

**SENATE BILL REPORT**

**EHB 2231**

**AS OF JUNE 27, 1991**

**Brief Description:** Requiring a surety bond from fire protection sprinkler system contractors.

**SPONSORS:** Representatives Zellinsky, Broback, Schmidt, Dellwo, Sheldon, R. Meyers, Scott, Paris, Winsley and Kremen.

**Staff:** Dave Cheal (786-7576)

**BACKGROUND:**

In 1990, Washington enacted a law requiring the licensure of fire protection sprinkler system contractors (Chapter 18.160 RCW). The bill required that each contractor file a surety bond "conditioned to compensate third-party losses caused by the acts of the principal" or principal's employee. The bill took effect on May 1, 1991. However, contractors have been unable to obtain the surety bond on the market due to the broad coverage required by the law. Therefore, fire protection sprinkler system contractors are unable to obtain the necessary license unless they post cash or other security in lieu of the bond.

**SUMMARY:**

The surety bond requirement in the fire protection sprinkler system contractor licensing bill is repealed and replaced. A contractor licensed under this chapter is required to file a surety bond of \$10,000 or \$6,000 depending upon the size of the buildings that the contractor services. The bond is conditioned to pay in the event of a breach of contract. In lieu of the surety bond, a contractor may post cash or other security.

A purchaser who has a claim against a licensee for breach of contract may bring suit on the bond in superior court within one year of the expiration of the license in effect at the time of the alleged breach.

The bond is to be considered one continuous obligation, regardless of the number of years the bond is in effect and regardless of the year in which any claim accrued. The surety is not liable on the bond for tortious acts.

The surety may make payment without awaiting court action against it.

A condition precedent to the surety being liable to any claimant is a final judgment against the licensee for breach of contract, unless the surety desires to make payment without awaiting court action. If there are multiple claimants, the

surety may bring an action for interpleader against all claimants.

**Appropriation:** none

**Revenue:** none

**Fiscal Note:** none requested

**Effective Date:** The bill contains an emergency clause and takes effect immediately.