

## SPONSOR STATEMENT

### CS HB 340 (JUD)am

**“An Act relating to damages in an action for a defect in the design, construction, and remodeling of certain dwellings; and providing for an effective date.”**

CS [HB 340](#)(JUD)am Damages in Construction Claims places a limit on the damages that can be awarded in a construction defect lawsuit to the actual cost of fixing the defect and other closely related costs. This bill does not apply to, limit, or otherwise affect lawsuits alleging personal injury or wrongful death resulting from construction defects.

Beginning in 2001, a disturbing trend among insurance carriers developed that is impacting the housing industry nationwide, but particularly in Alaska. Construction professionals are paying significantly higher insurance premiums for statutorily required general liability insurance. Under [AS 08.18](#), a contractor must file with the State of Alaska satisfactory evidence that the applicant has public liability and property damage insurance covering the applicant’s contracting operations in this state.

Coupled with the rising costs in mandatory insurance, contractors and subcontractors are also facing a decline in policy availability and number of insurance carriers in the state of Alaska. If a construction professional is able to find affordable insurance, often the policy is limited in coverage, and generally excludes coverage for any claims arising out of a construction defect.

The cause of these difficulties is the increase in construction defect litigation. Insurance carriers are passing expenses incurred due to these lawsuits on to construction professionals in the form of increased premiums. Insurance carriers are pulling out of the Alaska residential construction market, thus making it difficult to obtain required liability insurance.

CS HB 340(JUD)am provides a working solution to the cost of general liability insurance and availability of quality insurance providers in Alaska. By establishing a limit on the amount of damages that may be recovered in a construction defect lawsuit, insurance carriers can see that Alaska is working towards establishing a less risky insurance environment. The passage of CS HB 340(JUD)am will create an incentive for national carriers to return to Alaska and provide construction professionals with a break in the cost of mandated insurance.