

HOUSE BILL REPORT

HB 3006

As Reported By House Committee On:

Financial Institutions & Insurance

Title: An act relating to public projects.

Brief Description: Allowing for certain insurance policies in connection with large-scale public projects.

Sponsors: Representative L. Thomas.

Brief History:

Committee Activity:

Financial Institutions & Insurance: 2/2/98, 2/5/98 [DPS].

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives L. Thomas, Chairman; Smith, Vice Chairman; Zellinsky, Vice Chairman; Wolfe, Ranking Minority Member; Grant, Assistant Ranking Minority Member; Benson; DeBolt; Sullivan and Wensman.

Minority Report: Do not pass. Signed by 2 members: Representatives Constantine and Keiser.

Staff: Charlie Gavigan (786-7340).

Background: Most public works construction in Washington is performed by private firms. State and local governments contract with private architectural and construction companies for the design and construction of facilities using specific procedures designated in statute.

Typically, contractors, subcontractors, consultants, architects, the owner, and others involved in major public construction projects each obtain their own insurance or risk financing to cover their role or risk in the project.

Summary of Substitute Bill: A wrap-up or owner-controlled insurance program is authorized for large public construction projects. It applies to projects with an aggregate construction value in excess of \$100 million.

The program authorizes the director of the Department of General Administration (GA), in consultation with the insurance commissioner, to approve an insurance policy covering all the participants in a construction project, including the public sponsor, the prime contractor, contractors and subcontractors, and others who enter contracts to work on the project. Certain standards and requirements must be met before the wrap-up policy can be approved. Required performance bonds, bid bonds, or other surety bonds are not covered. GA may adopt rules implementing this program. This insurance policy does not cover workers compensation insurance.

The wrap-up insurance policy program expires June 30, 2005.

Substitute Bill Compared to Original Bill: The substitute bill: (1) removes the section changing workers compensation law; (2) changes the project threshold to \$100 million from \$50 million; (3) has the GA consult with the insurance commissioner and requires the commissioner to assist GA; (4) allows non-approved insurers to participate through surplus line provisions in current law; and (5) allows GA to encourage local governments to consult with GA early in the process of developing a wrap-up policy for a local project.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: Wrap-up insurance policies are used in the private sector and are allowed in several states for public projects. These policies reduce the cost of the project by having one insurance policy that covers all the subcontractors, rather than having a separate policy for every subcontractor. This is a more effective way of addressing financial risk in a large project. This topic should be looked at because it could save money and be more efficient on large public construction projects; however, GA's role should be reviewed further, and the insurance commissioner probably should be involved.

Testimony Against: The changes to the workers compensation law, which appear to inadvertently reduce worker protections, should be removed. This bill authorizing wrap-up policies on public projects is a good idea, but it needs more work.

Testified: Paul Blaski, (opposes workers comp changes); Dick King, IBEW (opposes workers comp changes); Ron Forest, Carpenters Local 131 (opposes workers comp changes); John Meier, Pierce County Building Trades Council (opposes workers comp changes); Mel Sorensen, National Association of Independent Insurers (opposes as written); Clarke Sitzes, Professional Insurance Agents and Tobey (opposes as written); Tom Parker, Surplus Line Association (supports with amendments); Mike Ball (opposes

workers comp changes); Jim Odierno, Office of the Insurance Commissioner (opposes); Robby Stern, Washington Labor Council (opposes workers comp changes); Steve Wehrly, Insurance Brokers (supports); Doug Connell, Department of Labor and Industries; Betty Reed, Department of General Administration; Noel McMurtney, Laborers District Council (opposes workers comp changes); and Jack Gilchrist, Seattle Building Trade Council (opposes workers comp changes).