

# SENATE BILL REPORT

## SB 5283

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As Reported By Senate Committee On:  
Transportation, February 8, 2007

**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:** Senators Weinstein, Jacobsen and Kline.

**Brief History:**

**Committee Activity:** Transportation: 2/06/07, 2/08/07 [DP].

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### SENATE COMMITTEE ON TRANSPORTATION

**Majority Report:** Do pass.

Signed by Senators Haugen, Chair; Marr, Vice Chair; Swecker, Ranking Minority Member; Benton, Berkey, Clements, Delvin, Eide, Holmquist, Kastama, Kauffman, Kilmer, Sheldon and Spanel.

**Staff:** Martha Hankins (786-7429)

**Background:** The Legislature authorized King, Pierce, and Snohomish counties to create a regional transit authority in order to plan, build, and operate a high capacity transit system in the most congested portions of these counties. The Central Puget Sound Regional Transit Authority, popularly known as "Sound Transit," operates express buses, the Sounder commuter rail, and Link light rail.

Phase two of the Sound Transit plan (ST 2) for the region includes construction resulting in 40 miles of light rail extensions intended to increase the number of daily regional transit riders to more than 350,000 people by the year 2030.

When building large projects, construction contractors in Washington are required to obtain insurance to cover their portions of the project. Very large projects can obtain insurance coverage using an owner controlled insurance program (OCIP), sometimes called "wrap-up" insurance. OCIPs enable public agencies to purchase a single insurance policy; instead of each contractor, subcontractor and engineering firm purchasing separate insurance, the owner buys a policy that covers all engineering and construction work. The owner negotiates a lower rate and passes the savings on to contractors.

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*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.*

Under current law, this type of insurance coverage is available for public construction projects with costs exceeding \$200 million. Sound Transit's ability to purchase OCIP insurance for projects exceeding \$100 million expired on December 31, 2006.

**Summary of Bill:** This bill removes the expiration date on Sound Transit's ability to extend OCIP insurance to projects with total costs exceeding \$100 million.

**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.

**Staff Summary of Public Testimony:** PRO: For large projects, contractors in Washington can obtain insurance using the owner-controlled insurance program, also called "wrap-up" insurance. This lets the owner negotiate a lower rate. The ability to acquire "wrap-up" insurance policies resulted in a 2 percent cost savings.

**Persons Testifying:** PRO: Senator Weinstein, prime sponsor; Ron Main, Sound Transit; Bill Stauffacher, Independent Insurance Agents and Brokers.