ASSEMBLY BILL NO. 133-ASSEMBLYMAN DINI

FEBRUARY 14, 2001

Referred to Committee on Judiciary

SUMMARY—Revises various provisions regarding claims against contractors for constructional defects and against design professionals for professional negligence. (BDR 3-667)

FISCAL NOTE: Effect on Local Government: No.

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Effect on the State: No.

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EXPLANATION – Matter in *bolded italics* is new; matter between brackets [omitted material] is material to be omitted.

AN ACT relating to real property; requiring a claimant to provide notice concerning constructional defects to a contractor and allow the contractor to make repairs before commencing an action against the contractor; requiring an affidavit in support of an action for professional negligence against a design professional; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. Chapter 40 of NRS is hereby amended by adding thereto the provisions set forth as sections 2, 3 and 4 of this act.

Sec. 2. Except as otherwise provided in NRS 40.670:

4 1. Before a claimant may commence an action against a contractor 5 for damages arising from a constructional defect, the claimant must give written notice by certified mail, return receipt requested, to the contractor, at the contractor's last address listed in the records of the 8 state contractors' board, or at the contractor's last known address if his address is not listed in the records of the state contractors' board, specifying in reasonable detail the defects or any damages or injuries to 10 each residence or appurtenance that is the subject of the claim. The 11 notice must describe in reasonable detail the cause of the defects if the 12 cause is known, the nature and extent that is known of the damage or 13 injury resulting from the defects and the location of each defect within 15 each residence or appurtenance to the extent known. An expert opinion concerning the cause of the defects and the nature and extent of the 16 damage or injury resulting from the defects based on a representative 17 sample of the components of the residences and appurtenances involved 18 in the action satisfies the requirements of this subsection.



- 2. Except as otherwise provided in NRS 40.672, a contractor who receives notice of a constructional defect pursuant to subsection 1 may make the repairs necessary to remedy the defects and repair any damage or injury to the residence or appurtenance described in the notice. The contractor shall complete any such repairs within a reasonable time, but in any event:
- (a) If the constructional defect is not part of a complex matter, not later than 45 days after receiving the notice; or
- (b) If the constructional defect is part of a complex matter, not later than 90 days after receiving the notice, unless the claimant and the contractor agree in writing to extend the time for completing the repairs in which case the repairs must be completed

not later than the time set forth in the agreement.

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- 3. In making repairs pursuant to subsection 2, the contractor shall:
- (a) Make the repairs at reasonable times that are agreed to in advance by the claimant, or by the owner of the residence or appurtenance if the claimant is a representative of a homeowner's association;
- (b) Ensure that all of the work to make the repairs is completed by contractors and subcontractors who are properly licensed, bonded and insured;
- (c) Take any action necessary to prevent a mechanic's lien from being obtained on the property of the claimant on which the repairs are being made, to remove such a mechanic's lien if one is obtained, and to indemnify the claimant against any expenses incurred by the claimant concerning such a mechanic's lien; and
- (d) Provide to the claimant a written report of each repair made, the method used to make the repair and the parts replaced in making such repairs.
- 4. The claimant shall allow the contractor a reasonable opportunity to make repairs pursuant to subsection 2.
- 5. If the claimant is not satisfied with the repairs made pursuant to subsection 2 or NRS 40.672 or the contractor does not make the repairs within the time set forth in subsection 2 or within the time agreed to in writing by the claimant and the contractor, the claimant may commence an action governed by NRS 40.600 to 40.695, inclusive, against the contractor for a constructional defect or any damages or injuries that were specified in the notice provided to the contractor pursuant to subsection 1.
- 6. If the contractor does not take action to make repairs or attempt to make repairs described in subsection 2 within the time set forth in subsection 2 or within the time agreed to in writing by the claimant and the contractor, the contractor waives any other right that is provided by contract, statute or warranty to compel the repair of a constructional defect described in the notice.
- 7. Nothing in this section affects the ability of claimants to maintain a class action for constructional defects against a contractor.
- Sec. 3. 1. Except as otherwise provided in subsection 2, in an action for the professional negligence of a design professional, including, without limitation, an action filed pursuant to NRS 40.600 to



40.695, inclusive, and sections 2, 3 and 4 of this act, concurrently with the service of the first pleading in an action, the attorney for the complainant shall file an affidavit with the court stating that the attorney:

(a) Has reviewed the facts of the case;

- (b) Has consulted with a design professional who practices in this state or who teaches at an accredited college or university in this state in a discipline relevant to the action and naming the design professional consulted;
- (c) Reasonably believes the design professional who was consulted is knowledgeable in the relevant discipline involved in the action; and
- (d) Has concluded on the basis of his review and the consultation with the design professional that the action has a reasonable basis in law and fact.
- 2. The attorney for the complainant may file the affidavit required pursuant to subsection 1 at a later time if he could not consult with a design professional and prepare the affidavit before filing the action without causing the action to be impaired or barred by the statute of limitations or repose. If the attorney must submit the affidavit late, he shall file an affidavit concurrently with the service of the first pleading in the action stating his reason for failing to comply with subsection 1 and the attorney shall consult with a design professional and file the affidavit required pursuant to subsection 1 not later than 45 days after filing the action.
- 3. In addition to the statement included in the affidavit pursuant to subsection 1, a report must be attached to the affidavit. Except as otherwise provided in subsection 4, the report must be prepared by the design professional consulted by the attorney and include, without limitation:
 - (a) The resumé of the design professional;
- (b) A statement that the design professional is licensed or registered in this state and is experienced in each discipline which is the subject of the report;
- (c) A copy of each nonprivileged document reviewed by the design professional in preparing his report, including, without limitation, each record, report and related document that the design professional has determined is relevant to the allegations of negligent conduct that are the basis for the action;
- (d) The conclusions of the design professional and the basis for the conclusions; and
- (e) A statement that the design professional has concluded that there is a reasonable basis for filing the action.
- 4. In an action brought by a claimant in which an affidavit is required to be filed pursuant to subsection 1:
- (a) The report required pursuant to subsection 3 is not required to include the information set forth in paragraphs (c) and (d) of subsection 3 if the claimant or his attorney files an affidavit, at the time that the affidavit is filed pursuant to subsection 1, stating that he made reasonable efforts to obtain the nonprivileged documents described in



paragraph (c) of subsection 3, but was unable to obtain such documents before filing the action;

- (b) The claimant or his attorney shall amend the report required pursuant to subsection 3 to include any documents and information required pursuant to paragraph (c) or (d) of subsection 3 as soon as reasonably practicable after receiving the document or information; and
- (c) The court may dismiss the action if the claimant and his attorney fail to comply with the requirements of paragraph (b).
- 5. A complainant whose attorney files an affidavit pursuant to subsection 1 who does not prevail in the action is liable for the reasonable attorney's fees and costs of the design professional or the partnership, corporation, limited-liability company or other form of business organization or association that employed the design professional against whom the action was brought from the time of the filing of the statement.
- 6. A design professional consulted by an attorney to prepare an affidavit pursuant to this section must not be a party to the action.
- 7. As used in this section, "design professional" means a person who holds a professional license or certificate issued pursuant to chapter 623, 623A or 625 of NRS, or a person who is engaged in the practice of professional engineering, land surveying, architecture or landscape architecture.
- Sec. 4. 1. The court shall dismiss an action for the professional negligence of a design professional or of a partnership, corporation, limited-liability company or other form of business organization or association that employed a design professional at the times relevant to the action if the attorney for a complainant fails to:
 - (a) File an affidavit required pursuant to section 3 of this act;
- (b) File a report required pursuant to subsection 3 of section 3 of this act; or
- (c) Name the design professional consulted in the affidavit required pursuant to subsection 1 of section 3 of this act.
- 2. The fact that an attorney for a complainant has complied or failed to comply with the provisions of section 3 of this act is admissible in the action.
 - **Sec. 5.** NRS 40.600 is hereby amended to read as follows:
- 40.600 As used in NRS 40.600 to 40.695, inclusive, *and sections 2, 3* and 4 of this act, unless the context otherwise requires, the words and terms defined in NRS 40.605 to 40.630, inclusive, have the meanings ascribed to them in those sections.
 - **Sec. 6.** NRS 40.645 is hereby amended to read as follows:
 - 40.645 Except as otherwise provided in this section and NRS 40.670:
- 1. For a claim that is not a complex matter, if a contractor does not take action to make repairs or attempt to make repairs pursuant to subsection 2 of section 2 of this act within the time set forth in subsection 2 of section 2 of this act or within the time agreed to in writing by the claimant and the contractor, at least 60 days before a claimant commences an action against a contractor for damages arising from a constructional defect, the claimant must give written notice by certified mail, return



receipt requested, to the contractor, at the contractor's last known address, specifying in reasonable detail the defects or any damages or injuries to each residence or appurtenance that is the subject of the claim. The notice must describe in reasonable detail the cause of the defects if the cause is known, the nature and extent that is known of the damage or injury resulting from the defects and the location of each defect within each residence or appurtenance to the extent known. An expert opinion concerning the cause of the defects and the nature and extent of the damage or injury resulting from the defects based on a representative sample of the components of the residences and appurtenances involved in the action satisfies the requirements of this section. During the 45-day period after the contractor receives the notice, on his written request, the contractor is entitled to inspect the property that is the subject of the claim to determine the nature and cause of the defect, damage or injury and the nature and extent of repairs necessary to remedy the defect. The contractor shall, before making the inspection, provide reasonable notice of the inspection and shall make the inspection at a reasonable time. The contractor may take reasonable steps to establish the existence of the defect.

- 2. If a residence or appurtenance that is the subject of the claim is covered by a homeowner's warranty that is purchased by or on behalf of a claimant pursuant to NRS 690B.100 to 690B.180, inclusive, a claimant shall diligently pursue a claim under the contract.
- 3. Within 60 days after the contractor receives [the notice,] notice pursuant to subsection 1, the contractor shall make a written response to the claimant. The response:
- (a) Must be served to the claimant by certified mail, return receipt requested, at the claimant's last known address.
- (b) Must respond to each constructional defect set forth in the claimant's notice, and describe in reasonable detail the cause of the defect, if known, the nature and extent of the damage or injury resulting from the defect, and, unless the response is limited to a proposal for monetary compensation, the method, adequacy and estimated cost of any proposed repair.
 - (c) May include :

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- (1) Al a proposal for monetary compensation, which may include a contribution from a subcontractor.
- [(2) If the contractor or his subcontractor is licensed to make the repairs, an agreement by the contractor or subcontractor to make the repairs.
- (3) An agreement by the contractor to cause the repairs to be made, at the contractor's expense, by another contractor who is licensed to make the repairs, bonded and insured.
- The repairs must be made within 45 days after the contractor receives written notice of acceptance of the response, unless completion is delayed by the claimant or by other events beyond the control of the contractor, or timely completion of the repairs is not reasonably possible. The claimant and the contractor may agree in writing to extend the periods prescribed by this section.]



- 4. Not later than 15 days before the mediation required pursuant to NRS 40.680 and upon providing 15 days' notice, each party shall provide the other party, or shall make a reasonable effort to assist the other party to obtain, all relevant reports, photos, correspondence, plans, specifications, warranties, contracts, subcontracts, work orders for repair, videotapes, technical reports, soil and other engineering reports and other documents or materials relating to the claim that are not privileged.
- 5. If the claimant is a representative of a homeowner's association, the association shall submit any response made by the contractor to each member of the association.
- 6. As used in this section, "subcontractor" means a contractor who performs work on behalf of another contractor in the construction of a residence or appurtenance.
 - **Sec. 7.** NRS 40.650 is hereby amended to read as follows:
- 40.650 1. If a claimant unreasonably rejects a reasonable written offer of settlement made as part of a response made pursuant to NRS 40.645 or 40.682 or does not permit the contractor or independent contractor a reasonable opportunity to repair the defect pursuant to [an accepted offer of settlement] section 2 of this act and thereafter commences an action governed by NRS 40.600 to 40.695, inclusive, the court in which the action is commenced may:
 - (a) Deny the claimant's attorney's fees and costs; and
 - (b) Award attorney's fees and costs to the contractor.

Any sums paid under a homeowner's warranty, other than sums paid in satisfaction of claims that are collateral to any coverage issued to or by the contractor, must be deducted from any recovery.

2. If a contractor fails to:

- (a) Make an offer of settlement;
 - (b) Make a good faith response to the claim asserting no liability;
 - (c) Complete, in a good and workmanlike manner, the repairs (specified n an accepted offer;) he makes pursuant to section 2 of this act;
 - (d) Agree to a mediator or accept the appointment of a mediator pursuant to NRS 40.680 or subsection 4 of NRS 40.682; or
 - (e) Participate in mediation,
 - the limitations on damages and defenses to liability provided in NRS 40.600 to 40.695, inclusive, do not apply and the claimant may commence an action without satisfying any other requirement of NRS 40.600 to 40.695, inclusive.
 - 3. If coverage under a homeowner's warranty is denied by an insurer in bad faith, the homeowner and the contractor have a right of action for the sums that would have been paid if coverage had been provided, plus reasonable attorney's fees and costs.
 - **Sec. 8.** NRS 40.667 is hereby amended to read as follows:
- 40.667 1. Except as otherwise provided in subsection 2, a written waiver or settlement agreement executed by a claimant after a contractor has corrected or otherwise repaired a constructional defect does not bar a claim for the constructional defect if it is determined that the contractor failed to correct or repair the defect properly.



- 2. The provisions of subsection 1 do not apply to any written waiver or settlement agreement described in subsection 1, unless:
- (a) The claimant has obtained the opinion of an expert concerning the constructional defect;
- (b) The claimant has provided the contractor with a written notice of the defect pursuant to NRS 40.645 [or 40.682], 40.682 or section 2 of this act and a copy of the expert's opinion; and
- (c) The claimant and the contractor have complied with the requirements for inspection and repair as provided in NRS 40.600 to 40.695, inclusive.
- 3. If a claimant does not prevail in any action which is not barred pursuant to this section, the court may:
- (a) Deny the claimant's attorney's fees, fees for an expert witness or costs; and
 - (b) Award attorney's fees and costs to the contractor.

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- **Sec. 9.** NRS 40.682 is hereby amended to read as follows:
- 40.682 Except as otherwise provided in this section and NRS 40.670:
- 1. Notwithstanding the provisions of subsection 1 of NRS 40.680, a claimant may commence an action in district court in a complex matter. If the claimant commences an action in district court he shall:
 - (a) File and serve the summons and complaint as required by law; and
- (b) At If a contractor does not take action to make repairs or attempt to make repairs pursuant to subsection 2 of section 2 of this act within the time set forth in subsection 2 of section 2 of this act or within the time agreed to in writing by the claimant and the contractor, at the same time and in the same manner as the claimant serves the summons and complaint upon the contractor, serve upon the contractor a written notice specifying in reasonable detail, to the extent known, the defects and any damages or injuries to each residence or appurtenance that is the subject of the claim. The notice must describe in reasonable detail each defect, the specific location of each defect, and the nature and extent that is known of the damage or injury resulting from each defect. If an expert opinion has been rendered concerning the existence or extent of the defects, a written copy of the opinion must accompany the notice. An expert opinion that specifies each defect to the extent known, the specific location of each defect to the extent known, and the nature and extent that is known of the damage or injury resulting from each defect, based on a valid and reliable representative sample of the residences and appurtenances involved in the action, satisfies the requirements of this section.
- 2. The contractor shall file and serve an answer to the complaint as required by law.
- 3. Not later than 30 days after the date of service of the answer to the complaint, the contractor and claimant shall meet to establish a schedule for:
- (a) The exchange of or reasonable access for the other party to all relevant reports, photos, correspondence, plans, specifications, warranties, contracts, subcontracts, work orders for repair, videotapes, technical reports, soil and other engineering reports and other documents or materials relating to the claim that are not privileged;



(b) The inspection of the residence or appurtenance that is the subject of the claim to evaluate the defects set forth in the notice served pursuant to subsection 1; and

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- (c) The conduct of any tests that are reasonably necessary to determine the nature and cause of a defect or any damage or injury, and the nature and extent of repairs necessary to remedy a defect or any damage or injury. The party conducting the test shall provide reasonable notice of the test to all other parties and conduct the test at a reasonable time.
- 4. At the meeting held pursuant to subsection 3, the claimant and contractor shall:
- (a) Establish a schedule for the addition of any additional parties to the complaint or to file any third-party complaint against an additional party who may be responsible for all or a portion of the defects set forth in the notice served pursuant to subsection 1;
- (b) Unless the claimant and contractor agree otherwise in writing, select a mediator and proceed with mediation as provided in subsections 2 to 6, inclusive, of NRS 40.680; and
- (c) If the claimant and contractor agree, select a special master and jointly petition the court for his appointment pursuant to subsection 7.
- 5. Each party added to the complaint or against whom a third-party complaint is filed pursuant to subsection 4 shall file and serve an answer as required by law.
- 6. If the claimant or contractor adds a party to the complaint or files a third-party complaint, then not later than 60 days after the date determined pursuant to paragraph (a) of subsection 4, the contractor, claimant and each party added to the complaint or against whom a third-party complaint is filed shall meet to establish a schedule for the activities set forth in paragraphs (a), (b) and (c) of subsection 3.
- 7. If a special master has not been appointed, the contractor, claimant or a party added to the complaint or against whom a third-party complaint is filed may petition the court for the appointment of a special master at any time after the meeting held pursuant to subsection 3. The special master may:
 - (a) Take any action set forth in subsection 4 of NRS 40.680;
- (b) Exercise any power set forth in Rule 53 of the Nevada Rules of Civil Procedure; and
- (c) Subject to the provisions of NRS 40.680, if the parties fail to establish a schedule or determine a date as required in subsection 3, 4 or 6, establish the schedule or determine the date.
- 8. Unless the mediation required pursuant to paragraph (b) of subsection 4 is completed or the contractor and claimant have agreed in writing not to mediate the claim pursuant to paragraph (b) of subsection 4, a party shall not propound interrogatories or requests for admission, take a deposition or file a motion that is dispositive of the action except:
 - (a) Upon agreement of the parties; or
 - (b) With the prior approval of the court or special master.
- 9. If a residence or appurtenance that is the subject of the claim is covered by a homeowner's warranty that is purchased by or on behalf of a



claimant pursuant to NRS 690B.100 to 690B.180, inclusive, a claimant shall diligently pursue a claim under the contract.

- 10. Unless the parties agree otherwise, not less than 60 days before the date of the mediation pursuant to paragraph (b) of subsection 4 is convened, the contractor shall make a written response to the claimant that meets the requirements set forth in subsection 3 of NRS 40.645.
- 11. If the claimant is a representative of a homeowner's association, the association shall submit any response made by the contractor to each member of the association in writing not more than 30 days after the date the claimant receives the response.
- 12. The claimant shall respond to the written response of the contractor within 45 days after the response of the contractor is mailed to the claimant

Sec. 10. NRS 40.688 is hereby amended to read as follows:

- 40.688 1. If a claimant attempts to sell a residence that is or has been the subject of a claim governed by NRS 40.600 to 40.695, inclusive, or the subject of a notice given pursuant to section 2 of this act, he shall disclose, in writing, to any prospective purchaser of the residence, not less than 30 days before the close of escrow for the sale of the residence or, if escrow is to close less than 30 days after the execution of the sales agreement, then immediately upon the execution of the sales agreement or, if a claim is initiated or a notice is given less than 30 days before the close of escrow, within 24 hours after giving written notice to the contractor pursuant to section 2 of this act, subsection 1 of NRS 40.645 or subsection 1 of NRS 40.682:
- (a) All notices given by the claimant to the contractor pursuant to NRS 40.600 to 40.695, inclusive, that are related to the residence;
- (b) All opinions the claimant has obtained from experts regarding a constructional defect that is or has been the subject of the claim;
- (c) The terms of any settlement, order or judgment relating to the claim; and
- (d) A detailed report of all repairs made to the residence by or on behalf of the claimant as a result of a constructional defect that is or has been the subject of the claim.
- 2. Before taking any action on a claim pursuant to NRS 40.600 to 40.695, inclusive, *or giving notice pursuant to section 2 of this act*, the attorney for a claimant shall notify the claimant in writing of the provisions of this section.
 - **Sec. 11.** NRS 40.692 is hereby amended to read as follows:
- 40.692 If, after complying with the procedural requirements of *section* 2 of this act and NRS 40.645 and 40.680, or NRS 40.682, a claimant proceeds with an action for damages arising from a constructional defect:
- 1. The claimant and each contractor who is named in the original complaint when the action is commenced are not required, while the action is pending, to comply with the requirements of *section 2 of this act*, NRS 40.645 or 40.680, or NRS 40.682, for any constructional defect that the claimant includes in an amended complaint, if the constructional defect:
 - (a) Is attributable, in whole or in part, to such a contractor;



- (b) Is located on the same property described in the original complaint; and
- (c) Was not discovered before the action was commenced provided that a good faith effort had been undertaken by the claimant.
- 2. The claimant is not required to give written notice of a defect pursuant to subsection 1 of NRS 40.645 or subsection 1 of NRS 40.682 to any person who is joined to or intervenes in the action as a party after it is commenced. If such a person becomes a party to the action:
- (a) For the purposes of subsection 1 of NRS 40.645 or subsection 1 of NRS 40.682, the person shall be deemed to have been given notice of the defect by the claimant on the date on which the person becomes a party to the action; and
- (b) The provisions of NRS 40.600 to 40.695, inclusive, apply to the person after that date.
 - **Sec. 12.** NRS 40.695 is hereby amended to read as follows:
- 40.695 1. Except as otherwise provided in subsection 2, statutes of limitation or repose applicable to a claim based on a constructional defect governed by NRS 40.600 to 40.695, inclusive, are tolled from the time notice of the claim is given [1] or notice of a defect, damage or injury is given pursuant to section 2 of this act, until 30 days after mediation is concluded or waived in writing pursuant to NRS 40.680 or subsection 4 of NRS 40.682.
 - 2. Tolling under this section applies:

- (a) Only to a claim that is not a complex matter.
- (b) To a third party regardless of whether the party is required to appear in the proceeding.
- **Sec. 13.** The amendatory provisions of this act do not apply to a claim initiated or an action commenced pursuant to NRS 40.600 to 40.695, inclusive, and sections 2, 3 and 4 of this act, unless the claim was initiated or the action was commenced on or after October 1, 2001.



