

Chinese Drywall Fact Sheet

IN THIS ARTICLE

- Background Information
 - Frequently Asked Questions
-

SHARE THIS

- [DOWNLOAD TO PDF](#)

SPONSORED BY

Background Information

Installed during the U.S. building boom of the mid- to late-2000s, defective drywall manufactured in China has prompted homeowners in dozens of U.S. states to evacuate their homes, mostly because of the noxious odors emanating from the drywall. Drywall is made of gypsum plaster, which is then pressed between two thick sheets of paper. Builders worldwide use drywall when constructing the interior walls and ceilings of a house.

Â

Chinese-produced drywall became popular as U.S. drywall supplies were depleted amid the U.S. building boom. Homeowners in Florida, Louisiana and Virginia have filed the most complaints to date about defective Chinese drywall with the federal Consumer Product Safety Commission (CPSC). The CPSC plans to issue a report on the Chinese drywall issue within a few weeks. The CPSC's Web site keeps a running tally of the Chinese drywall complaints the commission has received—the latest update is from September 2009. As much as 500 million pounds of Chinese drywall is estimated to have been imported into the United States between 2004 and 2008, according to an Associated Press analysis.

Â

The number of CPSC Chinese drywall complaints stood at a little more than 1,300 as of October 2009, according to news reports. Moreover, thousands of homeowners have filed lawsuits, most of them against builders, contractors and manufacturers involved in the installation and production of defective Chinese drywall.

Â

Frequently Asked Questions

Â

Why does homeowners insurance not cover this type of loss?

Homeowners insurance policies provide coverage for a long list of perils that cause damage to property—wind, fire and hail, to name a few—and the coverage is reflected in the premium charged to the policyholder. The policies also identify excluded perils such as floods and earthquakes. Also excluded is damage resulting from **faulty, defective, or inadequate** products, such as defective construction materials. The policyholder is not charged a premium for losses which may arise because of these excluded occurrences, and the insurer does not provide coverage when it does.

Â

What should homeowners do if faced with this problem?

Homeowners who learn they are residing in a home that was built with defective Chinese drywall should

first call the builder of the home. Finding the builder should be a relatively easy task because, in almost every instance, the affected homes were built within the past five years. A good analogy for this situation would be auto insurance policyholders who find a manufacturer's defect, such as a faulty transmission, in their car. The first step would not be to call their auto insurer; individuals in this situation would generally first contact the car dealership.

Â

What if the builder/contractor has gone bankrupt?

In the event of a bankruptcy, the homeowner may still have recourse because bankruptcy courts must liquidate the builder or contractor's assets. A bankruptcy does, however, complicate matters because of the legal issues involved.

Â

Why would a homeowners insurer either non-renew or cancel a policy just because the policyholder volunteered that they had defective Chinese drywall?

This is a difficult situation for both homeowners and insurers. Homeowners are making a good-faith effort to notify their insurer about the condition of their home. They may also be facing tens of thousands of dollars in repair bills for a property which has lost market value. For its part, the insurer now knows that the policyholder may have vacated the premises, thereby raising dramatically the likelihood that a fire, theft, vandalism or undetected water leaks, all covered perils, could occur at the home. Also, defective drywall in and of itself might generate hazardous conditions to the infrastructure of the home, creating a potential for burst pipes or an electrical fire. It is in the interest of both parties to rectify the situation, and in many instances homeowners and insurers are working together to find the at-fault parties and recoup their drywall-related economic losses, starting with the builder or contractor, and then looking to the manufacturer.

Â

Have insurers thought about inserting the words "Chinese drywall" as a specific exclusion in their homeowners insurance policy?

The exclusion wording incorporated into a standard homeowners policy addresses the issue of "faulty, defective, or inadequate" products, such as construction materials, in a very direct manner. Homeowners policies do not exclude, nor mention, specific products, or manufacturers. All policy language, including coverage exclusions, is approved by state insurance regulators.

[Back to top](#)