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Illinois Appellate Court Addresses Professional Services Exclusion in Homeowners Policy

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In *Stonegate Ins. Co. v. Smith,* 2022 IL App (1st) 210931, the Insured was performing plumbing work at a multi-story townhouse when a fire ensued causing damage to the second story unit. Although a carpenter by trade, the Insured was performing plumbing work consisting of the replacement of a shower valve as a favor for a friend. To accomplish the task, the Insured utilized a small propane torch to attempt to remove the old water piping to the shower. In doing so, the insulation behind the bathroom wall caught fire and the flame spread upward to the neighboring unit. Stonegate had issued a homeowner's policy to the Insured during the relevant time period. The homeowner's policy excluded coverage for property damage "[a]rising out of the rendering of or failure to render professional services." Subsequent to tender of the loss, Stonegate initiated a declaratory judgment action seeking a declaration that it owned no duty to defend or indemnity pursuant to the professional services exclusions.

In finding in favor of the Insured, the Court began its analysis by noting that the homeowner's policy did not define the term "professional services" such that it was the Court's task to determine whether the Insured's work qualified as a "professional service" for purposes of the exclusion. The Court further prefaced its holding by stating that for an exclusionary clause to effectively deny coverage, its applicability must be clear and free from doubt because any doubts as to coverage will be resolved in favor of the insured. Looking to Illinois case precedent, the Court found that the term "professional service" is not limited to services for which the person performing them must be licensed by a governmental authority. Rather, "professional services" encompass any business activity conducted by an insured that (1) involves specialized knowledge, labor, or skill, and (2) is predominantly mental or intellectual as opposed to physical or manual in nature.

Turning to the facts of the matter at hand, the Court held that it was the Insured's heating of the pipes which caused the property damage which Stonegate sought to exclude from coverage. Without discussion, the Court assumed that the heating of the pipes did require specialized knowledge, labor, or skill. Therefore, the question to be answered was whether the activity, was predominantly mental or intellectual as opposed to physical or manual in nature. In finding that the activity was predominantly physical in nature, the Court stated that "It would defy common sense to contend that using a flame to heat pipes is a predominantly mental or intellectual endeavor." Correspondingly, the heating of the pipes did not constitute a "professional service" and the exclusion did not apply to preclude coverage.

The Court went on to temper its holding by stating that it was not stating that every type of work that could broadly be categorized as plumbing is per se outside the scope of "professional services". As such, the Court confined its holding to the facts at hand encompassing the particular activity of heating pipes with a torch. It is also worth noting that the Court summarized its holding by stating: "In the case at bar, Smith was not a plumber and was to receive no money for his work, and as a result, the 'professional services' exclusion does not apply here." Although the Court did not specifically address the Insured's primary occupation or the lack of compensation in the main body of the analysis, the summary does potentially indicate that these additional factors may have played a role in the decision.

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