

Phase II Proposal #4 Voluntary Loss Control Discounts Proposal**December 8, 2006**

At the September 19, 2006 meeting the Construction Claims Task Force moved to have staff outline suggestions for a draft bulletin concerning voluntary loss control discounts. Proposed language for the bulletin appears below.

Policy Statement: Since construction defect liability claims often emerge and settle several years after project completion, there can be a significant time lag between the adoption of best practices or other efforts expected to reduce claims and the loss data showing the effect of the efforts. The purpose of this bulletin is to encourage insurers to implement voluntary loss control discounts in their rating plans for contractors who adopt the recommendations of the Task Force rather than have insurers wait for the claim experience to reflect the loss reduction measures.

Insurance Division Bulletin INS 2007-xx

To: All Insurers

Re: Loss Control discounts for construction contractors.

The Oregon Construction Claims Task Force, which was convened by the 2005 Oregon State Legislature. Several best practices have been identified such as the use of high quality building materials, artisan training, installer education and in-construction inspection programs. *[Drafting note: list will be finalized after CCTF report of final recommendations is complete].*

For rating purposes these recommendations are considered new practices, and the Insurance Division recognizes historical loss experience may not be predictive of future claims for these contractors. Since these changes are expected to lower contractor liability claims, the Oregon Insurance Division encourages insurers to offer voluntary loss control discounts for these best practices. Any insurer who offers discounts for contractors adopting, some or all, of the best practices recommendations of the Oregon Construction Claims Task Force will not be required to include statistical support for these discounts in their filings with the Department of Business and Consumers under ORS 737.205 and ORS 737.310.

Insurers are expected to collect and maintain data as required under ORS 737.230 to support and update their filed discounts when this bulletin expires or is withdrawn.