



HALLMARK GENERAL AGENCY

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The following are items that I believe can relieve the construction insurance marketplace as well as help the good builders lower their premium.

1: Companies doing business in the contractor industry need to reward good operations with lower rates. I do not believe that should be legislated but voluntary. Legislating rates or rating would do nothing but drive those of us out of the market that are working hard to do the right thing and keep new carriers from entering the marketplace. In the same token good work deserves good rates.

2: I believe that in the final closing transaction the buyer be given a list of items that need to be checked for maintenance and the proper schedule to do so similar if you would to what you are given with a new car. It may well only be one sheet but should be signed by both the contractor and the buyer with each getting a copy. It should lay out when the builder needs to be notified especially in the first year. Many buyers have the misguided idea that they have purchased a new home and that means they only have to trim the shrubs and mow the lawn for years to come. I know some or all of this proposal has been discussed it could well be one of the best ways to lower claims. Many of the claims we see in the late part of the period of repose are pure and simple a lack of proper maintenance.

3: If a properly priced warranty policy was made available to all builders there would be no doubt that companies would look more favorable on the builder who takes advantage of it. One of the larger problems is the failure of equipment. A warranty policy would step in and replace the faulty item then subrogate against the at fault party. Normally under the rules of product liability the problem is the manufacturer and not the installer as long as the installation has been done according to manufacturer instructions. The homeowner should not have to wait for the problem to be worked out. A quick fix, a happy buyer! A warranty policy would also keep the liability carrier out of any potential claim. It cost companies a lot of money to set up and investigate claims. If a company can count on reduced first notices they are more liable to enter the market. Another good practice would be to add into the cost of the home a maintenance contract such as is available in new cars.

I would like to applaud the task force on two of the proposals especially, that have already been approved for drafting. The first is to give the Construction Board the necessary power to revoke and /or suspend contractor's licenses that have shown an inability or lack of willingness to do the kind of job the consumer deserves. We had a huge influx of contractors at the height of the building boom and also when the LP siding issue came up. Many did not have the necessary expertise to do a quality job. I



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have worked in an industry for 44 years in which our administrators have had the power to suspend, fine or terminate our license to do business. I believe many industries could be made better with this type of enforcement. In the insurance industry we have those who show an incompetence to do the job correctly. These people are removed because the commissioner's office has that power. Why not give the builders board the same power to protect the consumer. At the same time companies would see a field where profits can be made because of an aggressive enforcement.

I also liked the idea of training prior to licensing and continuing education to maintain a license. I would like to see that on all levels of contractor licenses. Education keeps us sharp and up to date on the hows and whys of what we are doing and the best ways to do the job. I seldom go to an insurance education program that I do not pick up something new and valuable. I believe builders and their sub-contractors would see the same thing.

Hallmark General Agency has never pulled out of the market place in Oregon, especially in the Artisan or subcontractors. We have over 5,000 contractors insured in the state and have done this while remaining profitable and giving the consumer a fair price. We have used a partnership of professional technically sound agents, conscientious contractors who want to do a good job and well trained underwriters who understand the industry to accomplish this. Other carriers have the same formula! They just need to see positive changes in the industry to draw them in.

One other item that bothers many in the industry is how do you actuarially figure costs for a liability policy that has a 10 year tail. We know this is not going to change; however a lot of claims we see coming in the latter half of the period of repose are clear and simple maintenance as I said earlier. This is one reason I mentioned a maintenance contract in one of my recommendations.

The answer is for every one involved to look for good sound solutions and not try to lay the blame on every one else. There is enough blame to go around.