
OLR Bill Analysis

sHB 5263

AN ACT CONCERNING THE ASSIGNMENT OF POST-LOSS HOMEOWNERS AND COMMERCIAL PROPERTY INSURANCE BENEFITS, CONSUMER BILL OF RIGHTS AND REVISING DISCLOSURE REQUIREMENTS FOR HOME IMPROVEMENT CONTRACTORS AND SALESPERSONS.

SUMMARY

This bill generally (1) addresses matters related to post-loss benefit assignment agreements (those that assign, transfer, or acquire any post-loss benefit under a residential or commercial property insurance policy, if allowed by the policy, excluding public adjusters' fees) (§ 1); (2) makes changes in laws related to home improvement contracts (§§ 2-9); and (3) requires the Insurance Department to develop a consumer bill of rights regarding insurance and real estate, by September 1, 2026 (§ 10).

Regarding the post-loss benefit assignment provisions, the bill establishes a process for assigning post-loss benefits under policies delivered, issued for delivery, renewed, amended, or continued in the state on or after January 1, 2027. Among other things, the bill specifically:

1. requires post-loss assignment agreements to be executed in writing and shared with the insurance company and any mortgagee (the mortgage owner or servicer);
2. establishes rights and prohibitions for the assignor (person who assigns, transfers, or acquires the benefit) and assignee (person who is assigned the benefit) and addresses matters related to post-loss claims; and
3. makes agreements that do not meet the bill's requirements void and unenforceable.

It also requires insurers, starting in 2028, to annually submit post-loss-related data to the insurance commissioner, which he must evaluate and report to the Insurance and Real Estate Committee (§ 1).

Regarding the provisions of the bill that make changes to laws on home improvement contracts, a section-by-section analysis appears below.

Among other things, the bill does the following:

1. specifies that under the Home Improvement Act, “business day” means any calendar day except Sunday or any of the following nine business holidays: New Year’s Day, Washington’s Birthday, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving Day, and Christmas Day (§ 2);
2. prohibits a contractor from using any portion of an owner’s insurance policy deductible to induce the owner to enter into a home improvement contract (§ 3);
3. requires home improvement contractors and salespersons to (a) notify the Department of Consumer Protection (DCP) of any changes in their business name, trade name, or addresses and (b) present evidence of their registration certificate before holding themselves out as one (§ 4);
4. expands the required content of the DCP application for a home improvement contractor certificate of registration and requires applicants to provide proof that they maintain any insurance coverage required by law (§ 5);
5. restricts home improvement contractors from conducting public adjuster activities, except for certain acts authorized under the bill (§ 6);
6. precludes home improvement contractors, salesmen, or their employees from engaging in certain conduct (for example, prohibited advertising and soliciting regarding roof repair); requires the contractor to disclose in any roof repair or

replacement contract the prohibited conduct and to state that they constitute insurance fraud (§ 7); and

7. establishes the circumstances under which a home improvement contract requiring urgent emergency services may include a provision allowing the owner to waive the right to cancel (§§ 8 & 9).

Lastly, it also makes technical and conforming changes.

EFFECTIVE DATE: October 1, 2026, except the provision on the (1) post-loss assignment is effective January 1, 2027, and (2) consumer bill of rights is effective upon passage.

§ 1 — ASSIGNMENT OF POST-LOSS HOMEOWNERS AND COMMERCIAL INSURANCE BENEFITS

The bill (1) establishes specific requirements for any assignment agreement that assigns, transfers, or acquires any post-loss benefit under a homeowners insurance policy or commercial property insurance policy delivered, issued for delivery, renewed, amended, or continued in the state on or after January 1, 2027; (2) provides for when an assignor acts under an urgent or emergency circumstance to protect the property; and (3) makes any assignment agreement that fails to comply with these provisions void and unenforceable.

Post-Loss Benefit Assignment Agreement Requirements

A post-loss benefit assignment agreement covered under the bill, must (1) be in writing and executed by the assignor and assignee and (2) only relate to the post-loss repair, inspection, remediation, or mitigation services that the assignee agreed to perform on the property. It must also include:

1. a provision giving the assignor the right to rescind the assignment agreement, without penalty, by submitting notice to the assignee (see *Rescission Notice* below);
2. a provision requiring the assignee to deliver a copy of the executed assignment agreement to the insurance company

providing homeowners or commercial property insurance coverage for the property, and mortgagees owning or servicing mortgages on the property, within a certain timeframe and in a specified way (see *Delivery of Executed Agreement to Insurer and Mortgagee* below);

3. an itemized, per unit cost estimate of the post-loss services to be performed by the assignee on the property;
4. a specific notice about the assignee's obligations and right to cancel the agreement (see *Required Notice in Agreement* below); and
5. a provision requiring the assignee to indemnify and hold the assignor harmless from any liability, damages, losses, or costs, arising from the agreed-upon post-loss services the assignee performed on the property, including attorney's fees.

Rescission Notice

Under the bill, the assignor must submit a signed rescission notice to the assignee:

1. within 14 days of the agreement's execution;
2. at least 30 days after the date on which the post-loss services are scheduled to begin, provided the assignee has not substantially performed the agreed-upon post-loss services; or
3. at least 30 days after the agreement's execution, provided it does not contain a date by which the agreed-upon post-loss services are scheduled to begin and the assignee has not substantially performed them.

Delivery of Executed Agreement to Insurer and Mortgagee

The assignee must deliver a copy of the executed agreement to the insurance company and all mortgagees owning or servicing mortgages on the property:

1. not later than (a) three business days after the agreement's

execution, or (b) the date on which post-loss services are scheduled to begin, whichever is earlier; and

2. by (a) personal service, overnight mail, return receipt requested, to the address designated in the applicable insurance policy or (b) email, evidenced by a delivery receipt, to the email address designated in the insurance policy, as applicable.

Required Notice in Agreement

Under the bill, each assignment agreement must include the following notice in at least 18-point boldface type:

“YOU ARE AGREEING TO GIVE UP CERTAIN RIGHTS YOU HAVE UNDER YOUR INSURANCE POLICY TO A THIRD PARTY, WHICH MAY RESULT IN LITIGATION AGAINST YOUR INSURER. PLEASE READ AND UNDERSTAND THIS DOCUMENT BEFORE SIGNING IT. YOU HAVE THE RIGHT TO CANCEL THIS AGREEMENT WITHOUT PENALTY WITHIN 14 DAYS AFTER THE DATE THIS AGREEMENT IS EXECUTED, AT LEAST 30 DAYS AFTER THE DATE WORK ON THE PROPERTY IS SCHEDULED TO COMMENCE IF THE ASSIGNEE HAS NOT SUBSTANTIALLY PERFORMED, OR AT LEAST 30 DAYS AFTER THE EXECUTION OF THE AGREEMENT IF THE AGREEMENT DOES NOT CONTAIN A COMMENCEMENT DATE AND THE ASSIGNEE HAS NOT BEGUN SUBSTANTIAL WORK ON THE PROPERTY. HOWEVER, YOU ARE OBLIGATED FOR PAYMENT OF ANY CONTRACTED WORK PERFORMED BEFORE THE AGREEMENT IS RESCINDED. THIS AGREEMENT DOES NOT CHANGE YOUR OBLIGATION TO PERFORM THE DUTIES REQUIRED UNDER YOUR HOMEOWNERS OR COMMERCIAL PROPERTY INSURANCE POLICY.”

Excluded Fees

Under the bill, assignment agreements may not include (1) a bank check or mortgage processing fee, (2) a cancellation penalty or fee for the assignor, or (3) administrative fees.

Urgent or Emergency Circumstance

If, before an assignment agreement's execution, an assignor acts under an urgent or emergency circumstance to protect the property from damage, the assignee must not receive an assignment of post-loss benefits under a homeowners or commercial property insurance policy providing insurance coverage for the property for more than \$3,000 or 1% of the coverage limit under the policy that the policy will cover for losses resulting from damage to the policyholder's residential or building structure, or any structure of the policyholder that is attached to the residential or building structure, whichever is greater.

Under the bill, an "urgent or emergency circumstance" is any situation in which a loss to residential or commercial property, if not addressed immediately, will result in additional damage to the residential or commercial property.

Insurance Claim and Assignee's Failures

If any insurance claim arises under an assignment agreement for post-loss services, the assignee has the burden of proving that the insurance company is not prejudiced by the assignee's failure to:

1. keep records of all post-loss services provided under the assignment agreement,
2. cooperate with any internal claims investigation the insurance company conducted,
3. give the insurance company any documents related to post-loss services the assignee provided, or
4. deliver a copy of the executed assignment agreement to the insurance company within three days of the agreement's execution or when the services commenced, whichever is earlier.

Assignee's Requirements

The bill requires the assignee of the assignment agreement to:

1. give the assignor current cost estimates for the scope of the post-

- loss services to be performed, including for any additional services the assignee determines are needed;
2. perform the post-loss services as the State Building Code requires;
 3. not seek payment from the assignor for more than the policy's deductible, unless the assignor and assignee executed a separate agreement for the home improvement or other services to be performed at the assignor's own expense; and
 4. before submitting an insurance claim under the applicable insurance policy, and if required by the insurance company, (a) submit to an examination under oath, or provide a recorded statement under oath conducted by the insurance company or its authorized agent; and (b) participate in any alternative dispute resolution (ADR) proceedings under the applicable insurance policy's terms.

The examination or recorded statement must be (1) reasonably necessary; (2) based on the scope of the post-loss repair services performed on the property and the complexity of the insurance claim; and (3) limited to matters related to services performed, the cost of the services, and the assignment agreement's terms.

Limitations of Assignment Agreement

Regardless of the law on an insurer's liability under a liability policy, an assignment agreement executed under the bill does not transfer or create any authority to negotiate, adjust, or settle any portion of any homeowners or commercial property insurance claim to anyone or any entity not authorized to do so on behalf of any assignor or claimant, under the public adjusters' statutes.

Assignees and Contractors Attendance at On-site Inspection

The bill allows the assignee or a home improvement contractor to attend any on-site inspection of the property the insurance adjuster does, if:

1. requested by the assignor for them to serve as a resource to the assignor during the on-site inspection and
2. the assignee and contractor do not engage in negotiating or settling of any portion of an insurance claim under the applicable insurance policy, unless they are a licensed public adjuster.

Assignee's Prohibited Actions

Regardless of state law, under the bill, an assignee or the assignee's subcontractor, who executes an assignment agreement in keeping with the bill, is generally prohibited from:

1. filing a civil or administrative claim against the assignor or any named insured under the homeowners or commercial property insurance policy for payment of any post-loss services performed at the property,
2. collecting payment from the assignor or any named insured under the policy,
3. claiming a lien on the property, or
4. reporting the assignor or any named insured under the policy to a credit reporting agency for any payment due under the assignment agreement.

These do not apply if an assignor violates his or her responsibilities under the bill (see below).

Assignor's Responsibilities

The assignor or named insured under the applicable homeowners or commercial property insurance policy is responsible for paying the following, as applicable:

1. deductible under the terms of the policy,
2. home improvement or other services performed by the assignee on the property and approved by the assignor, and

3. post-loss services performed on the property before the assignor rescinded the assignment agreement.

Assignee's Cause of Action Against the Insurance Company

Under the bill, an assignee does not have a cause of action against the homeowners or commercial property insurance company providing coverage for the property for payment of an insurance claim arising from post-loss services performed on the assignor's or named insured's property, unless the assignee gives written notice as described below.

Assignee's Written Notice

The assignee must give written notice to the named insured under the homeowners or commercial property insurance policy, assignor, and insurance company of the intention to bring a cause of action.

Timing and Content. This notice must (1) be given at least 10 days before filing the action, but after the insurance company has determined coverage under policy, and (2) specify the claimed damages in dispute, the amount the assignee claims, and a presuit settlement demand (any monetary request submitted by an assignee in a written notice of intent to initiate litigation).

Filing Precondition. Before filing a cause of action, the assignee must give the named insured, assignor, and insurance company a written invoice or cost estimate of the post-loss repair, inspection, remediation, or mitigation services performed or scheduled to be performed by the assignee, including itemized information identifying (1) equipment; (2) materials; (3) the number of hours worked; and (4) in circumstances where the post-loss services were performed, proof that they were performed in keeping with accepted industry standards.

Service of Written Notice. The bill's notice requirements must be served by (1) certified mail, return receipt requested, to the name and mailing address designated by the insurance company in the insurance policy, and to the name and mailing address designated by the named insured or assignor in the agreement; or (2) email, evidenced by a delivery receipt, to the email address designated by the insurance

company in the policy and the named insured or assignor in the assignment agreement.

Insurance Company’s Presuit Settlement Offer

Within 10 business days of receiving the notice described above, the insurance company must make a presuit settlement offer to the assignee or require the assignee to participate in an appraisal process in keeping with state law, or any other ADR under the applicable insurance policy’s terms. Under the bill, a “presuit settlement offer” is any monetary proposal submitted by the insurance company to settle a dispute with an assignee before the assignee files a cause of action against the insurance company.

The bill requires the insurance company to investigate the assignee’s claimed damages, in keeping with the state’s insurance laws.

Inapplicability of Post-Loss Benefit Assignment Provisions

The bill’s post-loss benefit assignment provisions do not apply to:

1. any assignment, transfer, or conveyance of residential or commercial property granted to a subsequent purchaser who holds an insurable interest in the property after a loss;
2. a power of attorney (as provided under the Connecticut Uniform Power of Attorney Act and the Connecticut Uniform Recognition of Substitute Decision-Making Documents Act) that grants to a management company, family member, guardian, or similarly situated person of a named insured under the applicable homeowners or commercial property insurance policy the authority to act on behalf of the named insured with respect to any insurance claim; or
3. general liability coverage under a homeowners or commercial property insurance policy.

Reports and Regulations

The bill sets annual reporting requirements related to assignment agreements-related data.

Starting by February 1, 2028, each homeowners or commercial property insurance company licensed in the state must annually submit a report to the insurance commissioner, in a way he determines, that includes data for claims paid under an assignment agreement executed in keeping with the bill.

Starting by March 1, 2028, the commissioner must annually report to the Insurance Committee on his evaluation of the submitted data for the immediately preceding calendar year. The report must include an evaluation of (1) claims adjustments; (2) settlement timeframes; and (3) claims and litigation trends, categorized by claims litigated, claims settled prior to litigation, and loss adjustment expenses.

The commissioner must adopt regulations implementing the section's provisions.

§ 3 — INSURANCE DEDUCTIBLES AND HOME IMPROVEMENT CONTRACTS

Regardless of the state's home improvement contractor laws, the bill prohibits contractors from directly or indirectly advertising, offering, or promising any allowance, compensation, discount, payment, waiver, or rebate for a homeowner's insurance deductible in order to induce the owner to sign a home improvement contract.

§ 4 — CONTRACTOR'S AND SALESPERSON'S NAME AND ADDRESS CHANGES

By law, a DCP-issued certificate of registration is required for a person to be a home improvement contractor or salesperson. Under the bill, before the person can hold himself or herself out to be a contractor or salesperson, he or she must also present evidence of their registration certificate.

The bill also specifically requires contractors and salespersons to notify DCP, through the online licensing system, of any changes in their business name, trade name, residential address, or business address, within 30 days after the change. Existing law already requires them to report any changes to their contact information within this timeframe.

§ 5 — CERTIFICATE OF REGISTRATION REQUIRED INFORMATION

The bill expands the required information on DCP's certificate of registration application form for home improvement contractors and salespersons; and makes certain distinctions depending on whether or not the applicant is a natural person.

Applicant's Information

Under current law, the application form must include the applicant's name. The bill specifies that the trade name is required if the applicant is a natural person and, if not, the business name is required.

Current law also requires the form to include the applicant's residential address and business address. Instead, the bill requires (1) a natural person to provide his or her contact information and (2) all other applicants to provide a business address.

Under existing law, unchanged by the bill, the form must include the applicant's business telephone number and email address. The bill additionally requires the form to include the applicant's web address.

Information on Additional Persons

Under the bill, the form must also include the name, trade name, and contact information of each business entity in which any individual owner or member of the applicant holds a financial or equitable interest. This applies only if the business entity offers home improvement services in the state.

Additionally, if the applicant is not a natural person, the form must include the names and contact information of the applicant's directors, officers, and principal shareholders who (1) own more than 10% of the business entity or (2) participate in the business' operation or management.

Attestations

Under the bill, the application must also include a statement by the applicant attesting to whether the applicant previously had a certificate of registration and, if so, the name on it and whether it was suspended

or revoked. The applicant must also attest to whether any judgment or arbitration award has been entered against the applicant.

Proof of Insurance

Existing law requires applicants to prove they have at least \$20,000 of general insurance coverage by providing the policy number and insurance provider. The bill requires the applicant to also prove they have obtained any other insurance coverage required by law.

§ 6 — PUBLIC ADJUSTER ACTIVITIES PROHIBITED

The bill expands the list of unlawful acts for home improvement contractors by prohibiting them from engaging in the activities of a public adjuster, except as described below. By law, a “public adjuster” (1) prepares, documents, and submits a first-party property claim to an insurance company for loss or damage by a covered peril under a personal or commercial risk insurance policy, issued by an insurance company; (2) negotiates, adjusts, or effects the settlement of the claim; and (3) advertises or solicits business as a public adjuster (CGS § 38a-723).

The bill explicitly allows a home improvement contractor to:

1. explain or discuss a bid for construction or repair of property loss or damage covered under a homeowners insurance policy with the property owner or the insurer if the contractor generally does the work included in the contract for the usual and customary fees, and
2. when appropriate, advise or recommend that the property owner contact (a) the insurer to determine whether a bid for construction or repair of property loss or damage is covered under the homeowners insurance policy or (b) a public adjuster, except as provided under the prohibited advertising and soliciting practices under existing law and the bill (see § 7 below).

§ 7 — PROHIBITED ADVERTISING AND SOLICITING

The bill precludes home improvement contractors, salesmen, or their agents and employees from engaging in certain conduct to induce

owners to enter into home improvement contracts.

Definitions

Under the bill, “prohibited advertisement” means any written or electronic communication, including door hangers, business cards, magnets, flyers, pamphlets, or emails, delivered by any contractor or salesman to encourage, instruct, or induce an owner to contact the contractor, salesman, or public adjuster to file an insurance claim for roof damage to the owner’s property.

“Soliciting” means to make direct contact with anyone through mail, telephone, email, in-person communication, or any other means to induce the person to make a transaction.

Prohibited Actions

The bill prohibits contractors or salespersons, or their agents or employees from, directly or indirectly:

1. soliciting any owner through a prohibited advertisement, unless it provides, the following in at least 12-point font: “You are responsible for paying any insurance deductible for roof repair costs performed on your property. Intentionally filing an insurance claim containing any false, incomplete or misleading information constitutes insurance fraud punishable as a class D felony pursuant to CGS § 53a-215” (a class D felony is punishable by a fine up to \$5,000, up to five years in prison, or both);
2. offering any rebate, gift, gift card, cash, coupon, waiver of any insurance deductible, or any other item of value to any owner in exchange for (a) allowing the contractor to inspect the roof; and (b) the owner, contractor, salesman, or their agents or employees, submitting an insurance claim for damage to the owner’s roof; and
3. offering, delivering, receiving, or accepting any compensation, inducement, or reward for referring any home improvement work for which property insurance proceeds are payable.

The bill specifies that payment by an owner or insurance company to the contractor for roofing services does not constitute compensation for the referral.

Required Notice

Under the bill, any contract between a contractor and an owner for home improvement services to repair or replace the owner’s roof must include a notice that the contractor is prohibited from engaging in the practices described above.

§§ 8 & 9 — HOME IMPROVEMENT CONTRACT FOR EMERGENCY RESTORATION SERVICES

Waiving Right to Cancel

Under the Home Solicitation Sales Act, a transaction in which the buyer initiates a contract due to an emergency is not considered a home solicitation sale. The bill makes an exception in home improvement contracts involving urgent and emergency circumstances as described below.

Permitted Circumstances. The bill establishes two circumstances under which a home improvement contract involving emergency restoration services may include a provision that allows the owner to waive his or her right to cancel the contract not later than three business days after the owner and contractor signed it. Under the bill, the contract may include this cancellation waiver if the contract (1) is subject to the requirements of Home Solicitation Sales Act, and (2) the emergency restoration services are required to remedy a situation in which a loss to residential or commercial property, if not addressed immediately, will result in additional damage to the property (“urgent or emergency circumstance”).

Owner’s Statement. Under the bill, the owner may waive his or her right to cancel the contract by giving the contractor a separate statement dated and signed by the owner in electronic or paper form, describing the circumstance requiring immediate remedy and that expressly acknowledges and waives the owner’s right to cancel as described above.

Emergency Restoration Services

Under the bill, “emergency restoration services” are services designed to mitigate and restore damage to any land or building used or designed to be used as a private residence, dwelling place, or residential rental property, but it does not include roof repair or replacement services.

The bill expressly includes water extraction and drying; fire damage clean-up and soot removal; damaged carpet and other flooring material removal; damaged drywall and building materials removal, smoke odor removal or sanitizing; mold prevention and containment; and the repair or replacement of damaged materials, if no structural, electrical, plumbing, or air conditioning work is done.

§ 10 — CONSUMER BILL OF RIGHTS

The bill requires the Insurance Commissioner to (1) develop a consumer bill of rights regarding insurance and real estate, by September 1, 2026; (2) post it on the department’s website, by October 1, 2026; and (3) revise it as necessary after that.

The bill of rights must be consistent with applicable federal and state laws and must include a statement of the principles and values it is based on.

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable Substitute

Yea 13 Nay 0 (03/12/2026)