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**Financial Institutions &  
Insurance Committee**

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**SSB 6022**

**Brief Description:** Changing provisions relating to surety bonds or insurance for public building or construction contracts.

**Sponsors:** Senate Committee on Financial Institutions, Housing & Consumer Protection (originally sponsored by Senator Prentice).

**Brief Summary of Substitute Bill**

- Defines "public construction project" as projects with a common owner and phases, segments or component parts relating to a common geographic site or public transportation system. "Public construction project" does not mean the aggregation of unrelated construction projects.
- Exempts specified public entities from the general prohibition on the use of "wrap-up" insurance when the actual or estimated aggregate value of a public construction project exclusive of insurance and surety costs exceeds \$200 million.
- Repeals a related law.

**Hearing Date:** 3/31/05

**Staff:** Jon Hedegard (786-7127).

**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.

A type of risk pooling known as a "wrap-up" insurance policy is routinely used on large private construction projects. A wrap-up insurance policy generally involves one large, comprehensive policy that covers the owner and all the companies involved in a construction project. This can reduce costs and simplify project management.

In 2003, a law was passed authorizing the use of wrap-up insurance policies for certain public construction projects:

- public nonprofit corporation for the state convention and trade center;
- projects in excess of \$100 million for port districts formed under 53.04 RCW;
- projects for a regional transit authority authorized under RCW 81.112.030; and
- public hospital projects in excess of \$100 million for counties with a population over one million.

On December 31, 2006, existing RCW 48.30.270 will expire and a new RCW 48.30.270 will become effective. The effect of the change will be to remove the provision exempting certain port projects. A related law, RCW 53.08.145, affecting ports and insurance will also expire on December 31, 2006.

**Summary of Bill:**

The bill defines "public construction project" as a project that has a public owner and has phases, segments or component parts relating to a common geographic site or public transportation system. "Public construction project" does not include the aggregation of unrelated construction projects.

Public construction project projects are exempt from the general prohibition on the use of "wrap-up" insurance when the actual or estimated aggregate value of a public construction project exclusive of insurance and surety costs, exceeds \$200 million.

Existing enumerated exemptions are removed.

Repeals a section related to insurance and ports due and that section's uncodified expiration section.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.