

House Bill 2112

Ordered printed by the Speaker pursuant to House Rule 12.00A (5). Pre-session filed (at the request of Governor Theodore R. Kulongoski for Construction Contractors Board)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Requires construction contractor whose mandatory insurance or alternative form of security ceases to be in effect during term of license to provide board with evidence that suitable replacement insurance or alternative form of security is in effect.

Requires that insurer or designee canceling construction contractor insurance give Construction Contractors Board at least 30 days' notice before effective date of cancellation. Extends coverage of policy that is canceled without adequate notice until 30 days after board receives notice.

A BILL FOR AN ACT

1
2 Relating to construction contractors; creating new provisions; and amending ORS 701.105.

3 **Be It Enacted by the People of the State of Oregon:**

4 **SECTION 1.** ORS 701.105 is amended to read:

5 701.105. (1) Except as provided in subsection (2) of this section, a contractor who possesses a
6 license as required under this chapter shall have in effect public liability, personal injury and
7 property damage insurance covering the work of the contractor that is subject to this chapter, for
8 an amount not less than:

9 (a) \$500,000 for a general contractor or licensed developer.

10 (b) \$300,000 for a residential-only specialty contractor.

11 (c) \$500,000 for all other specialty contractors.

12 (d) \$100,000 for a limited contractor.

13 (e) \$300,000 for an inspector.

14 (2) The Construction Contractors Board by rule, in consultation with the Department of Con-
15 sumer and Business Services, may allow a general or specialty contractor that is a residential-only
16 contractor to provide an alternative form of security approved by the board instead of procuring a
17 public liability, personal injury and property damage insurance policy. The board may approve an
18 alternative form of security if the board determines that the alternative form of security provides
19 protection to the public equivalent to the protection provided by an insurance policy in the amounts
20 otherwise applicable to the residential-only contractor under subsection (1) of this section. A
21 board-approved alternative form of security may consist of a combination of financial resources.

22 (3) A residential-only contractor who provides a board-approved alternative form of security
23 under subsection (2) of this section is considered for purposes of this chapter to have obtained in-
24 surance described in subsection (1) of this section. This subsection does not subject to regulation
25 as an insurer a person who issues all or part of an alternative form of security, unless the alterna-
26 tive form of security otherwise qualifies as an insurance product.

27 (4) The contractor shall provide satisfactory evidence to the board at the time of licensure and
28 renewal that the insurance policy or board-approved alternative form of security required by this

NOTE: Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.

1 section has been procured and is in effect. **If an insurance policy or alternative form of security**
 2 **ceases to be in effect during the term of a license, no later than the date the policy or form**
 3 **of security ceases to be in effect the contractor shall provide evidence satisfactory to the**
 4 **board that an insurance policy or alternative form of security meeting the requirements of**
 5 **this section has been procured in replacement of the canceled policy or form of security and**
 6 **is in effect.**

7 (5) **An insurer, or a designee of an insurer, may not cancel an insurance policy described**
 8 **in this section unless the insurer or designee gives the board notice of the cancellation at**
 9 **least 30 days before the effective date of the cancellation. Notwithstanding the effective date**
 10 **stated in the notice, if the board receives a notice of insurance policy cancellation less than**
 11 **30 days before the effective date stated in the notice, the insurance policy shall remain in**
 12 **effect until the end of the 30th day after the board receives the cancellation notice.**

13 **SECTION 2.** ORS 701.105, as amended by section 2, chapter 766, Oregon Laws 2003, is amended
 14 to read:

15 701.105. (1) A contractor who possesses a license as required under this chapter shall have in
 16 effect public liability, personal injury and property damage insurance covering the work of the
 17 contractor that is subject to this chapter, for an amount not less than:

- 18 (a) \$500,000 for a general contractor or licensed developer.
- 19 (b) \$300,000 for a residential-only specialty contractor.
- 20 (c) \$500,000 for all other specialty contractors.
- 21 (d) \$100,000 for a limited contractor.
- 22 (e) \$300,000 for an inspector.

23 (2) The contractor shall provide satisfactory evidence to the Construction Contractors Board
 24 at the time of licensure and renewal that the insurance required by subsection (1) of this section
 25 has been procured and is in effect. **If an insurance policy ceases to be in effect during the term**
 26 **of a license, no later than the date the policy ceases to be in effect the contractor shall**
 27 **provide evidence satisfactory to the board that an insurance policy meeting the requirements**
 28 **of this section has been procured in replacement of the canceled policy and is in effect.**

29 (3) **An insurer, or a designee of an insurer, may not cancel an insurance policy described**
 30 **in this section unless the insurer or designee gives the board notice of the cancellation at**
 31 **least 30 days before the effective date of the cancellation. Notwithstanding the effective date**
 32 **stated in the notice, if the board receives a notice of insurance policy cancellation less than**
 33 **30 days before the effective date stated in the notice, the insurance policy shall remain in**
 34 **effect until the end of the 30th day after the board receives the cancellation notice.**

35 **SECTION 3.** (1) **The provisions of ORS 701.105 (5) created by section 1 of this 2007 Act**
 36 **apply to cancellations of insurance policies issued, extended or renewed on or after the op-**
 37 **erative date of the amendments to ORS 701.105 by section 1 of this 2007 Act.**

38 (2) **The provisions of ORS 701.105 (3) created by section 2 of this 2007 Act apply to can-**
 39 **cellations of insurance policies issued, extended or renewed on or after the operative date**
 40 **of the amendments to ORS 701.105 by section 2 of this 2007 Act.**