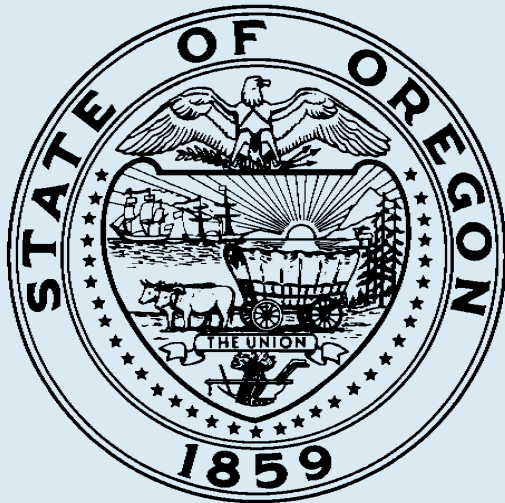


Construction Claims Task Force



January 2007



**CONSTRUCTION
CONTRACTORS
BOARD**



Executive Summary

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Executive Summary

Background

The 73rd Oregon Legislature created the Construction Claims Task Force to address increasing construction claims and rising contractor liability insurance premiums. The task force was directed to study and evaluate the causes and extent of construction defects in Oregon, the need for consumer protection, and the availability and affordability of liability insurance for contractors. The task force was also directed to provide a report of its findings, including recommendations for legislation, to the 74th Oregon Legislature.

This executive summary provides an overview of the work of the task force and the task force's recommendations to the legislature. The full task force report contains supporting commentary and data for each task force recommendation.

Methodology

The 11 task force recommendations were chosen based on analysis and discussion of more than 80 specific recommendations for reducing construction defects and improving insurance affordability and availability.

The 80 recommendations were received from testimony of invited experts in the construction and insurance fields and from public comment. The task force considered submissions of research and commentary from experts, interested parties, and the public. These submissions were posted to the task force Web site. Over the 18 months that the task force met, more than 400 submissions were posted.

The most promising suggestions were refined through research, analysis, and discussion into the 11 task force recommendations.

Phase I Construction-related Recommendations:

1. **Building Code Requirements:** Preventative measures for dealing with moisture intrusion could curb construction defects. The task force recommends changes to the state building code that will help prevent moisture from entering a building, and changes that will remove moisture from a building. The task force report includes five specific recommendations related to building code improvements.
2. **Construction Contractors Board (CCB) Enforcement and Licensing Changes:** Stronger enforcement tools and more knowledge of a license applicant's history may help improve the overall quality of contractors. The task force recommends granting CCB — which is the primary licensing agency for construction contractors — additional enforcement authority to address the problem of defective construction. The task force report includes six specific recommendations related to CCB enforcement authority.

- Limited Consumer Assistance Fund:** In the event that a residential structure contains a defect and an owner is unable to recover some measure of relief from the contractor's assets, the task force recommends that a fund should be at the disposal of the Construction Contractors' Board to provide limited relief for homeowners. The task force report includes specific recommendations related to a limited consumer assistance fund.
- Consumer Information:** The task force recommends giving consumers information on how to proceed early in the construction process and directing consumers to appropriate resources, which may help prevent or alleviate claims. The task force report includes five specific recommendations related to improved consumer information.
- Residential Permits:** The task force recommends improving the permitting process by clarifying who is the responsible party for work being done under the permit and providing appropriate licensing and certification information to a local building department. The task force report includes four specific recommendations related to improving the permitting process.
- Building Envelope Training and Competency:** In order to raise the quality of construction, the task force recommends implementing competency training for people directing work as well as those working on a construction site. The task force report includes specific recommendations related to establishment of building envelope certification, training, and competency standards.

Phase II Insurance-related Recommendations:

- First-Party Warranty:** The task force found that a construction warranty can provide clarification for the consumer regarding the specific components of a structure that a contractor must guarantee. The task force recommends the establishment of a two-year first-party warranty and a 10-year structural defect warranty. The task force report includes three specific recommendations related to a first-party warranty.
- General Liability Coverage:** The task force recommends that general liability insurance obtained by contractors be required to include completed operations liability. This would extend coverage for liability that arises after the job is complete. The task force report includes four specific recommendations related to general liability coverage.
- Contractor Group Liability:** The task force found that contractors engaged in certain types of construction projects such as condominiums, multifamily units, and tract homes encountered difficulty obtaining insurance coverage. To better ensure that contractors have access to general liability coverage, the task force recommends streamlining the rate filing requirements for contractor group liability policies. The task force report includes one specific recommendation related to contractor group liability coverage.

- 4. Voluntary Loss Control Discounts:** Current law requires that insurers provide statistical or cost accounting support for insurance rate discounts. The task force recommends encouraging insurers to implement voluntary loss control discounts in their rating plans for contractors who adopt task force recommendations and other best practices. Since statistical data for contractor best practices may not be available for several years, the task force recommends that the preliminary statistical report requirement for contractor general liability rate filings be suspended for best practice discounts. The task force report includes one specific recommendation related to voluntary loss control discounts.
- 5. Data Reporting Requirements:** The task force recommends developing a list of insurance data items for construction claims that insurers will report to the Oregon Insurance Division. This data will be used to review and monitor the effectiveness of task force recommendations. The task force report includes four specific recommendations related to data reporting.

Conclusion

While the task force recognized that each of the recommendations, if implemented, would result in progress, the task force agreed that the problem required a comprehensive approach. Therefore, each one of the 11 recommendations is presented as a component of a comprehensive system designed to improve the construction environment in Oregon.

The full report, including background information and analysis, is available on the Web at: <http://egov.oregon.gov/DCBS/CCTF/>. Click on [Final Legislative Report](#).