

Managing Risk

Claim 3: Foundation Damage

By InspectorPro Insurance

Note: The Managing Risk column reviews the most common allegations in the industry and provides tips to make inspectors better equipped to prevent claims.



Foundation claims are the third most common allegation against home inspectors. However, because foundations are literally the base upon which every home rests, foundation damage claims are one of the most expensive types of claims.

WHY IS FOUNDATION DAMAGE SO COMMON AND EXPENSIVE?

In an industry inundated with meritless claims, it's important to watch your back. Real estate agents, homebuyers, home sellers and home inspectors all have important roles to play in real estate transactions, which work best when everyone plays their roles with totality and integrity.

Unfortunately, each party's best interests do not always align. A real estate agent's primary motivation may be a home's sale. A buyer may wish to avoid paying for large repairs. A seller's main aim may be to walk away with the highest offer on their house. Home inspectors, whose job is to point out defects, often seem to be at odds with the other players.

Although we encourage home inspectors to work with real estate agents, buyers and sellers, and we acknowledge the need to market your businesses and serve your customers well, we also encourage you to follow a somber, but effective, mantra: **Watch your back.**

There are a number of reasons that foundation claims can be so common and costly, but two reasons stand above the rest: Foundation problems are easy to miss and even easier to cover up.

As the one structural component in direct contact with the ground, the foundation is susceptible to geological conditions or soil-related issues. (Think compaction, expansion and subsidence due to moisture, including weather.) Because the causes of most foundation issues often are out of sight, you are left with the symptoms alone to diagnose foundation problems. Such symptoms can be miniscule and often lie in obscure or less accessible places. If you're not traversing the property with precision and care, you may miss the warning signs of foundation damage.

Which brings us to the uncomfortable truth: We've seen our fair share of claims in which the inspector would have seen the signs of foundation damage had the signs not been concealed, had the inspector not been distracted or had the area been accessible. If red flags are going up during your inspection, we invite you to ask: What's the reason?

WHAT ARE COMMON SIGNS OF FOUNDATION DAMAGE?

Instead of identifying the causes of foundation issues, home inspectors must pinpoint the symptoms.

The ASHI Standard of Practice (www.homeinspector.org/files/docs/standards_updated3-4-2015.pdf) dictates the following as the "minimum" standard for home inspectors:

3.1 The inspector shall:

- A. inspect structural components including the foundation and framing.
- B. describe:
 1. the methods used to inspect under-floor crawlspaces and attics.
 2. the foundation.
 3. the floor structure.
 4. the wall structure.
 5. the ceiling structure.
 6. the roof structure.

3.2 The inspector is NOT required to:

- A. provide engineering or architectural services or analysis.
- B. offer an opinion about the adequacy of structural systems and components.
- C. enter under-floor crawlspace areas that have less than 24 inches of vertical clearance between components and the ground or that have an access opening smaller than 16 inches by 24 inches.
- D. traverse attic load-bearing components that are concealed by insulation or by other materials.

NOTE THAT THE STANDARD THAT COVERS FOUNDATION INSPECTIONS IS JUST THAT:

a foundation upon which to build. That isn't to say that inspectors should ever exceed the Standard of Practice to the point of contradiction. Rather, it means that, as in all professions, the goal shouldn't be to do the minimum. The goal should be to perform your inspections to the best of your ability.

The following are some, but not all, of the common signs of a weak or damaged foundation:

- cracks in the walls, molding, floor tile and foundation itself
- uneven or sloped flooring
- windows and doors that are difficult to open or close
- separation or space between walls, floors, doors, windows and ceiling
- sagging roof

WHAT CAN INSPECTORS DO?

As with all claims prevention, it's important to have a thorough pre-inspection agreement (https://www.inspectorproinsurance.com/risk_management/why-pre-inspection-agreement/?utm_source=ASHI%20Reporter&utm_medium=Referral&utm_campaign=Claim%201) and inspection report (with pictures!). However, to avoid foundation claims specifically, there are certain elements you should draw particular attention to during your inspection and in your inspection report:

NEGATIVE GRADING: A negative grade occurs when, due to the soil's angle, water naturally flows toward the house. As a home inspector, you're required to identify the basic grading on the site directly adjacent to the structure. When you look at the soil, does it slope away from or toward the house? Or is the soil flat?

ABSENT GUTTERS: It's important to identify the existence or absence of gutters. If gutters are present, how does the guttering system siphon water away so that it doesn't pool or pond?

CRACKS: A small percentage of foundation claims involve defects in the workmanship, such as the engineering or architectural design specifications of the home. Concrete naturally cracks and most foundations built more than 40 years ago lack rebaring enforcement to limit cracking. Some older homes have foundations made of unreinforced cinder block, which has a tendency to crack.

When it comes to foundation cracks, size does not matter. Foundation cracks are not, and should never be described to be, "typical." Whether it's in the basement wall or above a window, if you see a crack, identify it in your report and be sure to include a photograph.

Do not give in to the temptation to weigh in on whether or not a crack is "serious" in nature. Because the majority of foundation damage begins where you cannot see, it's not always possible to assess a crack's severity by eye. Without being an alarmist, you can effectively report foundation cracks and invite clients to seek further evaluation by a structural engineer. Doing so protects not just you, but the client as well.

INACCESSIBLE CRAWLSPACES: To catch foundation issues early, it's essential to observe all of the accessible crawlspace stem walls and foundation components, as well as the home's exterior. Ask yourself what elements of the foundation are visually identifiable and be sure to inspect those areas carefully.

If you cannot access the entire crawlspace, you must say so in your report, and you should document any obstructions so that you can prove the inaccessibility and stifle negligence allegations that could surface later. Depending on the amount of crawlspace you cannot inspect, you may consider recommending further evaluation from a foundation contractor, who operates under different standards.

SUSPICIOUS ACTIVITY: As stated previously, foundation issues aren't just easy to miss, they're easy to cover up. If you want to avoid meritless accusations, you need to inspect defensively.

Be aware of what's going on around you. With more experience inspecting properties, you'll get a better idea of normal and abnormal inspection conditions. Does it smell like fresh paint in the basement? Was the floor just carpeted? Are those present at the inspection (for example, the real estate agent, the seller or the buyer) actively drawing your attention away from the inspection?

None of these scenarios are incriminating on their own. However, when you add them up, they should give you pause. Ask questions. Make sure there's nothing inhibiting you from doing your job. And if it isn't possible to appropriately inspect a property due to adverse conditions, inspect it on another day or not at all.

GET CLAIMS PROTECTION

After establishing that there's foundation damage, it's important to clearly communicate your findings to the client. Inspectors recommend emphasizing the limitations of an inspection and explaining their findings in terms the client can understand.

Even if you do everything right, you can still get a foundation damage claim. That's why it's essential to carry errors and omissions insurance (E&O) for defense and payout help. Contact your InspectorPro broker or submit an application (https://www.inspectorproinsurance.com/application/?utm_source=ASHI%20Reporter&utm_medium=Referral&utm_campaign=Claim%201) with us to receive a quote at no obligation.

UP NEXT MONTH: MOLD CLAIMS

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