Editor? Note: This article has the potential to tick off a lot of industry groups—manufacturers of exterior insulation and finish systems, general contractors, the brick industry, manufacturers of windows, and even lawyers.
Please keep in mind that the opinions expressed in this article are those of the handful of contractors we interviewed. If you would like to respond to this article, please send a Letter to the Editor via e-mail to porinchak@awci.org, or fax your letter to (703) 534-8307. Letters will be published in the next available issue of AWCI's Construction Dimensions.

Last month, we reported that half of those EIFS contractors surveyed had been prevented to varying degrees from installing EIFS because of difficulty obtaining insurance coverage. In this month’s article, we look at how come the industry finds itself in such a bind.

A Minnesotan contractor points the finger at a number of causes, the first but not key problem being the manufacturers putting their purses before common sense and business
ethics: “From the standpoint of the residential market, the bottom line is that the manufacturers of the product pushed rather vigorously to sell EIFS to increase market shares, and in doing so, they neglected to educate the applicators. The manufacturers were only interested in peddling pails for profit, selling EIFS to anybody and everybody. In some cases, therefore, the product was not installed properly.”

“The EIFS problem was brought on by the greed of the manufacturers,” agrees a Californian. “Somebody here in San Diego even put their EIFS product out through a roofing company. They didn’t care, they just wanted market share. Manufacturers give you a license, but many don’t do anything behind it. Give them a large enough order and they’ll fill it. I know of an EIFS panel job right now, for instance, and the subs are actually taking 4-inch foam, grooving the back of it, applying adhesive, sliding a channel iron into it, and attaching it to screw plates without sheathing. The city even signed off on it. When we went to the manufacturer asking what they were doing, they shrugged their shoulders saying, “We don’t know, they’re buying it!”

A Michigan contractor felt the same way. “If you want to boil the problem down to a single source, it’s the manufacturers, because in their aggressiveness to sell the materials, they sell to anybody without restrictions. If we look at the fireproofing market, we have three licensed applicators in our area, and the manufacturers sell only to them. Fireproofing is another product that has to be put on correctly. So the manufacturers control the sales environment, everybody is trained in applying it before doing so, and they don’t have to worry about the kind of problems hitting the EIFS industry right now.”

According to the contractors we interviewed, that was mistake Number One by the manufacturers. For the second, we again have the Minnesotan to thank: “When the walls came tumbling down in the Carolinas six years ago, some of the major EIFS manufacturers, in their infinite wisdom, then rolled into town with their checkbooks and tried to make the problem go away. They wrote a few big checks, which told the attorneys all they needed to know. The situation mushroomed from there, the press mov-
ing in as was to be expected, and not always does the press find or make known all the truth!”

An Arizonan agrees: “The EIFS manufacturers didn’t address the Carolina’s problems in a forthright manner. They waited until they were beaten and down on the mat before they started to crawl back up. They didn’t have deep pockets, so what money they did have, they blew in the Carolinas.”

**When Saving Cents Make No Cents**

Of course, it takes two to Tango, and in this case, the partners are all those folks who are applying EIFS without knowing which way is up.

“People saw money in EIFS,” explains a Georgian. “It’s just a matter of mixing sand and acrylic paint, and they reckoned that was not too difficult, so many of them started their own businesses. In the early days, everybody had to be certified and trained and followed the specifications stringently, but not these fly-by-night artists. So, we ended up with failures.”

A Michigan man agreed, “For the most part, bad contractors have
not been installing these systems correctly and have been causing the trouble.” So did an Idaho contractor: “There have been too many fly-by-night people doing EIFS. The industry has also been damaged severely by inappropriate standards and inspections that fail to make people live up to the proper standards.”

Echoing their words, another Michigan contractor expanded on the idea: “Large applicators such as ourselves, whose people go through certification programs at the Association of the Wall and Ceiling Industries, and are trained the right way, don’t have EIFS problems. The problem with EIFS is an old one. It’s like the wild West. Anybody who has a pickup truck has been putting it on, without any training.”

There is one other dimension to the problem when it comes to untrained EIFS applicators being used on job sites. The housing industry, which we all
know is the area of the problem, is predominantly a non-union environment, and in the non-union environment, quality is usually a hit-and-miss affair. Especially so when contractors look for the lowest bid and the pick-up brigade steals a march on the legitimate contractors. General contractors cannot be blind to the dynamics involved in the bidding process, or to the quality of work they are buying with the owner’s money. Pay for peanuts, and we know what you get.

“If the general contractor were to sub the EIFS to a certified applicator, we wouldn’t have this problem,” states a Georgian contractor. “But GCs try to buy the material themselves, material
that is not certified, to reduce the price and put more money in their pockets, and then bring in guys who operate out of the back of a truck. This is what is messing up the EIF systems and hurting the whole industry. That’s my opinion, but it’s also a fact!”

Enough said on this issue of untrained applicators. So far, we have covered the more obvious reasons. To these we can add everybody’s whipping boy, the lawyers who see dollar signs at the first sign of a slip or weakness.

**From Lawyers to Insurers**

“Attorneys see a way to obtain huge settlements,” notes the Minnesotan, “creating precedents labeling EIFS as a bad product. A single judge in Texas awarded $30 million to a residential homeowner recently based on the judge’s interpretation that Dryvit was marketing its product falsely, hiding the truth about its ability to resist water.” The homeowner probably lived in a $200,000 house, but the judge by a strange quirk of mathematics felt the homeowner was entitled to sufficient funds to build 150 new houses.

“We’re very conscious about quality,” protests a Californian. “We have a quality assurance program that signs off on and photographs details and actually presents the customer with a book confirming all these details. So we’re doing our due diligence, but it’s pretty hard when you are fighting attorneys-they’re the big part of the problem, because they see all the money. As the joke goes, ‘It’s the 90 percent of lawyers that give the rest a bad name.’

We could also level our sites at the insurance industry “Their handling, as I see it,” comments the Minnesotan, “doesn’t seem fair and equitable. Inside sources say the insurance companies are targeting the construction companies as the quickest and fastest way of getting the revenue back into their coffers after Sept. 11, Enron and other hits the insurance and bonding industries have suffered. They have a captive audience with us, because most states require that con-
tractors carry general liability and workers’ comp insurance. It’s the America Way, apparently, but that’s not what call it.”

**Looking Behind the Scenes**

This about exhausts the obvious players in this real-life drama. There is one little administrative principle, however, that opens the door a little to what is going on behind the scenes. It basically states that for a conflict to exist (such as between homeowners and manufacturers), an unsuspected third party must be promoting it. In the case of EIFS, we find not one, but two such guilty parties. These are the brave souls who do things covertly behind the scenes to mess things up.

As covered in the article, *Three Bricks Shy of a Load* in the March 1999 edition of AWCI’s *Construction Dimensions*, the dirty tricks of the brick industry were caught in the glare of publicity, in their efforts to foment a “grass-roots” movement against EIFS using an Atlanta PR agency hired just for the job. This was not a grass roots movement, but what is called “astroturf” (groups that create the illusion of a groundswell
EIFS is the cement concrete business, which fought against EIFS when it began to take business away from them over the last 25 years, using their wealth to harp on this issue of water intrusion and bring about the class action suits so as to convince everybody to return to brick. Well, brick leaks too, if it isn’t caulked properly.”

And so we come to the final figure in this drama who, until now, has been creeping around back stage, hoping nobody would realize that he was the one who had pulled down the curtain at the wrong time. For this information, we are indebted to the Minnesotan once again.

“The Minnesota Lath and Plastering Bureau carried out some tests with Marvin Windows and found the majority of failures in the residential markets, other than applicator installation, was the failure of the window to flash water outside the system. Instead, it flows down to the sill and then finds its way into the sub-system. The window industry, in other words, has failed the residential market dramatically, and then thrown up its hands and insisted loudly, “Hey, it’s not our problem.”

“The vinyl windows that Anderson and a lot of other manufacturers put out on the market still leak and unfortunately the EIFS industry has taken the rap for it. Our studies found that brick exteri-
ors, wooden and vinyl siding, have exactly the same problem as conventional stucco and EIFS. Unfortunately, the insurance industry is knee-jerking its way through this quagmire.”

To this issue we can add OSB: The Minnesota Lath and Plastering Bureau study showed that widespread use of particleboard or OSB board in the residential market has contributed to the EIFS problems, too: OSB retains moisture, develops mold and literally disintegrates.

**So What Now?**

Contractors have raised a number of issues. Some are within the power of EIFS contractors and manufacturers to do something about, and these are the efforts that are best engaged in. Sort out the problems and the lawyers, the insurance companies, and the media will all go away. Even the brick industry might shut up.

But more important is making sure the majority of EIFS applicators, the members of AWCI, are still able to deliver the product. As an Arizonan points out:
“Unless EIFS manufacturers get off their duffs, the product is going to be obsolete in the next 10 years because nobody can obtain insurance for it. If EIFS manufacturers want to stay in business, they need to start self-insuring the contractors.”

For now, as a holding action to ward off insurance company knee-jerking, someone has to jump in and provide insurance, thereby creating an extra revenue stream a) from the insurance premiums and b) from the continued sale of EIFS in order to replenish their coffers.

If, for example, manufacturers were to step up to the insurance plate and form a captive insurance company, then by the time the insurance companies that have abandoned ship try to get back in, the group that has provided insurance in their stead will have stolen the market from them. And for those insurers who stayed on board, as a Michigan contractor predicts, they “will eventually say to contractors, ‘If you follow these steps, we will insure you. If you are licensed through AWCI training programs, we will reduce the premiums.’” Obviously, these smaller guys, who don’t know all the rules and regulations, won’t be able to pass the test. The test is not easy. I’ve had people take it and fail.”

If someone doesn’t step up to the insurance plate, then manufacturers can expect more of their loyal EIFS contractors to be running into the same kind of difficulties as this Californian: “We’re a good size company and have no EIFS litigation claims that we’re directly responsible for. But as of next year, EIFS will be virtually uninsurable, without having a special and substantial rider policy—$300,000 to half a million. We won’t do an EIFS job now unless the manufacturer will give us a labor and material lo-year warranty. It’s hard to come by. Some of the main manufac-
turers have refused. This is making EIFS jobs a big, big problem. I have one project that we bid some time ago that we’re trying to negotiate out the EIFS. I don’t need the risk anymore. We’re looking for alternative systems. We had a big meeting here a week or two ago regarding a 28-story hotel that was originally going to be an EIFS panel job but the architect is now saying ‘No, I don’t want EIFS.’ The city of San Diego denied the use of EIFS for another hotel recently and is going with plaster instead.”

Secondly, manufacturers will argue that they cannot “police” the industry, but some contractors believe that the manufacturers should revise their policy of sales at any costs and start enforcing standards. Support the AWCI training programs and only permit licensed applicators to apply EIFS. Campaign with GCs to only allow trained applicators on the site—showing the benefits of EIFS over the alternatives, and the need to ensure standard EIFS application to avoid future legal problems.

“If the manufacturers want to sell this product,” continues the Californian, “they’re going to have to get out there, stand behind it, monitor the installation and include that cost and their service in their product. They’re going to have to do yearly inspections to make sure that
the product is maintained or the warranty is void.”

Another important point made by a Missourian is that “the major suppliers don’t seem to be involved as much as they should, especially with insurance underwriters. I would like to see them lobbying with the insurance companies, trying to assure them that the insulation systems that most of us put up today are adequate and if they’re put up properly, they will stand up and provide the expected performance.”

As for the window manufacturers, contractors should demand workable windows of existing manufacturers, or find whatever honest window-manufacturers undoubtedly do exist out there. Or perhaps even establish your own line of windows and take over the industry. Why not? There’s a need for a window that does what a window should do. Then you would have the brick industry buying your products. There’s something poetic about that idea. Same goes for OSB.

None of these issues are insurmountable, but they do need to be addressed. Not just by chin-wagging in smoke-filled board rooms, but by action, with the manufacturers leading the charge. Either that, or the EIFS industry can expect to be plastered all over the map within the next several years after it runs into one too many brick walls.

About the Author
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