Canvassing 21 contractors around the country for their take on what 2003 will bring for EIFS shows the troops are unhappy, many having died of insurance failure and public lack of confidence, and many others struggling to keep their spirits up against the propaganda from the media and the threat of legal assaults on their flanks. What began as a rout in the Carolinas residential market has impacted troops around the country, including commercial divisions. But as often happens when things look bleak, the arrival of reinforcements in the form of improved EIF systems and a basically strong confidence among commercial owners and architects, who understand faulty application, not the system, to be at fault, means there is plenty of fight left in the industry.

As a contractor from Washington stated, “The manufacturers have too much invested in EIFS to let it go away,” and “Dryvit and Sto aren’t going to go away,” (Oregon). As the same two Northwestern contractors also pointed out, “The new designs the manufacturers have put into play for EIFS make it a good product—primarily the drainage systems and moisture barriers that were not in place when the systems that are failing now, were installed. I don’t anticipate these new systems failing,” (Washington) and “EIFS is a product that lends itself to many different types of applica-
tions, and I am sure we will find a way to use it” (Oregon).

Of those consulted, four were even upbeat about the commercial market in 2003. “We continue to see a lot of EIFS in Arkansas, even with the bad publicity in the Carolinas and the lawsuits, so I reckon EIFS will continue to be applied in more volume here.”

“I am sure EIFS will be used a lot more,” states a Georgian, “as it is so easy to work into a design for many different looks. The bad press isn’t going to cut across it, but the insurance is impacting the industry, although not so badly in my area. We only do commercial, but if we were doing residential, we would be hurting because of the public perception of the product following the bad publicity.”

“We will see more EIFS than ever before because of its versatility,” agrees an Illinois man. “It’s only the people here with bad records who are being targeted by the insurance companies. We are strictly commercial, and we’d be having a rough time if we were in residential because it is not regulated or monitored for quality in the same way as commercial. But I am still upbeat about EIFS. There is still a demand. We deal with Senergy mostly, and they keep an eye on us now, sniffing around a little more than they used to—the reps are actually doing the quality control they should have been doing all along.”

“Commercial EIFS will grow in leaps and bounds,” asserts a Tennessee con-
tractor. “We have not seen the problems on commercial projects that some of our national media folks are trying to create for us. Residentially, it is a different story, with the market in decline for five years. When that EIFS market dried up, a lot of people went to stucco, but as we are one of only three companies that does stucco in our area, we have even benefited from that decline.”

And another three contractors felt that although 2003 would show no real improvement and their own EIFS work had all but disappeared currently, the market would rebound in a few years, when the insurance companies lose their jitters.

“We are doing EIFS on a very limited basis,” confirms an Alabaman, “until this all shakes through the industry—it’ll take several years before the insurance industry will come back around, as they realize the new products overcome the difficulties that EIFS had, and as training is improved and people become more qualified, such as through AWCI’s programs. The insurers will insure on a limited basis at first and then once again, broadly.

“I think the insurance people will come back into it,” agrees an Oregonian, “and I wouldn’t be surprised if we do, too, when we can buy insurance for a reasonable amount again.”

Another Oregonian is of the same mind: “EIFS may start to turn around, but not until people become comfortable with the drainage systems. When that happens, it will take five years before the insurance companies figure out that the liability has gone by and the future looks good—they always look in the rearview mirror, not through the windshield. At that point, we may get back into EIFS.”

When Insurance Isn’t

There is no question that the lack of insurance for EIFS is pulling the rug out from under contractors (see the table on page 53). “EIFS is a good product,” insists a Floridian, expressing the opinion of most EIFS applicators surveyed. “I can install a system and it will perform without problem, as it has for 20 years now since we started. The only problem with EIFS is termination points. If you don’t treat them, they will let water into the system. The commercial EIFS industry has gotten a bad rap from the residential market, but it’s the insurance world that is holding up the EIFS industry right now.”

Pinpointing why the insurance companies are running scared, but challenging the logic of their actions, an Arkansan complains, “Lawsuits have resulted in insurance companies gouging contractors—our general liability insurance two years ago was $5,000. It jumped last year to $25,000 and this year is up at $67,000. Now, no doubt the insurance companies were out money in the Carolinas as a result of pickup-truck contractors doing shoddy work, but in our area, we don’t have that problem. In our
case, we built our company’s reputation on quality work and are here for the long haul. We were the first Dryvit applicator in the state back in 1979, and we do everything right, checking flashings and caulking are applied properly and everything else that one needs to do to make sure the builders are doing right. So it’s unfair that we have been hit so hard by the insurance companies.” He goes on to say that although he has heard many contractors say they are no longer able to do EIFS, the ones who can afford to do so are the larger companies who were doing it right all along.

“EIFS is going to cut back because of all the scare tactics by the insurance companies,” agrees an Indianan. “Premiums have doubled, and in our area, we have only found two insurance companies that will even give us insurance for EIFS, even though we have never had any claims.”

A California contractor feels the same way about the future of EIFS: “EIFS has a long struggle ahead, as it is up against a weak economy that has stressed the insurance companies, so they have become more conservative. Construction-defect litigation has become more predominant, so EIFS has a long way to go. We have been hammered pretty hard with EIFS insurance issues, and we have a lot of people who, if they can get insurance for EIFS, don’t want to pay the high deductible. If a contractor had a $25,000 deductible per claim a year ago, now it is up to $50,000 per claim, but if they take EIFS off the plate and it goes back to $25,000, then EIFS is the first to go.”

“The big issue is insurance coverage for both applicators and owners,” adds an Idaho contractor. “Premiums have gone up, a minimum of $25,000, with coverage in the range of 15 percent of the labor costs of the EIFS work we do and a deductible of $10,000.”

This story is repeated around the country: “We had to change the insurance company we have been with for the last 40 years,” says a South Dakotan, “because they were unable to get us
EIFS insurance, even though we’ve never had an EIFS claim against us. Our liability insurance has risen 20 percent, and we are not being promised any beyond this next year.”

“Premiums have doubled every year for the last three years and deductibles have gone from $500 to $5,000” (South Carolina). “Our insurance rates went up 25 percent this year because of the mold factor as it relates not just to EIFS but also drywall” (Illinois).

Naturally, for those still able to stay in the business, the increased costs are being passed onto GCs, owners and, ultimately, users. “Liability insurance on EIFS is tough to get,” reports a Tennessee contractor. “Our premiums have increased 15 to 28 percent over the last three years and, like the rest of our competitors, we have just passed these on to the customer in increased prices per square foot.”

“I don’t see EIFS in residential at all,” predicts a Georgian, “with the attorneys, insurance companies and banks telling contractors not to do it, and
contractors being at their mercy. In commercial, EIFS will cost $9 a square foot in this area, up from $5.

Owner insurance being hard to find in the commercial sector represents another angle on the same issue of lack of insurance cutting across usage: “I am getting resistance from owners about insurers no longer covering EIFS commercial applications,” complains a Kansas contractor. “In fact, I have lost jobs as a result. EIFS applications have dropped 50 percent since all the negative publicity began.”

I Quit

As reported already, there are those who have been driven out of EIFS altogether by the lack of insurance. A Californian states, “Insurance companies won’t give us coverage. Our deductible has risen from half a million to a million dollars. Sixty to 70 percent of subcontractors that were selling EIFS are no longer doing so, and I see EIFS becoming close to nonexistent. Builders and owners will get away from EIFS completely.”

An Alabaman reports, “We were with Amerisure, who decided that when EIFS policies expired, there would be no renewals. The year before, we were being given an upcharge because of the EIFS work we did, 15 percent higher premium just for that liability issue. There just is no insurance now and the attorneys have said we are fools if we do EIFS. We used to do $2 million a year, or 25 percent of our total volume, in EIFS.”

“We have pulled out of the EIFS market,” reports an Oregonian, “because we were asked to pay more for the insurance than we did in EIFS volume in the last year we installed it. Four years ago, EIFS used to be a part of the regular liability insurance, but now we are being quoted an upcharge of $85,000.”

“We are not doing EIFS anymore as we cannot get the insurance because none of the standard markets in Oregon will write EIFS,” adds a fellow Oregonian.

As the insurers fall for the bad press and litigation fears, so falls the market. “I see no indication EIFS will improve anytime soon,” says an Idaho man, “as bankers and insurance companies cannot think for themselves about the mechanics and technology behind the issues, and so tar everyone with the same brush they use for incompetent residential contractors in humid parts of the country.”

“I see EIFS going downhill because of
the bad name it has acquired, not because the product is no good,” adds a Virginian. “The demand has dried up.”

“EIFS is going straight to hell because of the bad press,” says a South Dakotan.

“I only see commercial EIFS in the future, as residential has already disappeared completely off the map,” reports a contractor from South Carolina. “There has been no new EIFS installed on houses in four years. Consumer confidence is so low, in fact, that you still can’t sell a house with EIFS. Those who have EIFS on their homes are still in sue mode. In the commercial sector, we may well maintain our market share, but it won’t expand. When the lawyers get through with the houses, they will most probably move to commercial, condos, etc.”

The Right Weapon?

In summary, as much as one can draw conclusion based on the opinions and observations of a handful of mostly demoralized front-line troops, it looks like the great EIFS War will be won through improved education and application, along with drainage systems and a variety of different materials—but only after a few years of hard fighting.

Two Californians are concerned, however, that a weapon being counted upon by the EIFS industry to win back lost ground—one-coat EIFS—will in fact turn out to be a liability: “The one-coat system was originally designed with foam as a substrate, 1-inch EPS, but they have removed the foam in a lot of the country when it was not designed to work that way. It does not work very well without foam, but a lot of EIFS manufacturers have gone into one-coat. They have to make a living, but they didn’t learn from what they did in residential.”

“I never thought I’d see EIFS manufacturers bastardizing their own systems to come out with a competitive product. I do a lot of construction defect investigation, and I have been on many golf courses where the golf balls have stuck in the one-coat wall, because the applicator did not adhere to the minimum thicknesses or the proper proportioning of the mixes, and the manufacturer had removed many of the modifiers from their mixes. All they are providing now is fiber-reinforced portland cement base coat, which adds up to a built-in weak wall that will crack all to hell. Predictably the masonry industry ran an ad showing a wall with golf balls stuck in it with the caption, “Show us a synthetic stucco wall and we’ll show you a hole in one.”

Regardless of the type of system, it seems like much of the trouble related to the EIFS industry is not related to the system at all. Training, education and time are what’s needed to fur what appears to be broken.

About the Author

Steven Ferry is a free-lance writer based in Dunedin, Fla.