



Nightmare on Overwhelmed Street

by Walt Keaveny, Risk Manager, MS, PE, PG

It's late on a stormy Friday night and you're out having a nice dinner with the family when your cell phone rings in an eerie tone. You don't recognize the number but reluctantly answer. "Hello... Dreamy Custom Homes," Bob speaking.

You're immediately met with a raspy voice in an angry tone..."This is Fred Brueger." You recognize the name but can't quite place it.

"How may I help you?"



You hear several deep breaths and then the caller proclaims..."You need to come over now to fix my house!" You suddenly remember Fred as an odd private fellow with a distinct leathery complexion, and vaguely recall building him an unusual custom home about 8 or 9 years ago.

"What seems to be the problem?"

"For starters, the sewer is backed up and the plumber said it's due to foundation movement. The basement is dripping in moisture and has large foundation cracks and a putrid stench. The floor slopes so much that my guest has to use the brakes on his wheelchair. Timely escape is unlikely with several inoperable doors, and the house often makes faint sounds like knives on a chalkboard."

Your heart races as you try to find the right words to get out of this horrible predicament. Then it hits you in delight; you only offer a one-year home warranty



and that expired years ago. You politely share this revelation with Fred, at which point he abruptly cuts you off and growls..."You'll hear from my attorney... and furthermore I'll share with you that several of your homes on our street have similar problems." He abruptly hangs up, and as you put the phone back in your pocket you glance at your family in disbelief. You wonder how you could have avoided this nightmare.

Two weeks later you receive a hand-couriered letter. You anxiously open it to find out that the legal firm of Lecter, Meyers, and Bates, PC, is demanding that Dreamy Custom Homes immediately make extensive repairs, compensate for the diminished value of the home, pay the homeowner's living expenses and cover all attorney fees, or "we will see you in court." Much to your surprise the letter embellishes that there is a 10-year implied structural warranty in your state. As you wonder what an implied warranty is, panic sets in because there are no funds in the company to pay for this home or



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any of the other homes you built in the last 10 years. The excruciating thought of bankruptcy crosses your mind. You worry about your hard-earned reputation in the community. A few days later this horror plot only continues as you learn that Fred's thirsty attorney knocked on all the doors on Overwhelmed Street.

Let's rewind and replay this exact same scenario, with the only change being that Bob had originally enrolled the homes in an insurance-backed, structural, new home warranty.

"Hello...Dreamy Custom Homes, Bob speaking."

"This is Fred Brueger." After calmly and patiently listening to Fred, you sympathize and sincerely apologize. You explain that despite a builder's best efforts, sometimes foundation problems do occur due to unforeseen soil conditions. Then you confidently inform Fred that the home is covered by a 10-year structural warranty. You provide the warranty company's phone number and calmly rejoin your family dinner. That is the last you hear from Fred.

Fred calls the warranty company and reaches Tina. Tina is a warranty administration expert that has reconciled thousands of these types of difficult calls. In a warm, reassuring voice, Tina converses with Fred and listens to his complaints, then validates the information against the warranty coverage standards. Quickly recognizing the severity, Tina transfers the call to Mary, a seasoned claims adjuster with the warranty insurer. Mary continues to

comfort Fred by informing him that a local independent professional engineer will be dispatched to investigate.

After the engineer's investigation is reviewed by the insurer's engineering team, Mary informs Fred that the cost to make structural and cosmetic repairs will be \$43,000, which is about average for a foundation problem. In short order, the repairs are made and Fred is thrilled with the results. Mary kept Bob in the loop every step of the way, and let him know that two other new claims on the street are being processed in a similar manner.

With warranty protection, Fred's claim doesn't cost Bob a penny. Furthermore, in a worst case scenario, had Fred not accepted the \$43,000 settlement and



sued, the mandatory arbitration clause in the warranty would have protected Dreamy Custom Homes. Arbitration is commonly used in most industries in all fifty states. The process is fair and reasonable for both parties, since the arbitration takes place in the home with an experienced construction arbitrator. Arbitration is much quicker and less expensive than a court proceeding, and the outcome is legally binding.

Unfortunately, Bob's nightmare with his many unprotected homes plays out all too often in real life. It is not common knowledge that every state has implied warranties (5- to 10-year terms) established by court rulings. The courts are choked full of construction litigation. For this reason, some states have even resorted to mandatory warranties for every new home. The typical cost to protect an average home is about \$500 paid at closing, which amounts to just \$50 per year for 10 years. Don't risk living an all-too-common nightmare; let the experts take your warranty calls. Sleep well at night by protecting your business and hard-earned reputation with an insurance-backed new home warranty.



Mr. Keaveny is the Risk Manager and Principal Engineer for the leading new home warranty company, 2-10 Home Buyers Warranty. He earned a Bachelor's degree in Geological Engineering and a Masters in Geotechnical Engineering. He is licensed as both a Professional Engineer and a Professional Geoscientist, and has over 30 years of diverse engineering experience. He serves on the Construction Performance Standards Committee for the Texas Association of Builders, and is an invited speaker and author. Mr. Keaveny's work on the subject of structural claims has been published in major newspapers and has drawn international interest.



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