



Construction defect

Claim scenario

A plastic pipe installed in a 55-story building was part of a sprinkler system that failed. The owner of the building blamed the failure on the general contractor, our customer. The contractor had the foresight to save the section of pipe that failed and sent it to Travelers Forensic Engineering Laboratory in Windsor, Conn. for analysis. Our customer recalled a group of construction engineers at the lab who had been involved with dozens of plastic pipe claims. Leveraging that knowledge along with an ability to test plastic pipes, a solid defense was presented to insulate the customer from unfounded allegations. What appeared to be a relatively simple plastic pipe break led to a comprehensive investigation to determine what happened and what remediation efforts were needed. Armed with technical knowledge about plastic pipes, allegations were quickly refuted.

Construction defect (CD) is property damage arising out of any construction activity resulting in the failure of any building component or system. CD is usually the result of improper or defective installation, design, materials, and/or maintenance.

Frequent types of CD claims:

- Water intrusion (e.g., leaks in roofs, around windows, exterior siding/cladding systems, balconies, patios, garages and retaining walls)
- Defects dealing with building envelope or penetration of that envelope
- Soil issues (e.g. inadequate preparation of the soil or compacting around the foundation, soil movement)
- Defective manufacture, premature corrosion or deterioration of pipes, plumbing or other building materials
- Improper or inadequate design of structures and their component integration

Travelers specializes in construction defect claims handling

Travelers insures over 18,000 contractors in all 50 states. We have handled thousands of construction defect claims over the years and have learned that CD claims are often costly and complex and that resolution usually takes many years.

We use years of CD claim experiences to overcome challenges our customers face in the current litigious construction environment. Our commitment to meeting these challenges shows with construction-specific claim professionals and construction engineers located around the country able to respond quickly to construction claims.

When choosing an insurance carrier for your construction business, rely on Travelers. We've made an investment in this industry with proven long-term results.

Dedicated construction defect claims handling

Specialized and dedicated claims handling is key to mitigation. Travelers advantages include:

- **Dedicated CD claim professionals** – we have more than 100 dedicated CD claims specialists, averaging over 25 years of experience, strategically located in 26 offices countrywide
- **Construction staff attorneys** – we have more than 170 staff attorneys located in 50 states, 68 of which specialize in construction defect. Each has state-specific jurisdictional experience
- **CD claims handling proficiency** – through our experience handling thousands of CD claims, we've learned how products fail, what designs may contribute to construction defects, or what workmanship issues arise from various construction operations
- **Specialized construction engineering forensic unit** – we have a team of eight construction forensic engineers and consultants. This unit works closely with our claim professionals and staff counsel to assist with the investigation and evaluation of complex CD claims, which ultimately helps to control claim costs
- **24/7 claim reporting** – via the Internet or our toll-free number, giving you easy, convenient options to quickly report a claim
 - travelers.com
 - 877.828.4132

Documented cost savings

Comprehensive and strategic claim handling have resulted in:

- Lower attorney fees
- Lower expert cost
- Lower payout

Focus on contractor education

An ounce of prevention is worth thousands in claims payout and litigation. Travelers works with insureds to provide the necessary training to help prevent loss. Available training and resources can be found at travelers.com/riskcontrol by logging in to the Risk Control Customer portal, including:

- Technical bulletins: reducing construction defects by process control, best practice guidelines for building construction and water intrusion and mold amplification: prevention and remediation
- Checklists and forms, including sign-off forms to document inspections and responsibilities
- Webinar replays on a variety of topics, such as project documentation and its impact on claim mitigation, construction defect claims: trends, issues and challenges and risk transfer opportunities

Additional training resources can be found on the Education Center page of the Risk Control Customer portal.

Project documentation is critical

One of the complicating factors in CD claims is time of notification– often we are not notified about these claims until contractors are sued. The lawsuit is our first notice of the claim in 95% of the claims we receive, and it is usually three to five years after the work or construction has been completed. This time lag between construction and claim notification forces a reliance on project documentation developed throughout all phases of construction. The availability of accurate documentation becomes the building block of the investigation.

Early claims intervention

In the event of a claim, Travelers claim specialists work with clients to quickly investigate the cause of loss, further mitigating additional loss and helping to restore contractor reputation. We employ specialized recovery expertise focusing on other insurance provisions and additional insurance.

Contact your Travelers construction account executive for more information and to help you write new business.



travelers.com/construction

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