

**COMMERCIAL GENERAL LIABILITY COVERAGE FOR DEFECTIVE WORK  
STATE-BY-STATE SURVEY  
FEBRUARY 2008**

STATE	IS DEFECTIVE WORK AN OCCURRENCE?		PROPERTY DAMAGE EXCLUSIONS APPLIED?
	Status	Case Law	Case Law
Arizona	Yes	<i>Univ. Mech. Contractors v. Puritan Ins. Co.</i> , 723 P.2d 648 (Ariz. 1986); <sup>i</sup> <i>U.S. Fid. &amp; Guar. Corp. v. Advance Roofing &amp; Supply Co.</i> , 788 P.2d 1227 (Ariz. App. 1989); <sup>ii</sup> <i>Lennar Corp. v. Auto-Owners Ins. Co.</i> , 2007 WL 152099 (Ariz. App. Jan. 23, 2007). <sup>iii</sup>	<i>Southwest Metalsmiths, Inc. v. Lumbermens Mut. Cas. Co.</i> , 85 Fed. Appx. 552 (9th Cir. 2004), <i>withdrawn pursuant to settlement</i> , 92 Fed. Appx. 567 (9th Cir. April 01, 2004); <sup>iv</sup> <i>Lennar Corp. v. Auto-Owners Ins. Co.</i> , 2007 WL 152099 (Ariz. App. Jan. 23, 2007); <sup>v</sup> <i>U.S. Home Corporation v. Maryland Cas. Co.</i> , 2007 WL 4467633 (9th Cir. Dec. 6, 2007). <sup>vi</sup>

<sup>i</sup> **Arizona:** *Univ. Mech. Contractors v. Puritan Ins. Co.*, 723 P.2d 648 (Ariz. 1986). The installation of faulty couplings in a solar heating and cooling facility constituted physical injury to the solar facility and resulted in an occurrence under a CGL policy issued to the contractor.

<sup>ii</sup> **Arizona:** *U.S. Fid. & Guar. Corp. v. Advance Roofing & Supply Co.*, 788 P.2d 1227 (Ariz. App. 1989). The faulty workmanship of the insured roofing company, without any additional claim of property damage except to the roof itself, was not an occurrence.

<sup>iii</sup> **Arizona:** *Lennar Corp. v. Auto-Owners Ins. Co.*, 2007 WL 152099 (Ariz. App. Jan. 23, 2007). The court held that damage to homes caused by defective site preparation by the insured homebuilder's subcontractors constituted an occurrence and that the CGL policy covers the natural consequences of negligent construction.

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<sup>iv</sup> **Arizona:** *Southwest Metalsmiths, Inc. v. Lumbermens Mut. Cas. Co.*, 85 Fed. Appx. 552 (9th Cir. 2004), withdrawn pursuant to settlement, 92 Fed. Appx. 567 (9th Cir. April 01, 2004). The subcontractor exception to the your work exclusion applied to preserve coverage for the insured contractor for property damage arising out of the work of its subcontractor. The your product exclusion did not apply to paint delamination on columns due to the real property exception in the definition of “your product.”

<sup>v</sup> **Arizona:** *Lennar Corp. v. Auto-Owners Ins. Co.*, 2007 WL 152099 (Ariz. App. Jan. 23, 2007). The court applied the subcontractor exception to Exclusion I, the Your Work Exclusion, to uphold coverage for the damage to homes caused by the defective site preparation of the insured builder’s subcontractors.

<sup>vi</sup> **Arizona:** *U.S. Home Corporation v. Maryland Cas. Co.*, 2007 WL 4467633 (9th Cir. Dec. 6, 2007). The court held that where the complaint against the insured builder failed to allege any damage other than defective stucco and damage resulting from the repair of that stucco, there was no occurrence under Arizona law.