



1995 SENATE BILL 387

October 25, 1995 - Introduced by Senators RUDE and MOORE, cosponsored by Representatives GREEN and R. POTTER. Referred to Committee on Human Resources, Labor, Tourism, Veterans and Military Affairs.

1 **AN ACT to amend** 101.615 (3), 101.625, 101.654 (2) (a) 1. and 101.654 (4) (a); and
2 **to create** 101.63 (2p) and 101.654 (3m) of the statutes; **relating to:** the
3 financial responsibility of persons who perform on one-family and 2-family
4 dwellings work for which a building permit is required.

Analysis by the Legislative Reference Bureau

Under current law, no person (contractor), other than the owner of a dwelling, may obtain a building permit to perform work on a one-family or 2-family dwelling the initial construction of which commenced on or after December 1, 1978, unless that contractor obtains a certificate of financial responsibility from the department of industry, labor and human relations (DILHR). A contractor who applies for a certificate of financial responsibility must provide proof to DILHR annually that the contractor has in force either a bond in the amount of \$25,000 conditioned on compliance with the one-family and 2-family dwelling code promulgated by DILHR or a general liability insurance policy insuring the contractor in the amount of \$250,000 per occurrence against bodily injury or death to others or damage to the property of others. Currently, the bond or insurance policy must provide that it may not be cancelled except on 30 days' prior written notice to DILHR served in person or by certified mail.

This bill extends the applicability of the contractor financial responsibility law to contractors who perform work on one-family or 2-family dwellings the initial construction of which commenced before, on or after December 1, 1978, but lowers the required bond amount to \$5,000. The bill also permits cancellation of the insurance policy on 10 days' prior written notice if the cancellation is for nonpayment of premiums and permits the notice to DILHR to be served by 1st class mail. Finally, the bill requires DILHR, after consultation with the contractor financial responsibility council, to prescribe and furnish to contractors a consumer education brochure, containing information that a consumer should know when hiring a

contractor, and requires a contractor to provide that brochure to a homeowner when the contractor contracts to preform work on the homeowner's dwelling.

For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 101.615 (3) of the statutes, as created by 1993 Wisconsin Act 126,
2 is amended to read:

3 101.615 (3) Sections 101.65 (1m) and (1r) and 101.654 apply to an application
4 for a building permit ~~to perform work on a dwelling~~ filed on or after April 1, 1995,
5 to perform work on a dwelling the initial construction of which was commenced
6 before, on or after December 1, 1978.

7 **SECTION 2.** 101.625 of the statutes is amended to read:

8 **101.625 Contractor financial responsibility council; duties.** The
9 contractor financial responsibility council shall recommend for promulgation by the
10 department rules for certifying the financial responsibility of contractors under s.
11 101.654. These rules shall include rules providing for the assessment of fees upon
12 applicants for certification of financial responsibility under s. 101.654 and for the
13 suspension and revocation of that certification. The amount of the fees
14 recommended under this section may not exceed an amount that is sufficient to
15 defray the costs incurred in certifying the financial responsibility of applicants under
16 s. 101.654. The contractor financial responsibility council shall also assist the
17 department in prescribing and furnishing the consumer education brochure
18 prescribed under s. 101.63 (2p).

19 **SECTION 3.** 101.63 (2p) of the statutes is created to read:

1 101.63 **(2p)** After consultation with the contractor financial responsibility
2 council, prescribe and furnish to persons who are required to be certified under s.
3 101.654 a consumer education brochure, containing information that a consumer
4 should know when hiring a contractor, for distribution under s. 101.654 (3m).

5 **SECTION 4.** 101.654 (2) (a) 1. of the statutes, as created by 1993 Wisconsin Act
6 126, is amended to read:

7 101.654 **(2)** (a) 1. A bond endorsed by a surety company authorized to do
8 business in this state of not less than ~~\$25,000~~ \$5,000, conditioned upon the applicant
9 complying with all applicable provisions of the one- and 2-family dwelling code and
10 any ordinance enacted under s. 101.65 (1) (a) and as indemnity for any loss sustained
11 by any person because of any violation by the applicant of that dwelling code or
12 ordinance.

13 **SECTION 5.** 101.654 (3m) of the statutes is created to read:

14 101.654 **(3m)** When issuing a certificate of financial responsibility under sub.
15 (3), the department shall also issue to the applicant the consumer education
16 brochure prescribed under s. 101.63 (2p). When a holder of a certificate of financial
17 responsibility contracts with an owner to perform work for the owner, that holder
18 shall provide the owner with a copy of the consumer education brochure.

19 **SECTION 6.** 101.654 (4) (a) of the statutes, as created by 1993 Wisconsin Act 126,
20 is amended to read:

21 101.654 **(4)** (a) A bond or insurance policy required under sub. (2) ~~shall provide~~
22 ~~that the bond or policy may not be canceled by the person insured under the bond or~~
23 ~~policy or by the surety company or insurer except on 30 days' prior written notice~~
24 ~~served on the department in person or by certified 1st class mail or, if the cancellation~~
25 ~~is for nonpayment of premiums to the insurer, on 10 days' prior written notice served~~

1 on the department in person or by 1st class mail. The person insured under the bond
2 or policy shall file with the department proof to the satisfaction of the department
3 of a replacement bond or replacement insurance within the 30-day notice period or
4 10-day notice period, whichever is applicable, and before the expiration of the bond
5 or policy. The department shall suspend without prior notice or hearing the
6 certificate of financial responsibility of a person who does not file satisfactory proof
7 of a replacement bond or replacement insurance as required by this subsection.

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(END)