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TESTIMONY IN FAVOR OF ASSEMBLY BILL NO. 157

Submitted by Steve G. Holloway, Executive Vice President, Associated General Contractors, Las Vegas, Chapter, 150 N. Durango Dr., Suite 100, Las Vegas, NV 89145.

I would like to reiterate that AB 157 does not prohibit consolidated insurance programs. It simply prohibits the combing of a number of smaller construction projects over an indefinite period of time into a consolidated insurance program. It also attempts to exclude residential projects from this prohibition.

I have provided you with four "white papers" that detail the problems with consolidated insurance programs or "wrap-ups" as they are commonly called. These problems are magnified when the consolidated insurance program is a "rolling wrap" covering a number of smaller construction projects over an indefinite period of time. As a result, the federal government and 35 states either prohibit or severely restrict "wrap-ups" for many reasons. For example, the injury rates on wrap-ups are three times the national average for other construction projects.

We are a state that prides itself on legislation encouraging employers to maintain a safe work site. Yet, we allow "wrap-ups" that award the unsafe contractor by taking away the competitive advantage that the safe contractor with resulting lower cost workers' compensation coverage and liability insurance has in the bidding process. We also encourage this contractor not to utilize his safety staff on a project covered by a "wrap-up"

There may be as many as 40 subcontractors constructing a new project. Most of these subcontractors will have their own safety staff. Would you rather see all 40 of these safety staffs represented on the job site or just one? In this state, only one safety representative is required for a construction site if it covered by a "wrap-up."

Is that one safety representative able to cover 10 construction sites covered by a "rolling wrap?"

If 10 new schools are covered by a "rolling wrap," wouldn't you rather see potentially 400 safety representatives covering those 10 construction sites rather than just one?

Large, out-of-state insurance interests will attempt to convince the Clark County School District that one safety representative covering 10 job sites is sufficient if they have not already done so.

These same large, out-of-state insurance interests will also attempt to convince the Clark County School District that a "rolling wrap" will save the taxpayer money if they have not already done so. The four studies provided you, however, state that:

1. Wrap-up programs encourage the award of contracts to unsafe contractors.
2. Wrap-up programs increase accidents and loss of lives on ongoing public works programs.
3. Wrap-up programs increase the cost of construction for ongoing public works programs.

Finally, I would like to point out to you that the incidence of malfeasance in wrap-ups is significant. To cite just two examples, the wrap-ups covering the Metro Transit Project in

California and the Boston Tunnel Project in Massachusetts have both spawned debacles, including investigations by the FBI, United States Justice Department and Congress's General Accounting Office (GAO). An, incidentally, the State of Nevada had to suit the Resort at Summerlin, Inc. for \$1.2 million in unpaid workers' compensation premiums on the wrap-up for that construction project. Nevertheless, Nevada is one of only 15 states that do not now either prohibit or severely limit "rolling wrap-ups."

Thank you.