



May/June 2011

WHEN THERE'S A FUNGUS AMONG US

Mold is a fungi that's found everywhere — inside, outside and even places you'd least expect. But just because it's so common, doesn't mean we shouldn't take its potential for harm seriously.

Of the thousands of different mold species that exist, as many as 100 common indoor mold types have the potential for creating health problems, according to the Occupational Safety and Health Administration (OSHA). Health effects of mold exposure range from mild, allergic reactions, such as wheezing, eye irritation or nasal stuffiness, to more severe complications. Some molds contain harmful neurotoxins that can cause nerve damage, while others have been linked to cancer. When molds feed on organic substances, they may emit volatile organic compounds. Exposure to these can damage the mucus membrane and central nervous system, resulting in poor concentration, skin irritation and other complications.

Following are just some of the resources compiled by OSHA that can help builders better understand the hazards and health effects associated with mold exposure.

- Guidelines on Assessment and Remediation of Fungi in Indoor Environments [<http://www.nyc.gov/html/doh/html/epi/moldrpt1.shtml>]
- A Brief Guide to Mold, Moisture, and Your Home [<http://www.osha.gov/dts/shib/shib101003.html>]
- Fungi and Bacteria in Ventilation Systems [<http://www.engr.psu.edu/ae/iec/abe/topics/ventilation.asp>]

For additional resources, visit OSHA online. [<http://www.osha.gov/SLTC/molds/>]

Money Down the Drain GC Suffers Loss without COI from Subcontractor



THE SITUATION

A general contractor (GC) built a single family home in 2008 and the home was purchased late in the year. In December of 2009, the homeowner sustained extensive water damage from a broken pipe. The damage totaled nearly \$135,000. It was determined that the broken pipe was due to faulty installation by the plumbing contractor. The GC had a contract with the plumbing contractor, which included defense and

indemnification language. The contract also required that the GC be listed as an **additional insured** on the plumbing contractor's policy. However, the GC failed to secure a **certificate of insurance (COI)** from the plumbing contractor prior to the home being built in 2008. This became a problem when this loss was reported. The plumbing contractor went out of business in early 2009 and the owner could not be located. Therefore, the GC had no way of identifying the plumbing contractor's insurance carrier in order to tender the loss. As a result, the GC's carrier will have to resolve this \$135,000 loss.

THE SOLUTION

The above loss illustrates what can happen if the home builder fails to obtain and retain certificates of insurance from its subcontractors. It also illustrates why the home builder should consider using some selection criteria when hiring a subcontractor. *How long has the subcontractor been in business? Do they have a good reputation with other builders they've worked for? Have they had any losses from their prior work? Do they carry insurance with adequate limits? Do they have a financially sound insurance carrier? Are they familiar and do they comply with OSHA standards related to their business?* These are but a few things a home builder may wish to consider when hiring a subcontractor to work for them.

A certificate of insurance serves a valuable function:

1. It provides the name of the insurance carrier so claims from their work can be properly tendered.
2. It allows you to check to be sure they carry adequate limits of insurance, which should be at least the same as yours.
3. It should identify the project name the subcontractor worked on and show that you have been included as an additional insured (AI). However, only the receipt of an actual AI endorsement is considered proof by most courts that the insurance carrier intended to add you to the subcontractor's GL policy as an additional insured.

CONTACT US | PRINT | UNSUBSCRIBE

Continued on page 2...



The Shrinking New Home

A funny thing happened on the way out of the recession—new homes started shrinking. Where consumers were eying spacious abodes of 2,500 square feet in 2007, they're now looking at 2,380 square feet and the National Association of Home Builders in Washington predicts that will shrink further, probably to an average 2,150 square feet by 2013.

"Affordability is driving all the decisions," said Stephen Melman, NAHB director of economic services. "First-time buyers are going to buy smaller, less expensive homes. And baby boomers are still buying homes. They no longer need five bedrooms and a big back yard." [READ MORE \[http://www.builderonline.com/associations/the-shrinking-new-home.aspx?rssLink=The+Shrinking+New+Home\]](http://www.builderonline.com/associations/the-shrinking-new-home.aspx?rssLink=The+Shrinking+New+Home)

10 Top-Selling House Plans Under 2,000 Square Feet

When we wrote about the top-ranked best sellers from our house plan subsidiary several months ago, one discriminating respondent, commenting on the relatively large size of these plans, said that given the state of homebuilding today, it would have been more useful to review the best-selling small plans.

So, here they are—10 of the best-selling house plans under 2,000 square feet. Once again, the selection is based on data provided by our house plan operation, the largest in the country, which provides the plans for dozens of house plan books along with the search engines BUILDER House Plans [<http://www.builderhouseplans.com/>] and ePlans [<http://www.eplans.com/>]. [READ MORE \[http://www.builderonline.com/design/10-top-selling-house-plans-under-2000-square-feet.aspx\]](http://www.builderonline.com/design/10-top-selling-house-plans-under-2000-square-feet.aspx)

Home Builders Applaud Congressional Passage of 1099 Repeal

[In April, the] Senate approved legislation supported by the National Association of Home Builders (NAHB) to repeal a burdensome tax paperwork requirement that could cost small businesses thousands of dollars each year. The bill now goes to President Obama for his approval.

"During the past several months, NAHB has led the effort along with other industry groups to strike all new expanded IRS Form 1099 reporting requirements for small businesses and owners of rental real estate," said NAHB Chairman Bob Nielsen, a home builder from Reno, Nev. "In testimony before Congress and in 'key vote' letters to House and Senate leaders, we have spelled out how failing to overturn these rules would kill jobs and place a major paperwork and cost burden on home builders. We applaud Congress for acting to rectify this situation and urge the President to quickly sign this measure into law." [READ MORE \[http://www.nahb.org/news_details.aspx?newsID=12460\]](http://www.nahb.org/news_details.aspx?newsID=12460)

GC Suffers Loss

...from page 1

4. It provides you with the subcontractor's insurance policy period, so you can be sure to obtain an updated renewal certificate. It is important to remember that not only should you receive the certificate of insurance prior to the start of work and then obtain updated certificates when they expire, but you should also maintain them for the number of years your state allows for claims to be reported. This time period is known as the **statute of limitations** or **repose**.

If in the above example, a construction defect loss didn't get reported until five years after the house was built, would you still know who the subcontractor was? Is the subcontractor still in business or have they moved out of state? For these reasons, certificates of insurance, AI forms and signed contracts should be maintained for the number of years allowed by law for claims to be reported on your work.