



Testimony in Opposition to HB 3144

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Chair Representative Pam Marsh and Members of the Committee,

Thank you for the opportunity to testify in strong opposition to HB 3746. My name is Sara Eanni, and I have spent two decades as an insurance agent and risk management specialist for community associations across Oregon and Washington.

While I fully support increasing affordable housing and expanding development, HB 3746 will not accomplish this goal. Instead, it will create significant financial hardships for homeowners by limiting associations' ability to hold developers accountable for construction defects that were not caused by the homeowner. When repairs are necessary, but the association cannot pursue the responsible parties, the cost falls directly on homeowners through massive special assessments. To make matters worse, insurance policies often contain exclusions from construction defects, meaning associations cannot rely on coverage to mitigate these expenses. Often the association is faced with a decision to try and use their insurance policy which now discloses that defect to the insurance carriers.

The insurance market for condominium and homeowner associations is already extremely volatile, with rates increasing due to rising risks and claims activity. Associations that cannot qualify for standard insurance may see premiums spike 100-200% or higher having to move into high-risk (non-admitted) market. Directors and Officers insurance, coverage for the Board of Directors, will also increase as underwriters scrutinize special assessments and the underlying defects that triggered them. I have seen these increases in insurance policies jump over \$150,000 in premium when they were paying only 25,000 to \$30,000 prior before finding out about the defect. They will continue to pay these rates until the defect has been resolved. Owners are forced to not only pay higher premiums but also come up with the money needed for the special assessment to fix the repairs.

Reducing the statute of repose by 40% will not reduce the insurance premium to the developers by a comparable amount. Any potential savings would be minimal and will be outweighed by the increased burden on homeowners. Additionally, shortening the timeframe could destabilize the WRAP insurance market, which relies on long-term



premium investments. If insurers cannot hold reserves long enough for a return, rates will not decrease, especially if litigation frequency and severity remain unchanged. For too long, development has prioritized speed and cost-cutting over long-term quality and durability. The rise in costly litigation and claims has simply caused insurance costs to catch up with the actual risks. If the work was done correctly, there wouldn't be a need for the homeowners to sue developers and builders, which ultimately brings the risk and costs down.

A high-rise in Portland, built in 2016, is currently undergoing a \$30 million construction defect repair—40% of its total insurable value. The defects were discovered in year seven. Under HB 3746, the association would have lost its ability to seek compensation, leaving homeowners to shoulder potentially \$200,000 each in assessments. Some of the defects do not surface or become apparent, even with building envelope inspections because one can't always see what is behind the walls. If more inspections were done throughout the building process to insure the building was built properly, we would be in a very different position. The costs of doing this proactive measure would decrease the risk and start driving down insurance rates. Homeowners also wouldn't have to burden the financial and emotional consequences of faulty workmanship.

Shifting the burden of defects onto homeowners only increases the cost of homeownership, not making it more affordable. Instead of limiting legal recourse the association could have, solutions should focus on incentivizing new construction through tax adjustments, zoning flexibility, and innovative housing models such as those proposed in HB 3145, which emphasizes cost-effective prefabricated and manufactured homes. I am disbelieved that insurance costs are going to be the primary drawback to being able to build more homes. The several cities that are in support of the bill could be doing their own actions to lower the costs and make incentives for builders to increase the unit count and not impose a bill that will severely negatively impact the homeowner.

For these reasons, I urge the committee to oppose HB 3746. Its unintended consequences would financially devastate homeowners living in community associations across the state who must be made our first priority.

Thank you,
Sara Eanni
President at Associs Insurance