Testimony in Opposition to HB 3746
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Thank you for the opportunity to speak to the committee and provide insight into why HB 3746 should be opposed.

My name is Sara Eanni, and I've spent the past two decades as an insurance agent and risk management specialist, serving the best interests of community associations across Oregon and Washington—communities that house millions of individuals and families.

I'm here today to share the insurance perspective on how HB 3746 will ultimately cost individual homeowners more. By reducing the time to discover construction defects and increasing the barriers to seek recourse, this bill reduces liability for developers and builders—without eliminating the actual risk.

It's important to understand that insurance doesn't cover everything. Construction defects are often excluded under community association property policies. When legal recourse against a developer's liability policy is eliminated, the financial burden of repairs shifts directly to homeowners—because no insurance proceeds are available to pay for damage caused by poor construction.

The insurance market for condominium and homeowner associations is already extremely volatile. Rates are rising due to increased risk exposure and a growing number of claims. In many cases, just a few property claims can push an association into the high-risk (non-admitted) market, causing premiums to spike by 100% to 200% or more. Directors & Officers (D&O) coverage—which protects volunteer board members from liability—is also becoming more expensive due to increased litigation. According to insurance carrier Allianz, 27% of D&O claims in community associations are related to engineering and construction defects.

Even without filing a claim, communities are required to disclose any known defects or special assessments from the past five years during the insurance application process. This scrutiny alone can impact premium pricing. I've personally seen premiums jump from $25,000 to over $150,000 following the discovery of a construction defect. These elevated premiums remain until repairs are complete—forcing homeowners to pay more for

insurance *and* absorb special assessments to fix the defects. This is a double hit to a homeowner, one that many times is a major financial burden to take on.

Reducing the statute of repose by 30%–40% won't result in a proportional decrease in developers' insurance premiums. And while this bill might reduce the number of lawsuits, it does nothing to prevent defects from occurring. The problems don't go away—they just get passed on to the homeowners. That's not affordable housing—that's unaffordable risk.

One example I'd like to share with the committee is a high-rise in Portland built in 2016. It's currently undergoing a $30 million construction defect repair—40% of the building's total insurable value. The defects were discovered in year seven, following a series of mechanical failures in the HVAC system. Had the homeowners had no financial recourse, each unit owner could have been on the hook for as much as $200,000 in assessments. Even though inspections were completed after turnover of the building, the subsequent water intrusion inspections proposed by this legislation would likely not have discovered the mechanical defect.

Yes, insurance costs are rising for everyone—including developers. But making developers and builders less liable for their work won't solve the affordable housing crisis—it will create a new one. *Affordable housing must encompass more than just the cost of construction;* it should account for the total cost borne by homeowners when the responsibility for construction defects is shifted onto those living in planned communities like condominiums and homeowner associations.

For all these reasons, I urge the committee to oppose HB 3746. The unintended consequences of this bill will financially devastate homeowners in community associations across our state—who should remain our top priority.