

REVENUE: No revenue impact

FISCAL: No fiscal impact

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| Action: | Do Pass the A-Engrossed Measure |
| Vote: | 4 - 0 - 1 |
| Yeas: | Deckert, Monnes Anderson, Starr, Metsger |
| Nays: | 0 |
| Exc.: | George L. |
| Prepared By: | Janet Adkins, Administrator |
| Meeting Dates: | 5/2 |

WHAT THE MEASURE DOES: Permits insurer to issue liability insurance at preferred rates or premiums to construction contractors without violating prohibition against fictitious groupings.

ISSUES DISCUSSED:

- Fictitious grouping laws and their purpose in the insurance code
- Impact of legislation on insurance costs and availability of construction contractors
- Work of the Construction Claims Task Force on insurance and contractor issues

EFFECT OF COMMITTEE AMENDMENT: No amendment.

BACKGROUND: Under current law, liability insurers may not be able to issue group liability insurance for large construction projects at preferred rates because of fictitious groupings law. Fictitious groupings are artificial groupings of persons that may unjustifiably result in providing benefits to persons who fall inside of a particular fictitious group. Fictitious groupings laws are intended to protect consumers against discrimination in insurance on the basis of race, economic status, and other areas of potential discrimination. Because of these laws, most group general liability insurance is written by surplus lines insurers who are not subject to the fictitious grouping law. By providing an exception to the fictitious grouping law, House Bill 2751-A allows all authorized insurance carriers to issue such group policies. This is expected to reduce insurance costs by increasing competition and to provide additional consumer protection because individual liability policies often contain exclusions for work on tract housing, condominiums, and multi-family units. The measure also streamlines the Insurance Division's rate filing requirements for construction contractor general liability coverage.

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This summary has not been adopted or officially endorsed by action of the committee.