

# NWC ALLIANCE NEWSLETTER

*Standing together*

## **INSURANCE MYTH BUSTED!**

**Faulty Work Can and Should Be Covered!**



Some carriers and agents will try to argue that insurance was never intended to cover faulty work. That is not true. The exception to exclusion L, which provides coverage for faulty work, was deliberately added to the CG 00 01 after faulty work was determined a matter of strict liability in a California construction defect case from 1969 (*Kriegler v. Eichler Homes, Inc.* (1969) 269 Cal. App. 2D 224, 227). Here we are fifty years later and some insurers and their agents are hoping the construction industry has forgotten or doesn't know about the coverage history involving faulty work.

Granted, in some states like Ohio and others, construction defect/faulty work is not considered an “occurrence” by various court cases. In these situations, only resulting property damage to the homeowners contents or work performed by previous contractors can be covered by general liability. We've found insurers inappropriately using arguments from these odd states to justify removing the faulty work coverage for builders in states where it's needed most. Builders need to keep in mind that no matter what states they work in, they are still liable for faulty work whether covered by general liability insurance or not.

Some agents will suggest that coverage for faulty work is not needed because an insured warranty will cover faulty work. That's not entirely true either. Insured warranties do not "cover" faulty work unless it results in structural damage. Warranties are no substitute for liability coverage and are best used to keep disputes limited to mediation or arbitration. General liability coverage encompasses far more than a warranty does. For example, while a warranty may pay for a structural defect, it won't protect the builder from the resulting damage to the home for water, fire, or noxious gases.



Wise Insure, the wholesale division of the NationWide Contractors Alliance, works with numerous insurance carriers who leave this exception untouched. In addition, we have other strategies that will provide coverage for faulty work, regardless of what state you are in. What we do differently can not only assure coverage for subcontracted faulty work, but also self performed work, product recall, realtor's errors and omissions, and impaired property. Imagine being able to fill all these crucial coverage areas: builders and the construction industry might actually start seeing insurance as something worth paying for!



There are plenty of myths out there about insurance for contractors and builders. The agents who work with the NationWide Contractors Alliance know better and have insurance coverage options not available elsewhere. Addressing faulty work properly is only one example of insurance done right.

Want to learn more about how Wise Insure and the NationWide Contractors Alliance might be able to help you or the construction clients you work with? [Contact us today](#) or call 360-464-2531.

