

LOSS CONTROL BULLETIN

Your Work: Faulty Workmanship and Liability Claims

Let's assume you have an agreement to install windows in a home. You remove the prior window from the wall and install your window. After leaving, you receive a complaint call from the homeowners requesting that you return to the property. They claim your installation of the window was improper.

Is Your Work Covered under an Insurance Policy?

Not every type of liability loss a business can suffer can be considered under a typical business owner's insurance policy. Some business risks, such as payment for replacing, repairing or otherwise redoing faulty work, are not normally insurable.¹ Faulty workmanship or installation may not be covered under many policies because the faulty workmanship is not 'fortuitous,' or accidental. Business owners should generally absorb their own replacement and repair losses, while the insurer takes the risk of injury to property of others.² Even if the workmanship could be found to be accidental, many insurance policies may not provide coverage under exclusions such as the *Your Work* exclusion.

The *Your Work* exclusion excludes work or operations performed by you or on your behalf and materials, parts or equipment furnished in connection with such work or operations. *Your Work* also includes warranties or representations made at any time with respect to the fitness, quality, durability, performance or use of your work, and the providing of or failure to provide warnings or instructions.³

In our example above, your insurance policy would most likely not cover the loss.

What might be covered? Let's assume that on the way in to the house, you scraped the window against the wall, damaging the wall. Because that was more accidental in nature, and it was not within the agreement of work you had agreed to do, it could be covered. It was not *Your Work*.

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FAMILY OF COMPANIES

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Managing the Business Risk Associated with *Your Work*

As a business owner, your workmanship, warranties and representations are all part of the business risk that you accept in exchange for payment for your services. Proactive business planning and communication can help you preserve your reputation and your business. Plan ahead.

- Be clear with your customers about the scope of work you are completing.
- Communicate and/or document customer changes as you are completing your work.
- Upon completion, verify the work has been completed to the customer's satisfaction and your initial scope.
- If there are disputes, try to work with your customer to address them appropriately. Consider options such as refund, repair or replacement.

Notify your insurance company immediately should you have a loss.

- Coordinate with your insurance company in the investigation of the claim.
- Be familiar with your insurance policy terms. If you have questions regarding the coverage you have, contact your insurance agent and/or company. Discuss your concerns or questions with them.



No one wants to think about suffering a loss. In the unfortunate event you do have a loss, our **ANPAC Five Star Claim ServiceSM** is designed to provide assurance and confidence to our policyholders throughout the claims process.

24-Hour Claims Hotline 1-800-333-2860

¹Commercial Liability Risk Management and Insurance, Sixth Edition, American Institute for Chartered Property Casualty Underwriters/Insurance Institute of America, at P3:44 (2005)

²Western Employers Ins. Co v. Arciero Sons, Inc. 194 Cal. Rptr. 688, 690 (Cal App 1983)

³Insurance Services Offices form BP 00 06 01 97