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# TAILGATE TALK



## Emerging Trend -Defective Chinese Drywall

During the construction boom in 2000-2007, the need for gypsum based drywall/sheetrock far exceeded the US domestic production capability. 'Consequently, China became an attractive supply source due to price, availability and potential capacity aspects. In 2008, homes primarily in Florida and Virginia, were reported to contain allegedly defective drywall manufactured in China.

The drywall reportedly produced hazardous chemicals, including carbon disulphide, hydrogen sulphide and other noxious and poisonous chemicals.

The Chinese gypsum mix appears to contain high amounts of sulfur which, in time, converts to vaporous sulfur dioxide that spreads and concentrates internally within walls and externally in to living environments. The sulfur vapors are linked to complaints about odor, sickness, copper and silver corrosion. As a result, homebuyers are bringing class action suits against builders using Chinese drywall.



### **Size of the Problem:**

- ◆ It is estimated that 20 million square feet of contaminated drywall has been imported to the US since 2003.
- ◆ It is believed that at least 65,000 new homes in the southeast could contain Chinese drywall. 30,000 of these homes are in Florida.
- ◆ The distribution of the drywall included 24 other States.

### **Types of Claims that can result from this problem:**

#### **Property Damage**

- ◆ Rotten eggs smell
- ◆ Deterioration and failure of thin-walled copper refrigerator and air conditioner coils within 6 months to a year
- ◆ Deterioration of in-wall copper wiring and pipes
- ◆ Enhanced deterioration of anything copper or silver

#### **Bodily Injury**

- ◆ Homeowners annoyed by smells
- ◆ Severe allergies, nose bleeds, upper-respiratory problems
- ◆ Medically hypersensitive residents are being required to move out

There is ongoing litigation involving allegations of defective drywall. The manufacturers and importers of the drywall have been brought into the suits by the homebuilders. It remains to be seen how many more suits will be brought. There are also governmental investigations into the allegations.

The Homebuilders Coverage Program has not yet received any claims involving Chinese drywall. However, we are always on the look out for emerging trends and want to keep you informed of issues facing your industry.

Source: Munich Re America March 2009