

Policyholder Playbook Episode 44: General Liability Policies Can Cover Breach-of-Contract Claims

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Quick Overview of the Play – A recent Oregon Supreme Court opinion highlights a common policyholder misconception: that general liability policies do not cover breach-of-contract claims. The truth is that many breach-of-contract claims may be covered by general liability policies. It all depends on the facts.

The best policyholder advocates know that, when it comes to questions of insurance coverage, few answers are black and white. That includes the question of whether breach-of-contract claims may be covered by a general liability policy. Many consumers and sellers of insurance believe that breach-of-contract claims are *not* covered by general liability policies, including because of contractual liability exclusions that are commonly found in such policies. But a recent decision issued by the Oregon Supreme Court highlights that, in at least some instances, general liability policies may indeed cover breach-of-contract claims. This is why it is important to take every claim denial with a grain of salt and to evaluate it on its merits—not based upon assumptions, hunches or a general understanding of what a particular type of policy is “supposed” to cover.

In *Twigg v. Admiral Insurance Co.*, the Oregon Supreme Court considered whether breach-of-contract claims asserted against an insured contractor for home construction defects were claims that arose out of a covered “occurrence,” when the policy defined “occurrence” as, in pertinent part, an “accident.”¹ The insurer argued the claims did *not* arise out of an “accident” and thus were not covered because they arose out the insured’s alleged breach of contract—not an “accident.”² The insurer further argued that “‘accident’ is limited to unintended property damage that gives rise to an insured’s liability in tort.”³

The Oregon Supreme Court disagreed with the insurer, holding that “whether property damage is the result of an ‘occurrence’ depends not on whether an insured has been sued in tort, but on whether, by causing property damage, the insured breached a duty imposed by law, and not one solely arising from contract.”⁴ Put differently, the court concluded that:

To establish the property damage alleged here was caused by an ‘accident’ within the meaning of defendant’s CGL policy, plaintiffs were not required to formally allege a tort claim or obtain an award in tort. Rather, plaintiffs were required to establish that there was a basis in fact for imposing tort liability on [the defendant-insured], even though the same facts may have established [the defendant-insured’s] liability in contract.⁵

In sum, the Oregon Supreme Court held that, in some instances, breach-of-contract claims may be covered by a general liability policy.

The bottom line? Policyholders should never assume that certain types of claims are or are not covered by their insurance policies. Instead, each claim—and each denial—should be evaluated on

its merits, by comparing the claim (and not just its labels) against the relevant policies.

¹ 373 Ore. 445, 447 (2025).

² See *id.* at 454–56.

³ *Id.* at 456.

⁴ *Id.* at 454–55.

⁵ *Id.* at 471.