SENATE BILL No. 176

By Committee on Commerce

2-9

AN ACT concerning home inspectors; enacting the Kansas home inspectors professional competency and financial responsibility act; creating a home inspector registry; establishing the home inspectors registration fee fund.

5

7

8

9

10

11

12

13

14

15 16

17 18

19 20

21

22 23

24

25

26

27

29

31

Be it enacted by the Legislature of the State of Kansas:

Section 1. This act shall be known and may be cited as the Kansas home inspectors professional competency and financial responsibility act.

- Sec. 2. As used in sections 1 through 18, and amendments thereto:
- (a) "Act" means the Kansas home inspectors professional competency and financial responsibility act.
- (b) "Applicant" means an individual who is applying for registration or registration renewal under this act.
- (c) "Advisory council" means the Kansas home inspectors advisory council established to assist the attorney general on matters administering this act.
- (d) "Attorney general" means the attorney general of the state of Kansas or the attorney general's designee.
- (e) (1) "Home inspection" means a non-invasive limited visual examination of a residential dwelling in anticipation of a transfer of ownership of not more than four attached units, designed to identify material defects at the time of the inspection of four or more of the following readily accessible separate systems and components:
- (A) Heating systems;
 - (B) cooling systems;
- (C) electrical systems;
 - (D) plumbing systems:
- 28 (E) structural components:
 - (F) foundations:
- 30 (G) roof coverings;
 - (H) exterior and interior components; and
- 32 (I) any other components and systems that are part of the residential 33 dwelling and included within the standards of practice followed by the 34 home inspector.
- 35 (2) The term "home inspection" includes residential property 36 inspections represented to be a home inspection but described using

different or similar terms.

- (3) The term "home inspection," except as otherwise agreed to or otherwise required by the standards of practice referenced in the inspection agreement, does not include:
- (A) A compliance inspection for any code or governmental regulation;
- (B) an examination for the conditions and operation of kitchen-type appliances, on-site water supplies or wells, private waste systems, the determination of the presence of wood- destroying organisms or pests, or the presence of fungi, mold, bacteria, asbestos, lead-based paint, gases or conditions of air quality; and
- (C) an examination and evaluation of only three or fewer of the systems or components and related systems or components listed in subsection (e)(1).
- (f) "Home inspection report" means a written or verbal report on the results of a home inspection that meets all requirements as set forth within the standards of practice stated in the inspection agreement and includes the name of the inspection company, name of the inspector conducting the inspection, the inspector's registration number and the inspection company's contact information.
- (g) "Home inspector" means an individual who performs a home inspection as defined in this act.
- (h) "Registrant" means any person registered as a home inspector under this act.
- (i) "Material defect" means any condition that significantly affects the value in the opinion of the inspector, habitability or safety of the dwelling, except that, cosmetic defects or aesthetics shall not be used in determining whether a system, structure or component is materially defective.
- (j) "Inspection agreement" means the agreement for a home inspection between the home inspector and the client and contains, at a minimum, the following information:
 - (1) Description of the scope of the home inspection;
- (2) limitation of liability of the home inspector for any errors or omissions that may arise during the home inspection; and
- (3) identification of the standards of practice the home inspector will follow when conducting the home inspection.
- (k) "National" or "Nationally recognized" associations, means industry, trade or professional member organizations as approved by the attorney general pursuant to rules and regulations that shall be adopted by the attorney general.
- (l) "Readily accessible" means available for visual inspection without requiring the moving of personal property, dismantling, use of destructive measures or actions that would likely involve risk to persons or property.

Sec. 3. (a) No person, unless otherwise exempt by this act, shall engage in the business of or act in the capacity of a home inspector within the state of Kansas without having properly registered as required by this act.

- (b) (1) Any person, unless otherwise exempt by this act, who fails to register prior to acting as a home inspector as defined in this act, shall be liable for a civil penalty as provided in K.S.A. 50-636(a), and amendments thereto, in addition to any other relief that may be granted or other penalty prescribed by law. The grant of powers to the attorney general in this act does not affect remedies available to consumers under other principles of law or equity.
- (2) Any person who acts as a home inspector while such person's registration is suspended or revoked shall be liable for a civil penalty as provided in K.S.A. 50-636(a), and amendments thereto, in addition to any other relief that may be granted or other penalty prescribed by law.
- Sec. 4. (a) There is hereby established the Kansas home inspectors' advisory council. The purpose of the council is to assist and advise the attorney general on matters related to industry standards, education, testing requirements of applicants and rules and regulations.
- (b) The advisory council shall consist of seven members to be appointed by the attorney general as follows:
- (1) Six members who are active and registered Kansas home inspectors as follows:
- (A) Two members nominated to serve by a Kansas chapter of the American society of home inspectors;
- (B) two members nominated to serve by a Kansas chapter of the international association of certified home inspectors;
- (C) one having no affiliation with a national home inspection association. If no such candidate can be identified, the attorney general shall appoint an active and registered Kansas home inspector; and
- (D) one nominated by and having affiliation with either the Kansas society of professional engineers or the Kansas chapter of the American institute of architects; and
- (2) one Kansas resident shall be an at-large member who is completely unaffiliated to the real estate inspection, sale or finance industries.
- (c) Home inspector advisory council members shall have at least three years' experience and have completed at least 500 fee-paid home inspections. This provision shall not apply to the home inspector advisory council member appointed as an at-large member.
- (d) When applicable, the attorney general shall give preference to appointing an at-large member from a congressional district without other representation on the council.

(e) The attorney general shall give consideration to proportionately represent associations with memberships in Kansas to not give any one national association a numerical advantage.

- (f) All members shall be appointed to two-year terms with a limit of two consecutive terms and shall serve not more than six terms.
 - (g) The council shall meet as requested by the attorney general.
- (i) Members of the council shall be paid subsistence allowances, mileage and other expenses as provided in K.S.A. 75-3223, and amendments thereto, from the home inspectors registration fee fund or other available and appropriate funds by the attorney general.
- Sec. 5. The attorney general shall have the following duties and powers under this act:
 - (a) Administer and enforce the provisions of the act;
- (b) register qualified applicants as home inspectors pursuant to the act:
 - (c) create any forms necessary for the administration of this act;
- (d) create, or authorize others to create, and implement provisions of this act through use of the internet or other technology as deemed necessary or appropriate. The attorney general shall establish an online system for the public to confirm registration of home inspectors. Such system shall include a listing of valid registrations and such other information collected pursuant to this act as the attorney general may determine is appropriate;
- (e) conduct all necessary investigations into the qualifications of or allegations of misconduct against an applicant or registrant. In connection with any investigation, the attorney general or its duly authorized agents or employees shall, at all reasonable times, have access and the right to examine and copy any document, report, record or other physical evidence of any registered home inspector or any document, report, record or other evidence maintained by and in the possession of any registered home inspector;
- (f) require the attendance and testimony of any registered home inspector or the production for examination or copying of documents or any other physical evidence, if such evidence relates to qualifications for registration or allegation of misconduct of an applicant or registrant;
- (g) set standards and approve examinations to determine the qualifications of applicants for registration or registration renewal;
- (h) establish reciprocity guidelines and set fees for licensed inspectors from other jurisdictions; and
- (i) adopt any rules and regulations necessary to carry out the provisions of the act.
- Sec. 6. (a) All applications for registration and renewal shall include a question requiring the applicant to answer under oath whether or not the

 applicant has been convicted of a felony offense in this state, another state or any other jurisdiction and the nature of the offense.

- (b) All applications for registration and renewal shall include a question requiring the applicant to answer under oath whether or not the applicant has ever applied for or held a home inspector registration under a different name and whether that applicant's registration has ever been suspended or revoked.
- (c) When deemed appropriate, the attorney general may conduct a criminal history records search or background check on any applicant or registered home inspector and may investigate the information submitted on an application or renewal form, provided no adverse action may be taken against the person until the person has been notified and given an opportunity to respond in writing.
- Sec. 7. (a) The attorney general may deny, suspend or revoke a registration, or may impose probationary conditions on a registrant or applicant, if the registrant or applicant has engaged in any of the following conduct:
- (1) Made a materially false or fraudulent statement in an application for registration or registration renewal;
 - (2) intentionally falsified a home inspection report;
 - (3) performed any of the following acts as part of a home inspection:
- (A) Inspect, for a fee, any property in which the home inspector, or home inspector's employer, has any personal or financial interest, unless the interest is disclosed in writing to the client before the home inspection is performed and the client signs an acknowledgment of receipt of the disclosure;
- (B) offer or deliver an inducement of anything of value, including commission, referral fee or any portion of an inspection fee for the referral of any business to the home inspector without the consent of the client; or
- (C) accept an engagement to perform a home inspection or to prepare a home inspection report in which the employment itself or the fee payable for the inspection is contingent upon the conclusions of the home inspection report, preestablished or prescribed findings or the closing of an underlying real estate transaction;
- (4) include as a term or condition, in an agreement to conduct a home inspection, any provision that disclaims or limits the liability of the registered home inspector to less than \$2,000 in the aggregate for each home inspection;
- (5) fail to make a reasonable effort to provide, when possible, an inspection agreement to a client. Inspections completed for a bank, financial institution, relocation company or other entity that is purchasing the home as part of a relocation, foreclosure or commercial investment may forgo the requirement for the inspection agreement, provided that, the

1 2

inspection report clearly states in bold size, 14-point font or larger type that: "This inspection report was created for the exclusive use of a commercial client and its findings should not be used or relied upon by individuals purchasing the property";

- (6) fail to identify and substantially follow standards of practice and code of ethics as specified in the inspection agreement;
- (7) fail to submit evidence, satisfactory to the attorney general, of completion of not less than 16 hours of continuing education, approved by the attorney general within the 24 months immediately preceding registration renewal;
- (8) fail to respond, as requested by the attorney general, to any summons for attendance and testimony or to produce documents or any other physical evidence during an investigation into the qualifications of or allegations of misconduct of an applicant or registrant; and
- (9) within the immediately preceding previous five years, be convicted, pled guilty or pled nolo contendere for any felony under Kansas law or other jurisdiction that constitutes a felony under Kansas law;
- (10) within the immediately preceding previous 15 years be convicted, pled guilty or pled nolo contendere for:
- (A) an offense under Kansas law that requires the offender to register pursuant to the Kansas offender registration act; or
- (B) any offense under the law of another jurisdiction that requires registration of the offender under the law of the other jurisdiction, or that would constitute an offense under Kansas law that upon conviction requires the offender to register pursuant to the Kansas offender registration act; or
- (11) violate any provision of the act or the rules and regulations adopted by the attorney general pursuant to this act.
- (b) Any proceedings pursuant to this section shall be conducted in accordance with the provisions of the Kansas administrative procedure act. Persons aggrieved by a final decision or order of the attorney general may appeal pursuant to the provisions of the Kansas judicial review act.
- Sec. 8. (a) The attorney general shall set reasonable fees as provided for by this act that shall not exceed:
 - (1) Application for an original registration, \$200;
 - (2) biannual renewal of registration, \$200;
 - (3) late renewal; additional amount not to exceed \$50;
 - (4) reinstatement of expired or revoked registration, \$300;
- (5) duplicate copy of a license registration certificate, \$25; and
 - (6) inactive status, \$50.
- Sec. 9. (a) Whenever any person has engaged in any act or practice that constitutes a violation of this act or the rules and regulations adopted pursuant to this act, the attorney general may institute an action in the

 district court of the county in which the person resides or in the district court in the county in which such act or practice occurred for an injunction to enforce compliance with this act or the rules and regulations adopted pursuant to this act. The attorney general shall not be required to give any bond or pay any filing fee for initiating the action. Upon a showing that the person has engaged in any act or practice in violation of this act or the rules and regulations adopted pursuant to this act, the court may enjoin such acts or practices and may make any orders necessary to conserve, protect and disburse any funds involved.

- (b) The attorney general may hire independent counsel. All fees and expenses, when possible, shall be paid out of the home inspectors registration fee fund.
- Sec. 10. The attorney general shall remit all moneys received from fees, charges or penalties to the state treasurer in accordance with the provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount in the state treasury to the credit of the home inspectors registration fee fund, which is hereby established. All expenditures from the home inspectors registration fee fund shall be made in accordance with appropriation acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the attorney general or persons designated by the attorney general.
- Sec. 11. (a) On and after January 1, 2022, any individual performing home inspections as defined in this act shall hold a current and valid registration issued under the provisions of this act, and meet the following requirements:
 - (1) Be at least 18 years of age;
- (2) have general liability insurance coverage in an amount of \$250,000 or more;
- (3) maintain proof of financial responsibility by securing one of the following:
 - (A) A policy of errors and omissions insurance coverage of no less than \$10,000;
- (B) a surety bond in an amount not less than \$10,000. Such bond shall be issued by a corporate surety authorized to do business in this state. The surety bond shall state the effective date and the expiration date, if available. The applicant shall be named as principal. The bond shall be to the state of Kansas and shall be conditioned upon the applicant faithfully performing all contracts entered into by the applicant, complying with all provisions of this act and following all rules and regulations adopted pursuant to this act. Regardless of the number of claims made against the bond or the number of years the bond remains in force, the aggregate liability of the surety shall in no event exceed the amount of the bond. The

bond may be terminated at any time by the surety upon sending 30 days' notice in writing to the principal, the obligee and the attorney general;

- (C) an irrevocable letter of credit not less than \$10,000, issued by a bank that is insured by the federal deposit insurance corporation or its successor, initially issued for a term of at least one year and that by its terms is automatically renewed at each expiration date for at least an additional one-year term, unless at least 30 days prior written notice of intention not to renew is provided to the attorney general; or
- (D) proof of the maintenance of a minimum balance of \$10,000 in an escrow account in a Kansas financial institution, as defined in K.S.A. 16-117, and amendments thereto, except that the escrow account shall maintain the minimum balance through the term of the registrant's registration. The attorney general shall be notified in writing by the financial institution within 10 days if the amount in the escrow account falls below the \$10,000 minimum balance. Upon notification, the home inspector registration shall be suspended until the escrow account minimum balance is restored to \$10,000 or the registrant otherwise meets the minimum financial obligations of this act;
- (4) submit evidence, satisfactory to the attorney general, of meeting the requirements of section 12, and amendments thereto.
- Sec. 12. (a) Applicants previously licensed by the state of Kansas as a home inspector under the provisions of K.S.A. 58-4501 through 58-4514, prior to their expiration, shall be determined to have met all testing and education requirements of this act, if they have been actively engaged in the practice of conducting home inspections for at least two of previous three years immediately prior to the license application date.
- (b) (1) Applicants not previously registered under K.S.A. 58-4501 and 58-4514, but have been actively and continually engaged in the practice of conducting home inspections for not less than two years prior to the license application date and have completed no fewer than 200 feepaid home inspections shall be determined to have met the education and testing requirements of this section.
- (2) Applicants who were not previously licensed and fail to meet the work and experience requirements of paragraph (1) shall successfully complete a proctored nationally recognized home inspector examination as approved by the attorney general on home or building components, inspections or codes. The exam may have been taken and passed prior to the date of this act. In addition, such applicants shall:
- (A) Submit evidence of successfully completing an approved course of study not less than 120 hours of instruction, approved by the attorney general, consisting of no more than 60 hours of distance education provided online or in other computer-assisted formats or by correspondence, audiotape, videotape or other media. For the purposes of

 this section, attendance of one hour of instruction means 50 minutes of classroom instruction or the equivalent thereof in distance education study as determined by the attorney general. In addition to meeting the hours of instruction, applicants shall provide evidence of completion of 20 supervised inspections conducted under an approved supervising registered home inspector who has been in the business at least five years and completed at least 1,000 fee-paid inspections.

- (B) Submit evidence of successfully completing an approved course of study of not less than 40 hours of classroom instruction, approved by the attorney general and assist in a minimum of 80 supervised inspections conducted under a supervising registered home inspector who has been in the business at least five years and completed at least 1,000 fee-paid inspections.
- (c) The training described in subsection (b) shall be approved by one of the following:
 - (1) American society of home inspectors;
 - (2) international code council;
 - (3) international association of certified home inspectors; or
- (4) a recognized home inspector education and training program approved by the attorney general.
- (d) An applicant completing supervised inspections, as required in subsection (b), shall retain a written log of supervised inspections for three years from the date of the inspection.
- (e) An applicant shall retain certificates of completion or other proof that the applicant has met the experience, educational and testing requirements for a period not less than three years from initial application.
- (f) An applicant shall retain a copy of each of the following documents for each home inspection performed by or at the direction of the home inspector for a period of two years from the date of the inspection:
 - (1) The home inspection agreement;
 - (2) the home inspection report; and
- (3) any other information prescribed by the rules and regulations adopted pursuant to this act.
- (g) Registration expiration and renewal dates shall be established on a biennial basis by the attorney general by rules and regulations that shall be adopted pursuant to this act. A registrant that has not renewed the registrant's registration by the expiration date may not conduct home inspections until the registration is renewed.
- (h) The attorney general may grant inactive status to a registrant who meets all the requirements for renewal except for completion of continuing education upon written request of the registrant and the payment of an inactive status fee not to exceed \$50. A registrant whose registration is

inactive shall not conduct home inspections during the time the registration is in inactive status.

- (i) The attorney general may reinstate a registration that has been expired or revoked upon application on a form provided by the attorney general and payment of any required fees. The attorney general may establish standards for reinstatement, including a requirement that an applicant whose registration was revoked or that has been expired for more than one year successfully completes an approved examination and meets their minimum continuing education requirements.
- Sec. 13. This act shall apply to all individuals who conduct home inspections for compensation but shall not apply to the following individuals who are exempted from the provisions of this act:
- (a) A tradesman or contractor performing an evaluation and licensed by a federal, state, local governmental agency or a political subdivision thereof while acting within the scope of that occupation and license;
- (b) an individual employed by a federal, state or local governmental agency or a political subdivision thereof who, within the scope of such employment and in the discharge of such public duties, inspects property or buildings for compliance with requirements safeguarding life, health or property or administration of government programs;
- (c) an individual licensed by the state of Kansas as an architect while acting within the scope of that license;
- (d) an individual licensed by the state of Kansas as a professional engineer while acting within the scope of that license;
- (e) an individual licensed by the state of Kansas as a real estate appraiser while acting within the scope of that license;
- (f) an individual licensed by the state of Kansas as a real estate broker or salesperson while acting within the scope of that license;
- (g) an individual employed as an insurance adjuster while acting within the scope of that occupation;
- (h) an individual licensed as a manufactured home manufacturer while acting within the scope of that license;
- (i) an individual employed by a manufactured home manufacturer while acting within the scope of that occupation;
- (j) a modular home manufacturer or modular home manufacturer's representative reviewing a residential dwelling built by the manufacturer for the purpose of evaluating the residential dwelling;
- (k) an individual licensed as a manufactured home dealer while acting within the scope of that license;
- (l) an individual employed as a manufactured home installer while acting within the scope of that occupation;
- (m) an individual licensed by the state of Kansas as an insurance agent while acting within the scope of that license;

1 2

 (n) a homebuilder or homebuilder's representative reviewing a residential dwelling built by the homebuilder for the purpose of evaluating the residential dwelling;

- (o) an individual providing services as a pest exterminator or chemical applicator while acting within the scope of that occupation and not providing services that would constitute a home inspection under this act;
- (p) an individual certified or approved by federal housing administration or the veterans administration while consulting or performing compliance or rehabilitation reviews for work required or needed to conform to either United States department of housing and urban development, veterans administration, fannie mae or other minimum property standards to meet loan requirements;
- (q) an individual conducting a weatherization pre-inspection or post-inspection under the Kansas weatherization program, provided that the individual meets the certification requirements for weatherization inspectors set forth by the United States department of energy; and
- (r) an individual who is not registered as a home inspector when assisting a registered home inspector in the performance of an inspection, except that the person shall be supervised at the inspection site by a registered home inspector, and any home inspection report rendered in connection with the home inspection shall not be signed by such individual.
- Sec. 14. Unless otherwise exempted under section 13, and amendments thereto, or section 15, and amendments thereto, it shall be unlawful for an individual to perform a home inspection as defined in section 2, and amendments thereto, without being registered under the Kansas home inspectors professional competency and financial responsibility act. Violation of this section shall be a class C nonperson misdemeanor.
- Sec. 15. (a) Individuals licensed by the state of Kansas as an architect or professional engineer as defined in K.S.A. 74-7003 and amendments thereto, may register as a home inspector if performing the duties of a home inspector but shall not be required to meet the requirements of sections 11 and 12, and amendments thereto.
- (b) All complaints against a licensed architect or professional engineer, as defined by K.S.A. 74-7003 and amendments thereto, received by the attorney general pursuant to this act shall be referred to the Kansas board of technical professions for investigation.
- Sec. 16. (a) It is the duty of all home inspectors registered under this act to conduct home inspections with the degree of care that a reasonably prudent home inspector would exercise under the circumstances.
 - (b) All home inspections shall be conducted according to a standard

of practice and a code of ethics as identified in the inspection agreement.

- (c) All home inspectors shall perform a home inspection in accordance with one of the following standards of practice:
 - (1) American society of home inspectors;
 - (2) international association of certified home inspectors;
 - (3) national academy of building inspection engineers; or
- (4) any other recognized standard of practice approved by the attorney general after consultation with the advisory council.
- (d) No registered home inspector may include, as a term or condition in an agreement to conduct a home inspection, any provision that disclaims the liability for any errors and omissions that may arise during a home inspection, or limits the amount of damages for liability for any errors and omissions that may arise during a home inspection to less than \$2,000 in the aggregate for each home inspection. Any term or condition or limitation setting the amount of damages for liability for any errors and omissions that may arise during a home inspection at an amount greater than \$2,000 shall be provided to the customer in writing to be in effect.
- (e) An action to recover damages for any act or omission of a registered home inspector relating to a home inspection or a home inspection report shall be brought not more than 12 months from the date the home inspection was performed and may be initiated only by the client for whom the home inspection or the home inspection report was made.
- (f) In any action to recover damages for any error or omission of a registered home inspector relating to a home inspection or home inspection report, a registered home inspector is liable for any errors and omissions that may arise during a home inspection in an amount not to exceed \$2,000 in the aggregate for each home inspection. A registered home inspector shall be liable in the amount in the inspection agreement to conduct a home inspection, if greater than \$2,000 in the aggregate for each home inspection, provided that a registered home inspector provides for the client with a clear written description in the inspection agreement of any greater limitations on the liability of the licensed home inspector for any errors and omissions that may arise during the home inspection.
- Sec. 17. (a) No individual, except an individual licensed by the state of Kansas as an architect or professional engineer as defined in K.S.A. 74-7003, and amendments thereto, shall present themselves as a Kansas registered home inspector unless the individual has complied with the provisions of this act. This requirement in no other way limits or infringes upon exempt licensed architects and professional engineers from the practice of home inspections as within the scope or as authorized by their professional license.
- (b) All agreements, contracts and reports prepared by an individual performing home inspections under this act shall contain the home

SB 176 13

- inspector's registration number, name of the home inspector, name of the 1
- home inspector's company and contact information. 2
- 3
- The provisions of this act shall expire on July 1, 2027.
 This act shall take effect and be in force from and after its 4 Sec. 19.
- publication in the statute book. 5