

New law affects contractors who perform storm repairs

Notice about the law must be included in initial estimate from contractors

What changed?

State law prohibits contractors from offering to pay homeowners' insurance deductibles or offering anything of value as encouragement to enter into a contract to repair damage covered by an insurance claim. A new law (effective since Aug. 1, 2018) requires that contractors include a written notification about the law in their "initial estimate." The "initial estimate" also includes price agreeable contracts.



Insurance companies are required to provide a similar written notice to homeowners in their initial correspondence about a claim.

Why the change?

- Many contractors who have complied with the law that prohibits paying deductibles have lost business to contractors who illegally offer to pay deductibles or offer rebates or upgrades.
- Homeowners are unclear about this law and some still expect their contractor to help with insurance deductible costs. This new law provides contractors with solid information to show that this practice is illegal.

What do I need to do?

- If your company does not perform insurance repair to homes, you do not need to do anything as this law does not affect your business.
- If you do perform insurance repair work, you will need to update your contracts to include a written notification about the law that prohibits paying deductibles.
- The notification can be included in the contract document or provided to the customer as a separate document.

What should the notification include?

The law does not require specific language, but we suggest the following:

State law (Minn. Stat. § 325E.66) prohibits contractors from offering to pay a customer's insurance deductible or offering anything of value as an inducement to enter into a contract for home repairs that are to be paid for as a part of an insurance claim. Contractors who make such an offer are subject to public enforcement action by the Minnesota Department of Labor and Industry, including fines of up to \$10,000 per violation.

Questions?

Contact us at 651-284-5069 or dli.contractor@state.mn.us.