

SENATE BILL REPORT

SSB 6022

As Passed Senate, March 14, 2005

Title: An act relating to surety bonds or insurance for public building or construction contracts.

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 History:

Committee Activity: Financial Institutions, Housing & Consumer Protection: 2/22/05, 3/1/05[DPS].

Passed Senate: 3/14/05, 48-0.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & CONSUMER PROTECTION

Majority Report: That Substitute Senate Bill No. 6022 be substituted therefor, and the substitute bill do pass.

Signed by Senators Fairley, Chair; Berkey, Vice Chair; Benton, Ranking Minority Member; Benson, Brandland, Delvin, Franklin, Keiser, Prentice, Schmidt and Spanel.

Staff: Jennifer Arnold (786-7471)

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 of Bill: 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.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

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

Testimony For: Wrap-up insurance is beneficial in many ways to large projects: it ensures coverage is uniform and adequate; simplifies insurance management; reduces costs, and removes insurance as a barrier to smaller contractors.

Testimony Against: None.

Other: General wrap-up insurance authority should be in the statutes, with a restriction on the pooling of unrelated projects. There needs to be a higher dollar threshold to reflect current prices and all counties that meet that threshold should be eligible.

Who Testified: PRO: Jennifer Hills, King County; Terry Finn, Port of Seattle. OTHER: Bill Stauffacher, Independent Insurance Agents and Brokers.

House Amendment(s): The amendment excludes surety bonds from wrap-up insurance for public construction projects.

Passed House: 95-1.