The Greenspan Co./
Adjusters International
The *right* way to settle claims®

CASE STUDY

Luxury Condominium Building Destroyed during Course of Construction

In June 2019, the construction of the Legend 56-unit luxury condominium development in Santa Clara, California came to an abrupt halt. A fire tore through the partially-constructed building in the early hours of the morning, destroying everything except for the parking area and the concrete slab foundation. With the project 60% complete, over $6 million already expended, and 4 units already sold, the fire was a disaster for the developer and its investors.

Issues:

- In the first week, the carrier sent a reservation of rights letter, telegraphing a possible denial of the claim based on a protective safeguard endorsement contained in the policy.
- Although the concrete slab foundation was not destroyed, there was uncertainty as to its structural integrity.
- The cost to rebuild had escalated 15-20% since the beginning of the construction.
- During claims negotiations, COVID-19 lockdowns were implemented, further delaying progress and escalating costs.
- The developer was faced with accruing interest on loans, canceled contracts for sales of the units, and its own ongoing overhead as the general contractor for the project.
- The carrier recommended salvage of fittings, appliances, and fixtures that had been stored in the lower level of the building, despite extensive smoke exposure.

Resolutions:

- The Greenspan Co./Adjusters International argued that because the cause of the fire was unknown and could not be demonstrably correlated with the plumbing work that had been completed, the protective safeguard endorsement did not apply. The Greenspan/Adjusters International team countered the carrier's position, conducting an extensive investigation involving outside experts, resulting in the carrier agreeing to pay the claim.
- The Greenspan Co./Adjusters International demonstrated that the slab had been structurally compromised and needed to be replaced.
- Although the hard costs coverage was exceeded by the rebuild plan, The Greenspan Co./Adjusters International negotiated to reallocate some costs as soft costs, therefore yielding access to a separate limit. The team at The Greenspan Co./Adjusters International also successfully negotiated with the insurance carrier to cover the overhead costs and profit for the developer, additional advertising costs, and interest that had accrued on the developer's loans during the investigation.
- In addition, The Greenspan Co./Adjusters International successfully argued that reuse of salvaged property was not possible as luxury condominium units could not be sold as new if they were fitted with smoke-exposed materials. The carrier relented and agreed to replace all such items.

Conclusion:

Not only did The Greenspan Co./Adjusters International demonstrate that the policy was fully enforceable and that the specific protective safeguard endorsement did not apply, but the team also ensured that the course of construction policy covered not just what had been expended financially, but the cost to rebuild as well. Using their deep experience and understanding of policy language and California insurance codes, The Greenspan Co./Adjusters International correctly reallocated professional costs to the category of soft costs, enabling the developer to receive full payment under the insurance policy. The carrier's initial offer was $450,000 for soft costs and $7.5 million for the building claim. The Greenspan Co./Adjusters International settled the claim for over $1.3 million in soft costs and $12.3