

HOUSE BILL REPORT

HB 1747

As Reported by House Committee On:
Transportation

Title: An act relating to the acquisition of insurance for regional transit authority projects over one hundred million dollars.

Brief Description: Removing the deadline for regional transit authorities to acquire insurance by bid or by negotiation on certain projects.

Sponsors: Representatives Simpson and Rodne.

Brief History:

Committee Activity:

Transportation: 2/5/07, 2/12/07 [DP].

Brief Summary of Bill

- Allows regional transit authorities to continue to obtain owner-controlled insurance for construction projects that cost over \$100 million by repealing the expiration date on their authority to obtain such insurance.

HOUSE COMMITTEE ON TRANSPORTATION

Majority Report: Do pass. Signed by 25 members: Representatives Clibborn, Chair; Flannigan, Vice Chair; Jarrett, Ranking Minority Member; Schindler, Assistant Ranking Minority Member; Appleton, Armstrong, Campbell, Curtis, Dickerson, Eddy, Ericksen, Hailey, Hankins, Kristiansen, Lovick, Rodne, Rolfes, Sells, Simpson, Springer, B. Sullivan, Takko, Upthegrove, Wallace and Wood.

Staff: Kathryn Leathers (786-7114).

Background:

Regional transit authorities (RTAs) may obtain insurance consistent with the risks, hazards, and liabilities of their projects. An RTA may also purchase insurance for the benefit of its board members, authority officers, and employees, to insure against liability for omissions or acts that are performed in good faith and as part of their official duties.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

For construction projects that cost over \$100 million, RTAs were authorized to obtain owner-controlled insurance policies through the Owner Controlled Insurance Program (OCIP) until December 31, 2006. An OCIP policy permits a project owner to obtain a single insurance policy for all of its subcontractors, instead of each subcontractor purchasing separate policies.

Summary of Bill:

Regional transit authorities (RTAs) are permitted to continue obtaining owner-controlled insurance for construction projects that cost over \$100 million. The expiration date of December 31, 2006, on an RTA's authority to obtain such insurance is removed and no new expiration date is imposed.

Appropriation: None.

Fiscal Note: Not requested.

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

Staff Summary of Public Testimony:

(In support) "Wrap up" insurance has a lot of benefits when applied to very large public projects. It provides uniform coverage through sound insurers to all the subcontractors and contractors in a policy controlled by the owner of the project. It allows small and disadvantaged contractors to have equal footing with large contractors because they can access the same exact insurance. With such insurance, project safety management is uniform across the project, and the integrated loss control and claims experience keeps ultimate costs down, which results in significant cost saving to the public. The Legislature has already said this is a good idea, and this bill simply removes the sunset provision.

In 2000, RTAs were given the authority to obtain this type of insurance. A sunset provision was included in the law because, at that time, members of the insurance industry had some concerns about it.

There was a time that independent insurance agents and brokers opposed this authority. However, in 2005, with the help of the Legislature, the right balance was found in another section of law. Sound Transit has been very transparent in how they conduct their bidding and other related activities, and has been a terrific partner with its insurers. Independent insurance agents and brokers support this bill.

(Opposed) None.

Persons Testifying: Representative Simpson, prime sponsor; Ron Main, Sound Transit; and Bill Stauffacher, Independent Insurance Agents and Brokers of Washington.

Persons Signed In To Testify But Not Testifying: None.