



BEAMS FROM THE LIGHTHOUSE VOL. 9; DECEMBER 2016
A NEWSLETTER FROM LIGHTHOUSE CONSULTING, LLC
KEEPING YOU OFF THE ROCKS

You may have missed *Sebo*

With the year-end rush you may have missed the recent decision by the Florida Supreme Court on *Sebo v. American Home*. Some attorneys believe this decision will cause claims from the 2004-05 storm years to be re-opened.

What happened?

Sebo purchased a four year old home for \$8 million in 2005 in Naples, Florida. Shortly after the purchase a rainstorm occurred and water damaged the interior of the home. This pattern continued throughout 2005, culminating in major damage from Hurricane Wilma. The residence could not be repaired and was eventually demolished.

Claim filed

Sebo notified their insurer, American Home, of the damages in December 2005. They investigated and in 2006 denied the claim, citing the faulty workmanship exclusion. Sebo sued the architect, builder and American Home. He settled with the architect and builder but the case against American Home went to court.

Why the insurer denial?

The answer lies in the way they constructed the faulty workmanship exclusion in their manuscript policy.

They made it an absolute exclusion so they *did not cover* the ensuing water damage. By contrast the standard ISO faulty workmanship exclusion *provides* coverage for ensuing loss or damage.

Win, lose, win

Sebo won at trial, lost on appeal, and won in the Florida Supreme court.

How did the Court find coverage?

The court applied the concurrent causation doctrine (CCD), meaning that if a loss is caused by both an excluded and a covered peril, there can be coverage. The court noted that the policy did have anti-CCD wording in the policy for other exclusions but not for the faulty workmanship exclusion.

Armageddon for reinsurers?

Will this open up a slew of old storm claims and impact cat treaties? I don't think so. Most homeowner's policies in Florida used the ISO wording so ensuing water damage claims were paid. However this could impact similar policies written by American Home on high value homes.

For more information

Concurrent causation is quite a technical topic and subject to frequent litigation. For helpful articles see the Concurrent Causation tab my website.