

PRESENTATION BEFORE THE OREGON CONSTRUCTION CLAIMS TASK FORCE

I. Historical background regarding the need for construction warranty

- A. Construction Crisis of the 1970's
 - 1. bad building practices
 - 2. disappearing builders
- B. Congressional proposal for mandatory construction bond
- C. Home Builder Associations propose self policing
- D. Home Owners Warranty program is created.

II. Basics of the RWC warranty program

- A. 1 year, 2 year and 10 year standards
- B. WPMIC and its builder members
- C. Builder Membership in the program is the key concept
 - 1. membership has its advantages
 - 2. good construction “seal of approval”
 - 3. membership also has its responsibilities and consequences
- D. RWC enforces the membership criteria
- E. Warranty pricing depends on the builder

III. RWC role as to homeowners

- A. In Year 1 and 2
 - 1. construction defects and system
 - 2. period of builder responsibility
 - 3. RWC is responsible for default or bankruptcy
- B. In years 3 through 10
 - 1. major structural defects
 - 2. period of RWC responsibility
 - 3. RWC has subrogation rights under membership agreement
 - 4. RWC is in the shoes of the homeowner

IV. RWC role as to builders

- A. RWC as mediator
- B. RWC as surety

V. Interplay with insurance coverage

- A. RWC coverage is excess to other insurance
- B. Fortuitous vs. non-fortuitous risks

C. RWC warranty fills gap created by modern construction insurance interpretation

VI. **Proposal for Oregon – Adopt the New Jersey mandatory warranty model**

- A. New Jersey requires a warranty on every new home
- B. Either in-house state warranty or commercial warranty
- C. Works for homeowners – creates a system
- D. Works for builders – level playing field
- E. Acceptable for RWC – added market but added regulation