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# Third Circuit Holds No Coverage for Faulty Workmanship Despite Insured's Expectations

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In its recent decision in *Frederick Mut. Ins. Co. v. Hall*, 2018 U.S. App. LEXIS 31666 (3d Cir. Nov. 8, 2018), the United States Court of Appeals for the Third Circuit had occasion to consider Pennsylvania's doctrine of reasonable expectations in the context of a faulty workmanship claim.

Hallstone procured a general liability policy from Frederick Mutual to insure its masonry operations. Notably, when purchasing the policy through an insurance broker, Hallstone's principal stated that he wanted the "maximum" "soup to nuts" coverage for his company. Hallstone was later sued by a customer for alleged defects in its masonry work. While Frederick agreed to provide a defense, it also commenced a lawsuit seeking a judicial declaration that its policy excluded coverage for faulty workmanship. The district court agreed that the business risk exclusions applied, but nevertheless found in favor of Hallstone based on the argument that Hallstone had a reasonable expectation that when applying for an insurance policy affording "soup to nuts" coverage, it this would include coverage for faulty workmanship claims.

On appeal, the Third Circuit acknowledged that the reasonable expectations doctrine can overrule policy language when the insured is issued a policy different than what it specifically requested to purchase. The court nevertheless reasoned that this doctrine did not apply to Hallstone, which generally asked for a broad policy, but not specifically a policy that would insure faulty workmanship claims – a coverage the court acknowledged does not exist. The court pointed out the absurdity of relying on the reasonable expectations doctrine to overcome the policy's otherwise plain and unambiguous language, observing that "Hall's claim that he expected Hallstone's 'maximum,' 'soup to nuts' liability policy to include workmanship coverage is no more reasonable than if a purchase of auto insurance expected his policy to cover repairs if his car breaks down, even if he asked for 'soup to nuts' coverage."