

SENATE BILL REPORT

SB 6724

As Reported By Senate Committee On:
Financial Institutions & Insurance, February 06, 2008

Title: An act relating to condominium liability insurance.

Brief Description: Creating a condominium liability insurance task force.

Sponsors: Senators Kilmer, Kastama, Kauffman, Roach and Delvin.

Brief History:

Committee Activity: Financial Institutions & Insurance: 1/29/08, 2/6/08 [DPS].

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: That Substitute Senate Bill No. 6724 be substituted therefor, and the substitute bill do pass.

Signed by Senators Berkey, Chair; Hobbs, Vice Chair; Benton, Ranking Minority Member; Franklin, Prentice and Schoesler.

Staff: Diane Smith (786-7410)

Background: The cost of liability construction insurance for condominiums is seen by some to contribute to the lack of availability of housing that Washington's workforce can afford. The financial burden of the cost of this insurance falls on both for-profit and nonprofit affordable housing builders and developers, as well as the condominium purchaser.

Summary of Bill (Recommended Substitute): A 13-member task force is created to review condominium construction liability insurance products to help determine how these products can be more competitively priced. The Office of Insurance Commissioner (OIC) convenes the task force and its first meeting. The membership of the task force includes two legislators and 11 additional members representing the interests of housing developers; lenders; the insurance industry; builders' and contractors' associations; and low-income housing. The task force has co-chairs, elected by its membership.

The OIC invites submission of the claims data of authorized and, with the voluntary assistance of the surplus line association of Washington, unauthorized insurers who offer construction liability condominium insurance.

The task force determines the scope, extent, and format of the data to be requested.

The task force's findings and recommendations must be reported to the Legislature by December 1, 2008.

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.

The authorization for the task force expires on July 1, 2010.

EFFECT OF CHANGES MADE BY FINANCIAL INSTITUTIONS & INSURANCE COMMITTEE (Recommended Substitute): In the substitute bill, the provision of claims data to support the work of the task force, by both authorized and unauthorized insurers, is voluntary. The scope, extent, and format of that data is decided by the task force.

The original bill did not include a representative of the OIC or a representative of a condominium owners' association as members of the task force. It directed the OIC to require one insurer to report Washington State claims data for condominium construction liability claims.

The original bill required one insurer to make an electronic report to the OIC of claims data for the years 1996 through 2007.

The original bill also provided authority to the OIC to impose a fine of up to \$250 per day on most types of insurers for violation of these requirements.

Appropriation: None.

Fiscal Note: Requested on January 24, 2008.

Committee/Commission/Task Force Created: Yes.

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

Staff Summary of Public Testimony on Original Bill: PRO: Insurers who formerly offered condominium construction liability insurance left the market recently. This bill will provide data to support a return of these insurers and consequent competition in rates. Currently, the cost of this insurance is very expensive even for builders with no history of claims. The composition of the task force is balanced and appropriate. Efforts were made last interim to address this problem and return to a healthy marketplace for liability insurance. When the market for the condos is low-income workers, the insurance cost is difficult to pass on in the price of the housing. Key to enticing more entrants into this competitive market is a predictable risk environment.

OTHER: While largely good legislation, this bill has language that will not capture the data that will reflect the true claims experience in Washington. This is because most insurance carriers offering condominium construction liability insurance are surplus lines. As such, they are beyond the regulatory purview of the OIC. More effective language would be a data call that is collegial and requests, rather than demands, this data.

Persons Testifying: PRO: Senator Derek Kilmer, prime sponsor; Eric Pravitz, Homesight; Amy Brackenbury, Building Industry Association of WA.

OTHER: Mel Sorensen, Property Casualty Insurers Association.