

# Writing EIFS Insurance: Important Guidelines



EIFS (Exterior Insulation and Finish Systems) is a popular cladding material that provides unlimited design options with superior insulating properties. It is commonly found on commercial and residential structures. But when it comes to insurance, there is some confusion concerning what coverage is available. Insurance companies have been insuring EIFS projects since the early 70s, however, since the late 1900s insurance companies have had concerns about the level of risk related to EIFS projects. This bulletin is designed to eliminate the confusion and provide clear guidelines about insuring EIFS in the future.

## Background

In 1995, the perfect storm hit the EIFS world. After two major hurricanes hit the North Carolina coast within two months, complaints began being filed that EIFS houses had experienced water intrusion damage. The origin of the EIFS problem was due to poor construction practices such as leaking windows, improper flashing around the roof, the deck, and the chimney. From North Carolina these types of claims spread to other parts of the country and for the next several years the EIFS insurance residential claims began mounting to an unprecedented level.

### The Problem

- Occurred mainly on single family homes
- Poor construction practices
- Leaking windows
- Improper flashing

## Claims History

The claims mainly occurred in the single-family home segment of the market. There were virtually no claims in the commercial segment. In reviewing the chart below, we can see there were 500-600 claims per year between 1999-2002. Then the claims began to significantly drop.



## What Caused the Claims to Drop?

The reason for this dynamic drop in claims was a result of the EIFS industry taking action to overcome objections concerning EIFS. Some of these included reengineering the systems to incorporate drainage, adding secondary barriers to provide backup protection, improving the education programs, and promoting sound building practices. The process was improved!

### An Improved Process

- Drainage EIFS systems
- Secondary weather barriers
- Improved education program
- Promoting sound building practices

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## A Growing Market

The demand for EIFS is growing thus creating a growth opportunity for the insurance market. From 2012 to 2017, the industry had a compound annual growth rate of 10%. There are several reasons for this growth. These reasons include: the desire for environmentally sound insulation solutions, the design options EIFS provides, and that EIFS is included in the national building and energy codes.

### Opportunities for Growth

- A growing market
- Demand for more energy efficient buildings
- Design flexibility
- A key part of the national energy code

## When Writing EIFS Insurance Consider...

EIFS installation is a multistep process that must be coordinated with other key operations, such as window installation, flashing, and roofing. EIFS contractors need to have properly trained workers, who understand the EIFS installation process as well as how it properly fits into the overall construction process. When writing coverage for EIFS, the following are some guidelines to consider and add to the policy.

- 1) The EIFS contractor has a minimum of 5 years installing EIFS
- 2) A written agreement with subcontractors if any work is subcontracted
- 3) Current certification of EIFS installation educational programs provided by the EIFS manufacturer or recognized training body
- 4) Only apply over approved substrates, i.e.: concrete, masonry, or fiberglass faced exterior gypsum sheathing.
- 5) Require the use of Drainable EIFS system
- 6) Use only products from a single source supplier
- 7) Provide a copy of the EIFS MFG warranty
- 8) The contractor has a quality control manual, including an installation and project completion checklist

By using this 8-point check list an underwriter can feel comfortable that the EIFS contractor is an acceptable risk.

## Underwriting EIFS Projects

It's been over 20 years since EIFS was a high-risk classification for the insurance industry. The systems have been reengineered and the process has been greatly improved. More and more owners, developers and architects are using EIFS on their projects because of the advantages it offers. It's now time to put the concerns in the past and take advantage of this growing market segment!

### Why Write EIFS Insurance?

- A growing market
- More customers will be wanting to use EIFS on their projects
- A track record of minimal risk



For more information contact EIMA, 1-800-294-3462 or visit our website: [www.eima.com](http://www.eima.com)