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Iowa Supreme Court Holds Defective Work of Subcontractor Can be "Occurrence" Under Modern Standard-Form CGL Policy

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On June 10, 2016, the *Iowa Supreme Court*, in a split decision, clarified and changed Iowa law regarding insurance coverage for construction defects. Among other things, the majority decision holds that the modern standard-form CGL policy provides "coverage for property damage arising out of defective work performed by an insured's subcontractor unless the resulting property damage is specifically precluded from coverage by an exclusion or endorsement." The decision discusses in detail the history and evolution of the standard CGL policy form, including the 1986 addition of the subcontractor exception to the "your work" exclusion, and observes that it would be "illogical for an insurance policy to contain an exclusion negating coverage its insuring agreement did not actually provide or an exception to exclusion restoring it."

Iowa has now joined the high court in numerous other states, including Indiana, Kentucky and Tennessee, that have recently recognized that defective workmanship by an insured's subcontractor may constitute an "occurrence" under the modern standard-form CGL policy. The case is *National Surety Corporation v. Westlake Investments, LLC*, No. 14-1274 (June 10, 2016), and the 50-page decision can be accessed [here](#).

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