SCANDALS
Insurance Uncovered

RESIDENTIAL EXCLUSION REVIEW
CHECKLIST

Residential exclusions can be broader than they first appear. An insured may believe the exclusion does not apply because the work is commercial, limited to a common area, or performed outside the building. The policy language may say otherwise.
Use this checklist when reviewing residential exclusions, project scopes, and related policy provisions. Each section highlights language and circumstances that may require closer analysis, clarification, or escalation.

1. IDENTIFY THE FORM

Confirm the form is complete and determine how it functions within the policy.

□ Is a residential construction exclusion listed in the policy forms and endorsements?
□ Is the exclusion an ISO form or a carrier specific manuscript form?
□ Does the endorsement contain blank fields, schedules, checkboxes, or selectable exceptions?
□ Are all applicable fields and checkboxes completed?
□ If the form is not intended to apply, has it been removed or clearly marked as inapplicable?

2. REVIEW THE DEFINITION OF RESIDENTIAL CONSTRUCTION

Identify every property type, project condition, and operation included within the policy's definition.

□ How does the policy define residential construction?
□ Does the definition include single family homes?
□ Does it include townhomes or condominiums?
□ Does it include apartments?
□ Does it include mixed use buildings?
□ Does it include other property types or living arrangements not immediately described as residential?
□ Does it apply to both new construction and renovation work?

Do not rely only on the title of the endorsement. Defined terms control how the exclusion may apply.

3. CONFIRM THE TYPE OF WORK

Compare the exclusion language with the project phase, occupancy status, and actual operations.

- ☐ Is the work ground up construction?
- ☐ Is the work renovation, remodeling, repair, or maintenance?
- ☐ Has a certificate of occupancy already been issued?
- ☐ Does the exclusion treat work differently before and after the certificate of occupancy?
- ☐ Is there an exception or coverage provision for completed, occupied, or existing buildings?
- ☐ Is the insured performing work inside an individual residential unit?
- ☐ Is the work being performed in a commercial space connected to a residential building?

4. EVALUATE MIXED USE AND COMMON AREAS

Review carefully when residential and commercial operations exist within the same building or development.

- ☐ Does the project contain both residential and commercial components?
- ☐ Does the exclusion apply to the entire building when any residential component is present?
- ☐ Is the insured working in a lobby, hallway, breezeway, stairwell, laundry room, storage area, parking area, or maintenance room?
- ☐ Is the insured working in a restaurant, store, office, or other commercial space located within the building?
- ☐ Does the exclusion include common areas or shared facilities?

Commercial work may still fall within a residential exclusion when it is performed in or connected to a mixed use building.

5. CHECK INFRASTRUCTURE AND EXTERIOR WORK

Determine whether the residential definition extends beyond the building to associated site work or infrastructure.

□ Does the definition include infrastructure associated with a residential development?
□ Does it reference grading or excavation?
□ Does it include utilities or utility connections?
□ Does it include roads, paving, curbs, or sidewalks?
□ Does it include parking lots, garages, fences, gates, landscaping, or exterior structures?
□ Could the exclusion apply even though the insured never enters a residential building?

6. REVIEW CONVERSION LANGUAGE

Look for provisions that may affect coverage when the property's use changes before or after the work is completed.

□ Does the exclusion apply to a commercial building being converted into residential use?
□ Does it reference warehouses, factories, hotels, offices, banks, or similar structures?
□ Does it restrict work involving apartment or condominium conversions?
□ Could coverage be affected if an apartment building is later converted into condominiums?
□ Does the language apply based on the building's use when the work is performed, when a claim occurs, or both?
□ Could a future ownership decision affect completed operations coverage?

Conversion language deserves special attention because the insured may have little or no control over how the property is used after the work is completed.

7. VERIFY UNIT COUNT RESTRICTIONS

Confirm how units are counted and whether the restriction applies by project, location, or policy period.

□ Does the endorsement limit the number of residential units the insured may work on?
□ Is the unit limit calculated by project or by policy period?
□ Does the count apply to one location or all work performed during the year?
□ Have units on other projects been included in the calculation?
□ Is the insured approaching or exceeding the stated limit?
□ Is there a process for tracking the total unit count throughout the policy period?

THE UNIT COUNT TRAP

Illustrative Example

A contractor is performing work on **10 units** for one project. The policy allows work on up to **15 residential units** during the policy period.
The project may appear to fall within the stated limit when reviewed by itself. But if the contractor is already working on **8 units elsewhere, the total is 18 units** and may exceed the policy restriction.
Always confirm whether the limit applies by project, location, or across the full policy period.

8. MATCH THE POLICY TO THE CONTRACT AND SCOPE

Compare the policy language with the complete contracted scope and applicable insurance requirements.

□ Does any exclusion restrict coverage for the exact work described in the contract?
□ Does coverage remain available for the required completed operations period?
□ Does the contract require coverage that the exclusion removes?
□ Is the policy written as a practice policy or a project specific policy?
□ If it is project specific, are the correct project name, address, operations, and duration identified?
□ Are any common areas or portions of the scope omitted from the project description?
□ Does the insured need a coverage exception, endorsement modification, or separate project specific policy?

9. ESCALATE QUESTIONS BEFORE WORK BEGINS

Seek written clarification when the policy language, project scope, or available coverage does not clearly align.

- □ Has the exclusion been discussed with the insured's broker?
- □ Has the broker confirmed how the exclusion applies to the actual scope of work?
- □ Has the underwriter been involved when the language is unclear or needs to be changed?
- □ Has any clarification been documented in writing, and does the policy or endorsement reflect the agreed coverage?
- □ If reviewing a subcontractor's policy, has clarification been requested from the subcontractor's broker?
- □ Has qualified legal or coverage counsel been consulted when necessary?

WARNING SIGNS

Pause the review and request clarification before accepting the policy as meeting applicable requirements when you see:

- □ Blank schedules or unchecked boxes
- □ Missing, unclear, or unexpectedly broad residential definitions
- □ Broad language such as "directly or indirectly arising out of"
- □ Mixed use buildings included within the definition
- □ Common areas or infrastructure included
- □ Apartment or condominium conversion language
- □ Unit limits measured across the full policy period
- □ Project descriptions that do not match the complete scope of work
- □ Exceptions that appear to restore coverage but are incomplete or narrowly defined

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This resource was inspired by **Season 2, Episode 16: The Residential Exclusion Trap** of *Scandals: Insurance Uncovered* - the podcast that unravels insurance mysteries with grit, wit, and no bullsh*t.

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