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SENATE BILL 6724

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State of Washington                      60th Legislature                      2008 Regular Session

By Senators Kilmer, Kastama, Kauffman, Roach, and Delvin

Read first time 01/22/08.                      Referred to Committee on Consumer Protection & Housing.

1            AN ACT Relating to condominium liability insurance; creating new  
2 sections; and providing an expiration date.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4            NEW SECTION.    **Sec. 1.** The legislature finds that creating  
5 affordable housing to address the needs of Washington's workforce is a  
6 top priority, and that creating such housing not only benefits working  
7 families, but society as a whole. However, there are many barriers in  
8 creating such affordable housing and it is in the best interest of the  
9 state to determine what those barriers are and how they can be  
10 alleviated. Of particular concern in developing workforce housing is  
11 the cost of condominium liability insurance. Despite the fact that  
12 construction materials have improved and that defect claims reportedly  
13 have decreased in number, the price of condominium liability insurance  
14 has not dropped, creating a huge financial burden for affordable  
15 housing developers and nonprofit affordable housing developers in  
16 particular. Therefore, the legislature declares it to be in the public  
17 interest to convene a task force to review condominium insurance  
18 liability products to help determine how these products can be more

1 competitively priced, allowing more affordable housing units to be  
2 developed throughout the state.

3 NEW SECTION. **Sec. 2.** (1)(a) A legislative task force on  
4 condominium liability insurance is established, with eleven members as  
5 provided in this subsection. The office of the insurance commissioner  
6 shall convene the task force with the following members:

7 (i) The majority leader of the senate shall appoint one member from  
8 the senate.

9 (ii) The speaker of the house of representatives shall appoint one  
10 member from the house of representatives.

11 (iii) The majority leader of the senate and the speaker of the  
12 house of representatives shall jointly appoint nine nonlegislative  
13 members of the task force, which shall include one member each from the  
14 master builders association, the building industry association of  
15 Washington, the association of general contractors, the Washington low  
16 income housing alliance, a nonprofit housing developer, a for-profit  
17 housing developer, and a lender, and two members representing the  
18 interests of the insurance industry.

19 (b) The task force shall elect its cochairs from among its  
20 membership. The office of the insurance commissioner shall convene the  
21 initial meeting of the task force.

22 (2) The task force shall study condominium liability insurance  
23 including, but not limited to, the following:

24 (a) The type and number of construction defect claims that are  
25 filed against condominium developers, including contractors and their  
26 subcontractors;

27 (b) The difference, if any, in the claim experience between for-  
28 profit and nonprofit developers;

29 (c) The number and type of entities that are providing construction  
30 liability insurance to condominium developers in the Washington market;

31 (d) The type of insurance packages that are available in the market  
32 for new condominium construction projects;

33 (e) How to increase the number of entities offering construction  
34 liability insurance for condominium developers with a goal of making  
35 insurance rates more affordable through increased competition;

36 (f) Compare Washington's market to other states in terms of number

1 of entities offering construction liability insurance for condominium  
2 developers and the availability and affordability of such coverage.

3 (3) To support the work of the task force, the office of the  
4 insurance commissioner shall require an insuring entity, as defined in  
5 RCW 48.140.010, to report Washington state claims data for condominium  
6 construction liability claims.

7 (a) Ninety days after the effective date of this act, an insuring  
8 entity shall electronically report claims data to the insurance  
9 commissioner in a format determined by the commissioner for the years  
10 1996 through 2007. This report must include the following information:

11 (i) Project size of the risk insured, according to number of units  
12 developed;

13 (ii) Cause of loss;

14 (iii) Total amount paid for the claim or claims, including defense  
15 costs;

16 (iv) Type of contractor or developer;

17 (v) For-profit or nonprofit status, if known; and

18 (vi) Any other claims data the commissioner may reasonably require.

19 (b) The commissioner may impose a fine of up to two hundred fifty  
20 dollars per day against any insuring entity, except a risk retention  
21 group, that violates the requirements of this section.

22 (4) Legislative members of the task force must be reimbursed for  
23 travel expenses in accordance with RCW 44.04.120.

24 (5) The task force shall report its findings and recommendations,  
25 including recommendations on any proposed legislation, to the  
26 legislature by December 1, 2009.

27 (6) This section expires July 1, 2010.

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