide written notice to the consumer of their rights to cancel the contract within three business days and also require written notice of cancellation to the contractor.
- Establishes disclosure to the contractor as to whether or not it is related to a property insurance claim.
- Requires that a contractor obtain the express consent of the consumer before dealing directly with an insurance company or agent on behalf of the consumer regarding an insurance claim.

The bill before you represents the final work product of several months of negotiations between the authors of the bill and various stakeholders. The IIAW believes the proposed legislation provides sufficient basic consumer protections for homeowners while also balancing the need to preserve the routine business operations of many honest, hardworking contractors throughout Wisconsin.



SB 79 / AB 81 overwhelmingly passed the Assembly Committee on Insurance by a bi-partisan vote of 14-1 and on a voice vote in the State Assembly.

On behalf of over 4,900 agent members and their employees statewide, I ask for your support of SB 79/AB 81. Thank you in advance for your time and consideration.