



Oregon

Theodore R. Kulongoski, Governor

Construction Contractors Board

www.ccb.state.or.us

Mailing Address:

PO Box 14140

Salem, OR 97309-5052

Street Address:

700 Summer St NE

Suite 300

503-378-4621

FAX 503-373-2007

TTY 503-373-2218

June 3, 2004

The Honorable Theodore Kulongoski
Governor of Oregon
254 State Capitol
Salem OR 97310

RE: Liability Insurance

Dear Governor Kulongoski:

As members of the Construction Contractors Board (CCB), we have concluded that the problems many contractors have experienced over the last 24 months while attempting to obtain statutorily mandated liability insurance to protect their customers and businesses has reached crisis proportions. We believe it is our duty to bring this matter to your attention. In so doing, we trust you will provide guidance as to how we may work with your office to properly address this critical issue.

Hundreds of contractors have reported that they have been forced to consider one or more of the following actions:

- *Paying insurance premiums that have increased an average of over 160 percent in the last year (in some cases 1,000 percent).*
- *Leaving the state because they cannot meet the statutory insurance mandate (ORS 701.105).*
- *Working without proper insurance, which puts consumers and their businesses at risk.*
- *Working illegally without insurance or a proper Construction Contractors Board license.*
- *Moving their business out of Oregon or terminating their construction activities.*

Overall, the liability insurance problem has spread beyond the construction industry and we now feel that the general public is at risk because:

- *Increased insurance premiums are being passed on to families and businesses that ultimately must absorb these increases—an average of between \$1,000 and \$3,000 per new home.*
- *Insurance exclusions have drastically increased, resulting in significantly less protection for both businesses and consumers.*

- *Some contractors' inability to obtain insurance at any price has prevented them from continuing their otherwise profitable businesses reducing the supply of properly licensed contractors.*
- *This crisis is a significant and real threat to your efforts to grow Oregon's economy.*

The mission of the Construction Contractors Board is:

The Construction Contractors Board protects the public's interest relating to improvements to real property. The Board regulates construction contractors and promotes a competitive business environment through education, contractor licensing, dispute resolution, and law enforcement.

We have concluded that the insurance crisis is harming consumers by unreasonably reducing the number of actively licensed construction contractors and driving up the cost of home construction and improvement.

In an effort to determine the size and scope of this problem, we have surveyed CCB licensees (see enclosure #2). Based in large part on results of our most recent survey, we authorized the enclosed May 5, 2004, Resolution (see enclosure #1).

Because we are concerned about this problem, we have contacted trade organizations, consumer groups and organizations representing private insurance providers. We continue to work collaboratively with Cory Streisinger, Director Department of Consumer and Business Services (DCBS) and her staff to identify issues and find solutions to the problem. The Insurance Division is currently considering a formal Market Assistance Program (MAP). We remain concerned, however, that a MAP alone will not sufficiently address this crisis. We have coordinated and facilitated meetings with representatives of these organizations and interest groups where potential solutions have been examined. To date, however, we have been unable to find an adequate solution and feel that we are reaching the end of our limited resources and authority.

We continue to work with our stakeholders to develop a consensus solution. Support from your office could be the catalyst to achieving this goal.

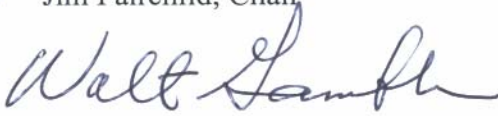
Therefore, we ask that you use your office to assist us in helping Oregonians find a viable solution to this statewide problem. We would like to meet with you and/or your staff to discuss collaborative strategies and actions that will serve to mitigate or eliminate contractors' inability to obtain affordable liability insurance. When we meet, we will have a list of suggestions to address this crisis.

Sincerely,

Construction Contractor Board Members:



Jim Fairchild, Chair



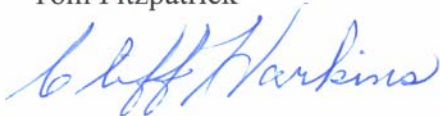
Walt Gamble, Vice-Chair



Chuck Crump



Tom Fitzpatrick



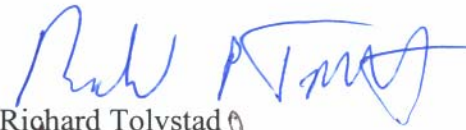
Cliff Harkins



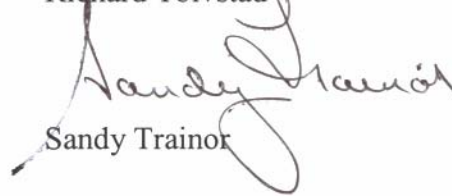
Dennis Schad



Michael Smith



Richard Tolvstad



Sandy Trainor

Enclosures: Insurance Survey
CCB May 5, 2004 Resolution
May 16, 2004 Statesman Journal Article "Insurance at a Premium for Contractors"

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