

New laws shed light, confusion on La. home improvement regs

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Over the past twenty years, Louisiana has been hit by numerous natural disasters, each of which brings a new wave of unlicensed and unqualified home improvement contractors to the state. During the 2022 legislative session, the Louisiana Legislature passed two broad acts aimed at regulating home improvement contractors. [House Bill 539](#) amended [La. R.S. 37:2175.3](#) by enacting seven articles that prohibit certain unfair trade practices. However, [House Bill 602](#) then repealed RS 37:2175.1 through 37:2175.6, bringing into question the validity of these new additions to 37:2175.3. Consequently, it is unclear whether the new unfair trade practices act provisions are in effect. We anticipate resolution in the next legislative session.

In any event, the following are the major additions to state law governing “Home improvement contracting; prohibited acts; violations” contained within House Bill 539:

Good Faith Estimate Requirement

Arguably the most important of the new requirements is the inclusion of a “good faith estimate” when contracting with a consumer. While some home improvement contractors, roofing contractors in particular, rely upon the amount determined by an insurer as the amount they will charge, House Bill 539 outlaws such practices and requires transparency when presenting a contractual agreement to consumers.

At first glance, it seems as though the intentions of this inclusion were not to hinder contractors from obtaining the maximum recoverable amount, but instead to promote competition and options to the consumer. Although contractors can no longer initially charge for the entirety of the insurance proceeds for their services, they will not be penalized if their good faith estimate differs from that of the insurer. Still, when presenting a contract to a consumer, a contractor’s good faith estimate, and not the insurance proceeds, will provide the amount recoverable.

Anti-Assignment Provision

Home improvement contractors have specific responsibilities when presenting a contract to a customer. House Bill 539 prevents a contractor from accepting any form of assignment of any rights, benefits, proceeds, or causes of action of an insured under a property insurance policy prior to completing the work described in the home improvement contract. Most importantly this change prevents a contractor from utilizing the rights of the insured to pursue legal action against the insurer without first providing the work it was contracted to complete.

Regardless of the enforceability of these new laws, the following additional changes were not impacted by House Bill 602’s repeal.

New Contract requirements

The waiver of a deductible has been and remains prohibited. Before the 2022 Legislative Session, advertising or offering to waive a deductible was considered an unfair trade practice aimed at home improvement contractors through 37:2175.3. Now, waiving a deductible has been placed within the general unfair trade practices statute of 51:451, affecting all commerce within the state. To help ensure that such a practice is followed, any party intending to obtain payment through insurance proceeds is now required to include the notice requirement found in 51:452 in each contract presented to a customer. This notice must state:

“A contract to provide goods or services that is reasonably expected to be paid wholly or partly with the proceeds from a claim under a property insurance policy and has a contract price of one thousand dollars or more shall contain the following notice in at least twelve-point boldfaced type: “Louisiana law requires a person insured under a property insurance policy to pay any deductible applicable to a claim made under the policy. It is a violation of Louisiana law for a seller of goods or services who reasonably expects to be paid wholly or partly from the proceeds of a property insurance claim to knowingly allow the insured person to fail to pay, or assist in the insured person’s failure to pay the applicable insurance deductible.”

Furthermore, all home improvement contractors performing work valued from \$7,500 to \$75,000 must now include the following in new contracts, per La RS 37:2159:

1. a clear description of any other documents which are or shall be incorporated into the agreement;
2. insurance certificates and proof of liability insurance/ workers’ compensation coverage;
3. full name;
4. address;
5. visible license number of the contractor.

Clear description of Work to be Performed and Price Charged

The work to be performed must be clearly described, and a clear valuation of the work to be performed must be included. Remember that a detailed estimate is now required with each contract presented to a consumer, which must include an approximation of the cost expected to be borne by the owner under a cost-plus contract or a time-and-materials contract.

Lastly, prior to August 1, 2022, all home improvement contracts were required to allow a homeowner to cancel the contract if the work was not approved by their insurer within three days of learning that coverage had been denied. This requirement has been removed by House Bill 602. However, the consumer’s right to cancel for any sale conducted by solicitation at an individual’s home remains intact within [La RS 9:3538](#).

In conclusion, due to House Bill 602, it is not clear if the additions of the Good Faith Estimate Requirement and the Anti-Assignment Provision are enforceable. However, the contractual requirements contained in HB 602 are clearly enforceable. Best practice would be to comply with all new requirements.