

Exclusion Unambiguously Bars Coverage for Work on Condominium Project

Insurance Law Update

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California Court of Appeal

In *California Traditions, Inc. v. Claremont Liability Ins. Co.*, 197 Cal.App.4th 410 (June 21, 2011), the California Court of Appeal held that the exclusion language in the insurance policy at issue clearly and unambiguously excluded coverage for work on condominium projects.

California Traditions was the developer of a housing development and hired Ja-Con to provide framing work for 30 free-standing residential units in the development. A buyer of one of the units sued California Traditions for defective construction. California Traditions cross-complained against Ja-Con for indemnity. Ja-Con was insured under a comprehensive general liability policy issued by Claremont Liability Insurance Company. Claremont provided Ja-Con with a defense but later withdrew based on the policy's exclusion for work on condominium and townhome projects. After California Traditions obtained a judgment against Ja-Con for more than \$2,000,000, it filed this action against Claremont seeking to satisfy its judgment from Ja-Con's CGL policy. The trial court granted Claremont's summary judgment motion, which maintained that the exclusion precluded any possibility of coverage for claims asserted against its insured because the undisputed facts showed that the unit was part of a condominium project.

On appeal, California Traditions argued that the term "condominium project" was undefined in the policy, making the exclusion ambiguous. From this premise, California Traditions argued that the exclusion must be interpreted most favorably to the insured, and that a reasonable insured would not have construed the language to exclude coverage for work performed on free-standing units.

The court stated that an insurer "may select the risks it will insure and those it will not, and a clear exclusion will be respected." The court rejected California Tradition's argument that the term "condominium project" is ambiguous because that term was "meticulously defined by statute." The court noted that just because a term is not defined in the policy does not render it ambiguous. Thus, the court affirmed the summary judgment in favor of Claremont.

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