

# SENATE BILL REPORT

## SHB 2132

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As Reported By Senate Committee On:  
Financial Services, Insurance & Housing, April 3, 2003

**Title:** An act relating to public building or construction contracts.

**Brief Description:** Securing public building or construction contracts.

**Sponsors:** House Committee on Financial Institutions & Insurance (originally sponsored by Representatives Kenney, Schual-Berke, Santos and McDermott).

**Brief History:**

**Committee Activity:** Financial Services, Insurance & Housing: 4/3/03 [DPA].

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### SENATE COMMITTEE ON FINANCIAL SERVICES, INSURANCE & HOUSING

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**Majority Report:** Do pass as amended.

Signed by Senators Benton, Chair; Prentice, Reardon and Roach.

**Staff:** Alison Mendiola-Hamilton (786-7576)

**Background:** In Washington, most public works construction is performed by the private industry. Typically, the various parties involved (the contractor, subcontractors, owner, architects, etc.) each obtain their own insurance or risk financing to cover their role or risk in the project.

"Wrap-up" insurance policies, a type of risk pooling, are routinely used on large private construction projects. A wrap-up policy generally involves one comprehensive policy covering the owners and all the companies involved, which may reduce costs.

Current law prohibits wrap-up policies for public construction projects, absent any explicit statutory authorization. There are currently three types of public construction projects that are allowed to utilize wrap-up policies.

**Summary of Amended Bill:** Public construction projects are authorized to use wrap-up policies for projects as long the project: (1) is located in a county with more than one million people; (2) costs more than \$100 million; and (3) is administered for public hospitals.

Section 1 of the bill expires December 31, 2006, and Section 2 takes effect December 31, 2006.

**Amended Bill Compared to Substitute Bill:** The amended bill strikes the following language from the original bill: "projects" means a capital construction project in which any public agency, public authority, or public corporation has one construction contract with a contractor that is in excess of \$100 million. Combining two or more construction contracts in order to exceed the \$100 million threshold is specifically prohibited.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** Ninety days after adjournment of session in which bill is passed, except for Section 2 which takes effect December 31, 2006.

**Testimony For:** This bill is about efficiency measures that will enable Harborview to save \$500,000. Harborview is a leading medical institution. Allowing King County to purchase wrap-up insurance would benefit the residents of the state, without costing the state a nickel. The amended bill is preferred. Harborview actually has many contracts, so the prohibition on multiple contracts would be harmful to Harborview. The private industry routinely purchases wrap-up policies.

**Concerns:** We support the amended bill but want to have a more thorough discussion during the interim. In Washington, workers' compensation is not part of a wrap-up policy. Workers' compensation should be included and it generally is in other states. The intent of the bill is not to allow lumping of multiple contracts to meet the \$100 million threshold. Adopting the amendment defeats the intent.

**Testimony Against:** None.

**Testified:** Representative Kenney, prime sponsor (pro); Suzanne Dale Estey, King County (concerns); Jackie Der, Harborview Medical Center (concerns); Basil Badley, AIA (pro); Bill Stauffache, Independent Insurance Agents & Bidders (concerns); Jim Boldt, Port of Tacoma (pro striker); Terry Finn, Port of Seattle (pro striker).