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AGC APPLAUDS TENNESSEE RULING ON INSURANCE COVERAGE FOR CONSTRUCTION DEFECTS

Washington, D.C.-- The Associated General Contractors of America (AGC) today applauded the Tennessee Supreme Court for ruling that standard insurance policies provide considerable coverage for construction defects. "We congratulate Tennessee for becoming the 19th state to get this right," said AGC CEO Stephen E. Sandherr. "The Tennessee Supreme Court read and heeded the words actually written into the policy, and that is all we ask."

The case arose after the windows installed in a new hotel began to leak. The building's owner then launched arbitration proceedings against its general contractor, seeking compensation for resulting damage. The contractor's insurance carrier then filed the case just decided. With limited regard for the language of the commercial general liability (CGL) policy sold to contractors throughout the United States, the carrier maintained that the policy provided absolutely no coverage for the defective windows, or the resulting damage, and that, as a result, the carrier had no duty to provide the contractor with a defense to the owner's claim for compensation.

Tennessee's lower courts rejected the carrier's arguments, deciding that the contractor's policy does provide considerable coverage for construction defects. The Tennessee Supreme Court has now affirmed those decisions, explaining that the carrier relied on old cases, that the policy expressly grants covers accidental property damage, and that the general contractor could not foresee that its subcontractor would not properly install the windows. On its face, as the court

observed, the policy excludes coverage for work that a contractor self-performs but preserves coverage for work "performed on your behalf by a subcontractor."

"AGC does not seek insurance coverage for intentionally sloppy or shoddy workmanship; AGC just wants the coverage that the insurance carriers promised when they asked our members for their business," said Michael Kennedy, AGC's general counsel. "That is why we applaud this decision, why we are involved in the similar cases already pending in Texas, Florida and Minnesota and why we also look forward to those decisions," he explained.

The Associated General Contractors of America (AGC) is the largest and oldest national construction trade association in the United States. AGC represents more than 32,000 firms, including 7,000 of America's leading general contractors, and over 11,000 specialty-contracting firms. More than 13,000 service providers and suppliers are associated with AGC through a nationwide network of chapters. Visit the AGC Web site at www.agc.org. AGC members are "Building Your Quality of Life."

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