

**ASSEMBLY, No. 1077**

**STATE OF NEW JERSEY**  
**216th LEGISLATURE**

PRE-FILED FOR INTRODUCTION IN THE 2014 SESSION

**Sponsored by:**

**Assemblyman GARY S. SCHAER**

**District 36 (Bergen and Passaic)**

**SYNOPSIS**

Requires that definition of occurrence in certain property damage liability insurance policies include coverage for faulty workmanship.

**CURRENT VERSION OF TEXT**

Introduced Pending Technical Review by Legislative Counsel



1 AN ACT concerning commercial liability insurance and  
2 supplementing chapter 29 of Title 17 of the Revised Statutes.

3

4 **BE IT ENACTED** by the Senate and General Assembly of the State  
5 of New Jersey:

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7 1. As used in this act:

8 “Commercial liability insurance policy” means a contract of  
9 insurance, issued by an admitted or surplus lines insurer to a  
10 contractor or other construction professional, which pays for sums  
11 that the insured becomes legally obligated to pay as damages for  
12 occurrences of property damage and bodily injury.

13 “Contractor or other construction professional” means a person,  
14 sole proprietorship, partnership, corporation, limited liability  
15 company, or other recognized legal entity engaging in the  
16 development, construction, installation, renovation or repair of  
17 residential, commercial, or industrial property, buildings or other  
18 structures, or improvements related thereto.

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20 2. A commercial liability insurance policy shall not be  
21 delivered, issued, executed, or renewed in this State, on or after the  
22 effective date of this act, unless the policy contains a definition of  
23 occurrence that includes:

24 a. an accident, including continuous or repeated exposure to  
25 substantially the same general harmful conditions; and

26 b. property damage or bodily injury resulting from faulty  
27 workmanship.

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29 3. This act shall not be construed to restrict or limit the nature  
30 or types of exclusions from coverage that an insurer includes in a  
31 commercial liability insurance policy.

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33 4. This act shall take effect on the 90<sup>th</sup> day next following  
34 enactment.

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STATEMENT

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39 This bill requires commercial liability insurance policies to  
40 contain a definition of “occurrence” in order to provide more  
41 certainty with respect to coverage for faulty workmanship.

42 This bill provides that a commercial liability insurance policy  
43 shall not be delivered, issued, executed, or renewed in this State, on  
44 or after the bill’s effective date, unless the policy contains a  
45 definition of occurrence that includes: (1) an accident, including  
46 continuous or repeated exposure to substantially the same general

1 harmful conditions; and (2) property damage or bodily injury  
2 resulting from faulty workmanship.

3 Construction contracts typically require that the general  
4 contractor and any subcontractors performing work on a project  
5 secure commercial liability insurance that includes coverage for  
6 both property damage and bodily injury caused by an occurrence.  
7 Notwithstanding that this coverage is most often written on standard  
8 form insurance policies, courts have varied in their holdings as to  
9 whether damage from faulty workmanship is accidental in nature  
10 and therefore within the definition of an occurrence, for which  
11 coverage is provided. See, for example, Weedo v. Stone-E-Brick,  
12 81 N.J. 233 (1979), Fireman's Ins. Co. of Newark v. National  
13 Union Fire Ins. Co., 387 N.J. Super. 434 (App. Div. 2006),  
14 Pennsylvania National Mutual Cas. Ins. Co. v. Parkshore Dev.  
15 Corp., 403 Fed. Appx. 770 (3rd Cir. 2010), and Greystone  
16 Construction v. National Fire & Marine Insurance Company, 661  
17 F.3d 1272 (10<sup>th</sup> Cir. 2011).

18 By providing a definition of occurrence that addresses both  
19 accidents and faulty workmanship, the bill is intended to reduce  
20 confusion in industry practices by resolving coverage issues arising  
21 from the holdings in various court decisions.

22 The bill also provides that it is not intended to restrict or limit  
23 the nature or types of exclusions from coverage that an insurer  
24 includes in a commercial liability insurance policy.