

What You MUST Know if You do Roofing or Exterior Repair Work Arising Out of an Insurance Claim



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During the last session, the Missouri legislature passed a new law that will drastically change the business practices of contractors that repair or replace roof systems or perform other exterior repair or replacement work in conjunction with an insurance claim. This new law requires these types of contractors to modify their business practices or face a violation of the Missouri Merchandising Practices Act. Violations of the new law could result in the award of actual damages, attorney's fees and, in some instances, punitive damages against a contractor.

The newly enacted law prohibits residential contractors from advertising or promising to pay or rebate all or any portion of a homeowner's insurance deductible as an inducement to the sale of goods or services. The provision specifically prohibits contractors from: (1) granting any allowances to the insured; (2) offering any discount against the fees to be charged; or (3) paying the insured or any person directly or indirectly any form of compensation, such as gifts, prizes, bonuses, coupons, credits, referral fees or anything else of monetary value.

In addition to this, owners are to be given the contractual right to cancel the contract prior to midnight on the fifth business day if any part of the insurance claim is not covered following written notice by the insurance company. Notice of the cancellation is deemed to be given on the date of mailing by the owner, not the date of receipt by the contractor.

The law also requires the contract for the construction work to include the following statement in boldface type in at least ten point font, "You may cancel this contract at any time before midnight on the fifth business day after you have received written notification from your insurer that all or any part of the claim or contract is not a covered loss under the insurance policy. See attached notice of

cancellation form for an explanation of this right." As suggested by the foregoing language, the contractor is required to furnish the home owner a form in duplicate captioned "NOTICE OF CANCELLATION" advising the customer of its rights under the law. The exact language required for this form is also specified by the law.

If a residential owner or possessor elects to cancel the contract, the contractor is required to return amounts paid or deposited with the contractor, except for any amounts paid to the contractor for emergency clean-up work that was already performed. Finally, the statute also prohibits contractors from representing or negotiating on behalf of the owners with their insurance companies.

This statute will dramatically impact the business practices of those who do roof and other exterior repairs following storms or other insured losses. Anyone that is providing these services should make sure their contract documents and their business practices comply with the new requirements. **Bn**

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