

# SENATE BILL REPORT

## SHB 2863

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As Reported By Senate Committee On:  
Transportation, February 17, 2000

**Title:** An act relating to insurance coverage for regional transit authorities.

**Brief Description:** Establishing insurance coverage provisions for regional transit authorities.

**Sponsors:** House Committee on Transportation (originally sponsored by Representatives Cairnes, Keiser, Benson, Hatfield, Edwards and Kagi).

**Brief History:**

**Committee Activity:** Transportation: 2/17/2000 [DP].

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### SENATE COMMITTEE ON TRANSPORTATION

**Majority Report:** Do pass.

Signed by Senators Haugen, Chair; Gardner, Vice Chair; Costa, Eide, Heavey, Horn, Jacobsen, Johnson, Morton, Patterson, Prentice, Sheahan, T. Sheldon, Shin and Swecker.

**Staff:** Gene Baxstrom (786-7303)

**Background:** When building large projects, contractors in Washington are required to obtain insurance to cover general liability and excess liability for their portion of the construction project. However, large projects can obtain insurance coverage by using an owner controlled insurance program (OCIP), or "wrap-up" insurance, which would allow public agencies to purchase single insurance coverage for all of its contractors and subcontractors on large construction projects. Otherwise, contractors each provide their own insurance, which may be duplicative and costly, and those costs are included in the bids for projects. Under current state law, Sound Transit is prevented from procuring wrap-up insurance for its construction projects.

The Legislature has granted a similar statutory exemption for the State Convention and Trade Center. Transit agencies in other states have also used OCIP to insure their transit projects.

**Summary of Bill:** Regional transit authorities are granted the authority to obtain insurance consistent with the risks, hazards, and liabilities of their projects. Also, regional transit authorities are authorized to purchase insurance to benefit their board members, authority officers, and employees to insure against liability for acts they perform in good faith as part of their official duties. Insurance for construction of projects whose cost exceeds \$100 million may be acquired by bid or negotiation through December 31, 2006.

Regional transit authorities are exempt from provisions of law restricting public agencies from (1) requiring a bidder to apply for insurance or surety bonds from a particular insurer; or (2) negotiating or obtaining insurance or surety bonds which can be obtained by the bidder.

**Appropriation:** None.

**Fiscal Note:** Requested on February 10, 2000.

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

**Testimony For:** This allows Sound Transit to purchase owner controlled or wrap-up insurance for major construction projects. By consolidating insurance coverage, Sound Transit can get insurance customized for its projects at a cheaper rate than by each contractor or subcontractor purchasing coverage individually. This will mean lower bids for work and it will save money on projects.

**Testimony Against:** This bill will eliminate the smaller policies provided by Washington insurers and will likely result in some insurance business going out of state.

**Testified:** Representative Jack Cairnes, prime sponsor (pro); Ron Main, Sound Transit (pro); Basil Badley, American Insurance Association (pro); Duke Schaub, Associated General Contractors (pro); Bill Stauffacher, Independent Insurance Agents & Brokers of Washington (con).