

FINAL BILL REPORT

SSB 6022

C 352 L 05

Synopsis as Enacted

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).

Senate Committee on Financial Institutions, Housing & Consumer Protection
House Committee on Financial Institutions & Insurance

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 certain port districts;
- projects for a certain regional transit authorities; and
- public hospital projects in excess of \$100 million that are for counties with a population over one million persons.

Summary: All public construction projects may use wrap-up insurance, provided that the project has a public owner and that the actual or estimated aggregate value of the project will exceed \$200 million, not including insurance and bond costs. For purposes of determining whether the \$200 million threshold is met, the costs of unrelated projects cannot be added together.

Surety bonds are excluded from wrap-up insurance for public construction projects.

Votes on Final Passage:

Senate	48	0	
House	95	1	(House amended)
Senate	38	0	(Senate concurred)

Effective: July 24, 2005