

**Senate Study Bill 1168 - Introduced**

SENATE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE  
ON COMMERCE BILL BY  
CHAIRPERSON DANDEKAR)

**A BILL FOR**

1 An Act relating to residential contractors and providing a  
2 penalty.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. NEW SECTION. 103A.71 Residential contractors.

2 1. As used in this section:

3 a. "*Residential contractor*" means a person in the business  
4 of contracting to repair or replace roof systems or perform  
5 any other exterior repair, replacement, construction, or  
6 reconstruction work on residential real estate or a person  
7 offering to contract with an owner or possessor of residential  
8 real estate to carry out such work.

9 b. "*Residential real estate*" means a new or existing  
10 building, including a detached garage, constructed for  
11 habitation by one to four families.

12 c. "*Roof system*" includes roof coverings, roof sheathing,  
13 roof weatherproofing, and roof insulation.

14 2. A residential contractor shall not advertise or promise  
15 to pay anything of value or rebate any insurance deductible  
16 or any portion thereof as an inducement to the sale of goods  
17 or services. A promise to pay anything of value or rebate  
18 any insurance deductible includes granting any allowance or  
19 offering any discount against the fees to be charged or paying  
20 an insured or a person directly or indirectly associated with  
21 the property any form of compensation, gift, prize, bonus,  
22 coupon, credit, referral fee, or other item of monetary value  
23 for any reason, including but not limited to permitting the  
24 residential contractor to display a sign or any other type of  
25 advertisement at the insured's premises.

26 3. A person who has entered into a written contract with  
27 a residential contractor providing goods or services to be  
28 paid from the proceeds of a property and casualty insurance  
29 policy may cancel the contract prior to midnight on the fifth  
30 business day after the person has received written notice from  
31 the person's insurer that all or part of the claim or contract  
32 is not a covered loss under the insurance policy. Cancellation  
33 shall be evidenced by the person giving written notice of the  
34 cancellation to the residential contractor at the address of  
35 the residential contractor's place of business as stated in

1 the contract. Notice of cancellation given by mail shall be  
2 effective upon deposit into the United States mail with prepaid  
3 postage, if properly addressed to the residential contractor.  
4 Notice of cancellation need not take a particular form, and  
5 is sufficient if the notice indicates, by any form of written  
6 expression, the intent of the insured not to be bound by the  
7 contract.

8 4. Before entering into a contract to provide goods or  
9 services to be paid from the proceeds of a property and  
10 casualty insurance policy, a residential contractor shall  
11 provide the insured along with the contract all of the  
12 following documents in substantially the following form:

13 a. The following statement in at least ten-point bold type:

14 **RIGHT OF CANCELLATION**

15 You may cancel this contract at any time before midnight  
16 on the fifth business day after you have received written  
17 notification from your insurer that all or any part of the  
18 claim or contract is not a covered loss under your insurance  
19 policy. See the attached notice of cancellation form for an  
20 explanation of this right.

21 b. A fully completed duplicate form which shall be attached  
22 to the contract, but easily detachable, and which shall contain  
23 the following statement in at least ten-point bold type:

24 **NOTICE OF CANCELLATION**

25 If you are notified by your insurer that all or any part  
26 of the claim or contract is not a covered loss under your  
27 insurance policy, you may cancel the contract by mailing  
28 or delivering a signed and dated copy of this cancellation  
29 notice or any other written notice of cancellation to (name of  
30 contractor) at (address of contractor's place of business) at  
31 any time prior to midnight on the fifth business day after you  
32 have received such notice from your insurer. If you cancel the  
33 contract, any payments made by you under the contract will be  
34 returned to you within ten business days following receipt by  
35 the contractor of your cancellation notice.

1 I hereby cancel this contract.

2 \_\_\_\_\_

3 Date

4 \_\_\_\_\_

5 Insured's signature

6 5. Within ten days after a contract to provide goods  
7 or services to be paid from the proceeds of a property and  
8 casualty insurance policy has been canceled by notification  
9 pursuant to this section, the residential contractor shall  
10 tender to the person canceling the contract any payments,  
11 partial payments, or deposits made by the person and any note  
12 or other evidence of indebtedness. However, if the residential  
13 contractor has performed any emergency services, acknowledged  
14 by the person in writing to be necessary to prevent damage to  
15 the premises, the residential contractor shall be entitled to  
16 be paid the reasonable value of such services. Any provision  
17 in a contract to provide goods or services to be paid from  
18 the proceeds of a property and casualty insurance policy that  
19 requires the payment of any fee which is not for emergency  
20 services shall not be enforceable against any person who has  
21 canceled a contract pursuant to this section.

22 6. A residential contractor shall not represent or  
23 negotiate on behalf of, or offer or advertise to represent or  
24 negotiate on behalf of, an owner or possessor of residential  
25 real estate on any insurance claim in connection with the  
26 repair or replacement of roof systems, or the performance  
27 of any other exterior repair, replacement, construction, or  
28 reconstruction work on the residential real estate.

29 7. A residential contractor violating this section is  
30 subject to the penalties and remedies prescribed by this  
31 chapter.

32 Sec. 2. APPLICABILITY. This Act applies to contracts  
33 entered into on or after the effective date of this Act.

34 EXPLANATION

35 This bill prohibits a residential contractor from

1 advertising or promising to pay anything of value or rebate any  
2 insurance deductible or any portion thereof as an inducement  
3 to the sale of goods or services. The bill specifies that such  
4 a promise to pay or rebate includes granting any allowance or  
5 offering any discount against the fees to be charged or paying  
6 an insured or a person associated with the property any form  
7 of compensation, gift, prize, bonus, coupon, credit, referral  
8 fee, or other item of monetary value for any reason, including  
9 permitting the residential contractor to display a sign or any  
10 other type of advertisement at the insured's premises.

11 The bill provides that a person who has entered into a  
12 written contract with a residential contractor to provide  
13 goods or services to be paid from the proceeds of a property  
14 and casualty insurance policy may cancel the contract prior  
15 to midnight on the fifth business day after the person has  
16 received written notice from the insurer that all or part of  
17 the claim or contract is not a covered loss under the insurance  
18 policy. The bill specifies that cancellation is evidenced by  
19 the person giving written notice of the cancellation to the  
20 residential contractor at the residential contractor's address  
21 as stated in the contract. The bill provides that notice  
22 of cancellation given by mail becomes effective upon deposit  
23 into the United States mail with prepaid postage, if properly  
24 addressed to the residential contractor. The bill specifies  
25 that notice of cancellation need not take a particular form,  
26 and is sufficient if the notice indicates, by any form of  
27 written expression, the intent of the insured not to be bound  
28 by the contract.

29 The bill provides that before entering into a contract  
30 to provide goods or services to be paid from the proceeds  
31 of a property and casualty insurance policy, a residential  
32 contractor must provide the insured with two documents, which  
33 must be formatted substantially as set out in the bill, along  
34 with the contract. The first document notifies the person of  
35 the person's right to cancel the contract at any time before

1 midnight on the fifth business day after receiving written  
2 notification from the person's insurer that all or any part of  
3 the claim or contract is not a covered loss under the person's  
4 insurance policy. The first document must direct the attention  
5 of the person to the second document, which must be attached  
6 to the contract. The second document is a cancellation notice  
7 which the person may return to the residential contractor to  
8 exercise the person's cancellation rights as provided by the  
9 bill.

10 The bill provides that within 10 days after a contract to  
11 provide goods or services to be paid from the proceeds of  
12 a property and casualty insurance policy has been canceled  
13 pursuant to the bill, the residential contractor must tender  
14 to the person any payments, partial payments, or deposits made  
15 by the person and any note or other evidence of indebtedness.  
16 The bill provides that if the residential contractor performed  
17 any emergency services which were acknowledged by the insured  
18 in writing to be necessary to prevent damage to the premises,  
19 the residential contractor shall be entitled to the reasonable  
20 value of such services. The bill provides that any provision  
21 in a contract to provide goods or services to be paid from  
22 the proceeds of a property and casualty insurance policy that  
23 requires the payment of a fee which is not for emergency  
24 services is unenforceable against any person who has canceled a  
25 contract pursuant to the bill.

26 The bill prohibits a residential contractor from  
27 representing or negotiating on behalf of, or offering or  
28 advertising to represent or negotiate on behalf of, an owner  
29 or possessor of residential real estate on any insurance claim  
30 in connection with the repair or replacement of roof systems,  
31 or the performance of any other exterior repair, replacement,  
32 construction, or reconstruction work.

33 A violation of the bill by a residential contractor is a  
34 simple misdemeanor pursuant to Code section 103A.21(3). A  
35 simple misdemeanor is punishable by confinement for no more

S.F. \_\_\_\_\_

1 than 30 days or a fine of at least \$65 but not more than \$625  
2 or by both. The state building code commissioner may file a  
3 petition in the district court and obtain injunctive relief for  
4 any violation of the bill pursuant to Code section 103A.21(3).  
5 The bill applies to contracts entered into on or after the  
6 effective date of the bill.