

Summary of the Request for Proposal for the HB 2078 insurance reform study

- ✍ Subsection 4 of HB 2078 requires the Director of the Department of Business and Consumer Services to provide a qualified expert to study options regarding actuarially sound insurance reforms, alternatives and pricing, including loss control discounts or the designation of a single private insurer to provide the construction contractor insurance required under ORS 701.105.

Proposed Scope of Work for RFP

Alternative Coverage Mechanisms

The bill requires a single private insurer option be studied. The RFP would give bidders the option to propose studying additional alternatives such as:

- ✍ self-insurance
- ~~✍ a public corporation similar to the fund providing workers' compensation~~ **Included in error**
- ✍ assigned risk pools
- ✍ contractor pools and associations
- ✍ claim fund for consumers to remedy construction defects
- ✍ a loan fund for contractors to borrow against to correct construction defects
- ✍ voluntary or mandatory warranties
- ✍ Other Options

Pricing Options

The bill requires pricing options and loss control discounts be studied. The RFP would give bidders the option to propose studying additional alternatives. These include:

- ✍ experience rating for small risks
- ✍ discounts for training and continuing education
- ✍ contractor expertise
- ✍ use of best practices
- ✍ compliance with performance requirements
- ✍ compliance with building codes
- ✍ Other Options

Timeline

Given the scope of work and short timeframe for the task force to complete its work, the following timeline is recommended:

- ✍ Issue Insurance Study RFP - October 2005
- ✍ Award contract - December 2005.
- ✍ Submit draft report - May 1, 2006
- ✍ Discuss the report at the May 2006 meeting
- ✍ Complete final report - July 2006
- ✍ Follow up with the task force in the fall of 2006

Minimum Qualifications

Conflict of Interest

State law require disclosure of any conflict of interest between the proposer and the:

- ✍ Construction Claims Task Force
- ✍ Insurers writing contractor liability insurance
- ✍ DCBS
- ✍ Construction Contractors Board
- ✍ Department of Energy

SECTION 2 - SCOPE OF WORK

SCOPE OF WORK

The Scope of Work shall be incorporated into the resulting contract.

The Contractor shall study options and make recommendations regarding actuarially sound insurance reforms, alternatives and pricing, including loss control discounts or the designation of a single private insurer to provide construction contractor insurance coverage required under ORS 701.105. Options shall be evaluated against the two broad goals of ensuring the availability and affordability of contractor liability insurance, and of maintaining or increasing consumer protection, including consumer remedies for construction defects.

Alternative Coverage Mechanisms. HB 2078 specifies one alternative to be studied: the designation of a single private insurer to provide the construction contractor insurance coverage required by ORS 701.105. The Contractor may review other options consistent with the overall broad goals. Other options may include self-insurance, assigned risk pools, contractor pools and associations, a claim fund for consumers to access for correcting construction defects, a loan fund for contractors to borrow moneys necessary to repair construction defects, and the use of voluntary or mandatory warranties.

For each option studied, the contractor shall analyze the market impacts, including the impact on other contractor coverages such as property and excess liability, and the extent the option has been implemented in other jurisdictions, the efficacy of the option in those jurisdictions. The interaction of each option with the existing insurance structure and with the other studied options must be reviewed, including the relationship between state and federal laws.

Pricing Options

HB 2078 requires one pricing option to be studied, loss control discounts. The Contractor may review other options consistent with the overall broad goals such as experience rating for small risks, discounts for training and continuing education, contractor expertise, use of best practices, compliance with performance requirements, and compliance with building codes.

Pricing options must be actuarially sound and should consider the up to ten year lag in reporting Oregon construction claims. The structure of the pricing option must be provided, along with a discussion of implementation and monitoring procedures.

Insurance Reforms

The Study shall review the relationship between existing Oregon statutes and regulations and any recommended alternative coverage and pricing options, including any necessary changes to that regulatory system. Relevant insurance statutes and regulations include those governing rate-making, claims handling, unfair trade practices, and licensing.

The Contractor shall attend at least three meetings with the TFCC. Progress reports will be required monthly and a first draft of the final report will be due by May 1, 2006 for review and comment by the TFCC and DCBS. The final report will be due no later than July 31, 2006. Contractor shall attend a follow-up meeting anticipated in the fall of 2006."
