

300f013 EXTERIOR INSULATION AND FINISH SYSTEMS

Exterior Insulation and Finish Systems (EIFS) refers to any material that is used and applied as a protective (insular) exterior coating to any building or structure. Items that qualify as EIFS include the insulating/protective material as well as the adhesives, coatings, fasteners, finishing materials (such as sealants) that are accessories or components of the foundation insulating materials.

For decades, EIFS has been widely used in both commercial and residential construction. EIFS gained popularity as an economical method to provide efficient insulation to both residential and commercial building projects. Further, the material is very flexible, permitting greater freedom in building design. But EIFS is a huge source of loss.

Due to a variety of causes, such as faulty application or installation, material incompatibility, failed or inadequate caulking, many systems tend to trap moisture that results in:

- Heavy build-up of toxic mold
- Breakdown and rotting of the finishing material
- Major damage to material used as the application base (especially wood framing)
- Collapse of the exterior material

Such incidents create substantial rebuilding and replacement projects that were not intended for coverage under insurance contracts. The insurance industry was prompted to scrutinize the issue as a trend of EIFS-related losses developed, including a number of class-action lawsuits against some major manufacturers of certain types of EIFS.

The result is that most insurance policies that cover commercial property now exclude losses involving EIFS. The typical exclusion wording bars coverage for loss involving:

- Designing
- Making
- Preparing
- Selling
- Installing
- Distributing
- Maintaining
- Repairing
- Adjusting, etc.

of EIFS. A policy may even exclude a loss involving a policyholder's product or work related to EIFS. The emerging approach being used by insurers is to treat EIFS losses as involving faulty or defective work or construction rather than a fortuitous (accidental) loss exposure.

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