Petition for Rulemaking Under Rule 192 of the Commission’s Rules of Practice

Standardized Construction-Defect Disclosures by Publicly Traded Residential Homebuilders

Submitted by:

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Pursuant to Rule 192 of the Commission’s Rules of Practice, 17 C.F.R. § 201.192

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I. Petition for Rulemaking and Requested Action

Pursuant to Rule 192 of the Rules of Practice of the United States Securities and Exchange Commission, 17 C.F.R. § 201.192, the petition asks the Commission to establish a standardized construction-defect disclosure framework built around a minimum set of common data elements, standardized definitions, and, where appropriate, normalized measures. The purpose is to improve comparability across issuers and over time. The framework would establish a common reporting baseline for construction-defect information that is currently presented through different categories, definitions, and measures. The requested disclosure requirements would apply to all publicly traded residential homebuilders.[1]

II. Petitioner's Interest

To improve the comparability and usefulness of construction-defect disclosures by publicly traded residential homebuilders.

III. Construction-Defect Reporting Across Publicly Traded Residential Homebuilders

The analysis below relies on publicly available SEC filings and SEC filing-review correspondence. Those records show that major publicly traded residential homebuilders identify, estimate, account for, and manage construction-defect and warranty exposure. They do not report that exposure using common data elements, definitions, or measures.

Figure 1 shows the reporting variance side by side. Meritage's 2025 Form 10-K does not separately report several basic measures of construction-defect claim activity, including pending claims, new claims received during the year, claims resolved, aggregate costs associated with resolved claims, or the portion of its broader warranty reserve attributable specifically to construction-defect exposure.[2]

D.R. Horton reports several of those measures for fiscal 2025: approximately 875 pending construction-defect claims, 455 new claims, 405 resolved claims, and $57.2 million in total costs associated with the resolved claims. As of September 30, 2025, approximately 98% of D.R. Horton's legal-claims reserves related to construction-defect matters.[3] Horton investors can therefore evaluate claim volume, inflow, resolution activity, and resolution cost from the filing. Meritage investors cannot perform the same analysis from Meritage's filing. The comparison concerns disclosure and does not establish that one builder has more construction defects than another.

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1 17 C.F.R. § 201.192; U.S. Securities and Exchange Commission, Petitions for Rulemaking Submitted to the SEC, https://www.sec.gov/rules-regulations/petitions-rulemaking-submitted-to-sec

2 Meritage Homes Corp., Annual Report (Form 10-K), fiscal year ended Dec. 31, 2025, filed Feb. 13, 2026, SEC Accession No. 0000833079-26-000010, https://www.sec.gov/Archives/edgar/data/833079/000083307926000010/mth-20251231.htm

3 D.R. Horton, Inc., Annual Report (Form 10-K), fiscal year ended Sept. 30, 2025, filed Nov. 19, 2025, SEC Accession No. 0000882184-25-000081, Legal Claims and Insurance, https://www.sec.gov/Archives/edgar/data/882184/000088218425000081/dhi-20250930.htm

Figure 1. Construction-Defect Reporting Across Major Publicly Traded Residential Homebuilders

Builder	How the filing describes the exposure	How the exposure is estimated or transferred	What investors can see in 2025 reporting
Meritage Homes[4]	Home warranty and construction-defect claims are described as common in the industry and potentially costly. Meritage also identifies warranty claims and construction-defect litigation and arbitration.	Structural-warranty reserves use actuarial assistance and historical geographic loss experience. Warranty accruals generally range from 0.1% to 0.5% of sale price. The company uses subcontractor obligations, indemnification, insurance, and case-specific reserves, including a stucco-related cohort.	A $26.677 million total warranty reserve and annual warranty-reserve activity; geographic reserve methodology; a specific stucco cohort; risk-transfer arrangements; and express reference to arbitration. The filing does not separately provide pending, new, or resolved construction-defect claim counts, aggregate resolution costs, or a construction-defect-only reserve.
D.R. Horton[5]	Warranty and construction-defect claims are significant exposures associated with homes already sold, including claims that may arise years after closing.	A separate legal-claims reserve includes known and anticipated future construction-defect claims. Historical claim frequency and resolution costs are used to estimate the liability. The company also records insurance receivables and is largely self-insured for construction-defect exposure apart from contractual risk transfer.	Approximately 875 pending claims, 455 new claims, 405 resolved claims, $57.2 million in resolution costs, a $1.1436 billion legal-claims reserve with about 98% related to construction defects, known versus anticipated future claims, and estimated insurance recoveries.
PulteGroup[6]	Home warranty and construction-defect claims arise in the ordinary course of business. The majority of current construction-defect claims involve siding, windows, roofing, and foundations.	Self-insured and deductible exposure is estimated through actuarial analyses. The analyses consider existing claims, IBNR, claim frequency, severity, historical experience, industry data, and third-party recovery rates. Insurance and captive programs also transfer or retain portions of the risk.	A $259.4 million self-insured claims reserve, the vast majority related to general liability; IBNR and related expenses equal to about 74% of total general-liability reserves; frequency and severity inputs; and leading defect categories. The auditor states that the majority of the reserve relates to IBNR construction-defect exposure on previously closed homes.
Lennar[7]	Lawsuits involving homes sold are described as common in homebuilding and often allege failure to build in	A third-party actuary uses historical warranty and construction-defect data to estimate unpaid claims, claim-adjustment expenses,	The nature of common allegations, the actuarial method used for construction-defect and general-liability programs, contribution mechanisms, and a

4 Meritage Homes Corp., 2025 Form 10-K, supra note 2, Warranty Reserves; Note 16; Legal Proceedings.
5 D.R. Horton, Inc., 2025 Form 10-K, supra note 3, Legal Claims and Insurance.
6 PulteGroup, Inc., Annual Report (Form 10-K), fiscal year ended Dec. 31, 2025, filed Feb. 4, 2026, SEC Accession No. 0000822416-26-000007, Self-insured Risks and General Liability Insurance, https://www.sec.gov/Archives/edgar/data/822416/000082241626000007/phm-20251231.htm
7 Lennar Corp., Annual Report (Form 10-K), fiscal year ended Nov. 30, 2025, filed Jan. 28, 2026, SEC Accession No. 0001628280-26-003870, Legal Proceedings and Self-Insurance, https://www.sec.gov/Archives/edgar/data/920760/000162828026003870/len-20251130.htm

Builder	How the filing describes the exposure	How the exposure is estimated or transferred	What investors can see in 2025 reporting
	accordance with plans, specifications, or applicable construction codes.	and IBNR reserves. Costs may be offset through warranty reserves, third-party insurers, subcontractor insurers, and indemnity contributions.	$336.9 million self-insurance reserve reported net of expected recoveries. The filing does not provide Horton-style construction-defect claim counts.
NVR[8]	Warranty and product-liability reserves cover estimated future expenses from construction and product defects, product recalls, and litigation incidental to the homebuilding business.	Liability estimates consider historical experience, expected corrective-action costs, manufacturer and subcontractor participation, consultations with engineers, and discussions with in-house and outside counsel.	Warranty and product-liability reserve activity showing a $133.095 million beginning balance, $73.318 million provision, $89.851 million in payments, and $116.562 million ending reserve, plus the factors used to estimate corrective-action and litigation exposure. The filing does not provide construction-defect claim counts.

The accounting categories in Figure 1 are not interchangeable. The underlying construction-defect exposure, however, has common characteristics that can be reported across issuers.

Pending claims, new claims, resolved claims, resolution costs, known versus anticipated exposure, expected recoveries, claim frequency and severity, and material defect concentrations can be defined as common data elements. Those elements can be reported regardless of whether an issuer records the related liability within a warranty, legal, general-liability, product-liability, or self-insurance reserve.

Standardizing those elements would establish a comparable baseline. Each issuer could then provide the additional qualitative and quantitative information necessary to explain its particular construction-defect exposure.

Meritage illustrates the consequence of this reporting variance. For the fiscal year ended December 31, 2025, it reported a beginning warranty reserve of $32.693 million, $18.582 million in additions from new-home deliveries, $24.598 million in warranty claims, no adjustment to pre-existing reserves, and an ending reserve of $26.677 million. Its structural-warranty reserve is estimated with actuarial assistance, and the accrual generally ranges from 0.1% to 0.5% of a home's sale price depending on geographic loss history. Meritage also identifies case-specific reserves for alleged stucco defects in certain homes constructed predominantly between 2015 and 2019.[9] Meritage uses claim and loss information in its geographic reserve methodology. In addition, it reassesses estimates as claims develop, incorporates expected recoveries, and identifies some defect cohorts.

8 NVR, Inc., Annual Report (Form 10-K), fiscal year ended Dec. 31, 2025, filed Feb. 11, 2026, SEC Accession No. 0000906163-26-000018, Warranty and Product Liability Reserves, https://www.sec.gov/Archives/edgar/data/906163/000090616326000018/nvr-20251231.htm
9 Meritage Homes Corp., 2025 Form 10-K, supra note 2, Warranty Reserves; Note 1; Note 16.

However, its investors do not receive Horton's view of claim activity. Nor do they receive the IBNR, frequency, severity, and defect-category information disclosed in other forms by Pulte, Lennar, and NVR. Horton's filing connects construction-defect claim activity directly to its liability estimate. Its construction-defect exposure includes both known claims and anticipated future claims. Historical claim frequency and resolution costs are explicit inputs to the estimate.[10] Horton did not always report this level of detail. SEC staff asked for it.

10 D.R. Horton, Inc., 2025 Form 10-K, supra note 3, Legal Claims and Insurance.

IV. SEC Staff Requests for Additional Construction-Defect Information

A. D.R. Horton: Claim Activity and Resolution Costs

During its review of D.R. Horton's filings, SEC staff in the Division of Corporation Finance asked for information concerning pending construction-defect claims, claims filed during reporting periods, matters dismissed, settled or otherwise resolved, settlement costs, and expected trends.[11]

Horton explained that construction-defect matters varied in how they originated and were resolved. It also stated that it did not then maintain the detailed aggregate tracking needed to provide all of the requested statistics.

> SEC staff continued to seek the information and stated: *"we continue to believe that this information is important to investors in determining your historical and expected trends."*[12]

Horton then agreed to develop new processes to define, track, and report aggregate construction-defect claim activity. Horton proposed reporting categories that reflected how it received and resolved construction-defect claims. It reported new claims received rather than limiting the measure to formally filed claims. It also reported aggregate costs of resolved claims rather than average settlement amounts. Horton explained that rounded or approximate figures could be appropriate.

Those reporting categories remain visible in Horton's current filing, and the history supports two points. First, SEC staff considered the information important to investors. Second, Horton developed a workable reporting process even though it did not initially track the data in that form.[13]

B. PulteGroup: Defect Type, Frequency, and Severity

Pulte's filing-review history shows that SEC staff's interest was not limited to claim counts. After reviewing Pulte's construction-defect and self-insurance disclosures, SEC staff asked for more detail about the nature of the claims and the assumptions used to estimate the liability.[14]

In a June 13, 2011 comment, SEC staff directed Pulte: *"In future filings, please expand your disclosures to identify the specific nature of the claims that impacted your reserves such as water intrusion, HVAC, etc."*[15] In the same June 13, 2011 comment, SEC staff also asked Pulte to (1) quantify increases in claim frequency and severity that significantly affected its reserves and (2) explain changes in the claims-history period used in its estimate. The Horton and Pulte comment letters do not establish Commission

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11 Division of Corporation Finance, U.S. Securities and Exchange Commission, Comment Letter to D.R. Horton, Inc. (Feb. 8, 2012), SEC EDGAR correspondence file 000000000012007050, https://www.sec.gov/Archives/edgar/data/882184/000000000012007050/filename1.pdf

12 D.R. Horton, Inc., Response to Division of Corporation Finance Staff Comments (June 21, 2012), at 3, reproducing SEC Staff Comment 1(d), https://www.sec.gov/Archives/edgar/data/882184/000119312512278613/filename1.htm

13 D.R. Horton, Inc., 2025 Form 10-K, supra note 3.

14 PulteGroup, Inc., Response to Division of Corporation Finance Staff Comments (May 19, 2011), reproducing and responding to SEC staff comments, https://www.sec.gov/Archives/edgar/data/822416/000119312511145160/filename1.htm

15 PulteGroup, Inc., Response to Division of Corporation Finance Staff Comments (July 8, 2011), reproducing and responding to the staff's June 13, 2011 comment, https://www.sec.gov/Archives/edgar/data/822416/000119312511184846/filename1.htm

policy or a generally applicable disclosure requirement. They are relevant because they document quantitative and qualitative construction-defect information that SEC staff previously considered important enough to request during review of individual homebuilder filings.[16] The filing-review process can result in more detailed disclosure by an individual issuer, but it does not establish a common reporting baseline across publicly traded residential homebuilders.

V. Disclosure Variance and Investor Comparability

A. Reserves and Claim Activity Measure Different Aspects of Exposure

The reserve balance reflects what a company estimates it may need to cover. Claim activity shows how the underlying exposure is developing. For example, in its 2025 warranty-reserve activity section, Meritage reported approximately $24.6 million in "warranty claims." That amount covers broader contractual and statutory warranty obligations and is not separately identified as the cost of resolving construction-defect claims. Horton separately reports how many construction-defect claims it resolved and the aggregate cost of those resolutions.[17] Those measures answer different questions. The reported balance alone does not show whether claim inventory is growing, whether claims are being resolved faster than they arrive, or whether resolution costs are changing.

B. Known Claims, Anticipated Claims, and Expected Recoveries

The composition of the reserve also matters. Horton expressly includes known and anticipated future construction-defect claims. Pulte separately reports existing claims and IBNR exposure. Lennar reports its self-insurance reserve net of expected recoveries, and its third-party actuary estimates unpaid claims and IBNR.[18]

A liability driven primarily by known pending claims presents a different profile from one driven by claims expected to emerge later. Before expected recoveries are considered, that liability can differ substantially from the amount the company ultimately expects to bear. Insurance, subcontractor participation, and indemnification can reduce the amount retained by the issuer. Without standardized disclosure of both the liability and expected recoveries, investors cannot determine on a comparable basis how much construction-defect exposure the issuer expects to retain.

C. Defect Categories, Construction Cohorts, and Geographic Concentrations

The type and concentration of claims can matter as much as their aggregate amount. Meritage identifies a stucco-related cohort involving homes constructed predominantly between 2015 and 2019. Pulte

16 U.S. Securities and Exchange Commission, SEC Staff to Publicly Release Comment Letters and Responses, Release No. 2004-89 (June 24, 2004), https://www.sec.gov/news/press/2004-89.htm; Division of Corporation Finance, Filing Review Process, https://www.sec.gov/about/divisions-offices/division-corporation-finance/filing-review-process-corp-fin
17 Meritage Homes Corp., 2025 Form 10-K, supra note 2; D.R. Horton, Inc., 2025 Form 10-K, supra note 3.
18 D.R. Horton, Inc., 2025 Form 10-K, supra note 3; PulteGroup, Inc., 2025 Form 10-K, supra note 6; Lennar Corp., 2025 Form 10-K, supra note 7.

identifies siding, windows, roofing, and foundations as the issues underlying the majority of its construction-defect claims. SEC staff previously asked Pulte to identify specific claim types affecting its reserves.[19] A material concentration may arise from a particular defect type, construction period, building system, product, or geographic area. When it does, the filing should identify that concentration in aggregate. This would show investors what is driving the liability without disclosing individual homeowners or claims.

D. Litigation, Arbitration, and Other Resolution Mechanisms

Meritage states that it is involved in "litigation and arbitration proceedings alleging construction defects." The filing, however, does not quantify the number of construction-defect matters in either forum. It also does not disclose their aggregate financial exposure, resolution costs, or the extent to which those proceedings account for the company's overall construction-defect exposure.[20]

A general statement that litigation or arbitration exists does not show investors how significant those proceedings are to claim inventory, costs, or liabilities. When litigation, arbitration, settlement, or another formal resolution mechanism represents a material component of construction-defect exposure, aggregate reporting should identify its role and financial significance.

The requested disclosure can be aggregated. It does not require disclosure of confidential or case-specific information.

VI. Proposed Construction-Defect Reporting Standards

I ask the Commission to consider a standardized Construction-Defect Exposure and Claim Activity Disclosure for publicly traded residential homebuilders. The objective is not to produce identical results from companies with different claims experience. It is to establish a minimum set of common data elements reported under standardized definitions.

Proposed common data element	What it would show
Pending construction-defect claims as of the reporting date	Existing claim inventory.
New construction-defect claims received during the reporting period	Claim inflow.
Construction-defect claims resolved during the reporting period	Claim outflow.

19 Meritage Homes Corp., 2025 Form 10-K, supra note 2; PulteGroup, Inc., 2025 Form 10-K, supra note 6; PulteGroup, Inc., July 8, 2011 response, supra note 15.

20 Meritage Homes Corp., 2025 Form 10-K, supra note 2, Legal Proceedings and Note 16.

Proposed common data element	What it would show
Aggregate costs associated with resolved claims	Realized resolution cost.
Reserve attributable to known or reported construction-defect claims	Estimated liability associated with identified claims.
Reserve attributable to anticipated or IBNR construction-defect exposure	Estimated liability associated with claims expected but not yet reported.
Expected insurance, subcontractor, indemnification, or other recoveries	Amount and proportion of estimated construction-defect liability expected to be transferred to third parties.
Estimated construction-defect liability net of expected recoveries	Portion of estimated exposure the issuer expects to retain.
Construction-defect reserve activity during the reporting period	Additions, adjustments, and amounts charged or paid against the reserve.
Material changes in claim frequency and severity	Changes in incidence and cost.
Material defect categories, construction cohorts, building systems, or geographic concentrations	Concentrations driving the exposure.
Material changes in actuarial assumptions or methodology	Changes affecting estimated liability.
Material changes in claim-resolution patterns	Changes in how claims are resolved.
Aggregate use of litigation, arbitration, settlement, or other formal resolution mechanisms when material	Role of formal resolution channels.
Material transfers between litigation and arbitration or other formal forums	Changes in resolution channel that may affect timing or cost.

Horton’s experience demonstrates one workable approach. Claims can be reported as received rather than limited to formal filings. Resolution costs can be reported in aggregate. Its experience also shows that a builder can develop a tracking process when the information is not already maintained in the requested form.[21]

VII. Commission Authority

Rule 192 permits any person to petition the Commission for the issuance, amendment, or repeal of a rule of general application and allows the petition to state the text or substance of the proposed rule.[22]

Section 13(a) of the Securities Exchange Act authorizes periodic reporting requirements prescribed by the Commission for the protection of investors.[23]

Section 23(a) also grants the Commission rulemaking authority to carry out the Exchange Act and permits different requirements for appropriate classes of issuers.[24] The requested rule concerns that disclosure function. Publicly traded residential homebuilders already discuss construction-defect exposure, reserves, actuarial assumptions, expected recoveries, and related contingencies in periodic reports. The petition asks whether those disclosures should include a minimum set of common construction-defect data elements. Standardized definitions and normalized measures, where appropriate, would improve comparability across issuers and over time.

VIII. Scope, Privacy, and Feasibility

The Commission should define construction-defect claims for reporting purposes and establish appropriate reporting thresholds. Routine service requests and ordinary warranty work should not automatically be treated as reportable construction-defect matters.

The disclosure should be aggregated and should not require homeowner names or addresses, individual settlement terms, confidential arbitration submissions, privileged communications, attorney work product, individual engineering reports, or other case-specific information unnecessary for investor analysis. In addition, the rule should distinguish between data that can be reported directly from issuer tracking systems and amounts that necessarily involve estimation. Claim counts, claim status, payments, and transfers between resolution forums should be reported from the issuer's records.

Estimated liabilities, anticipated claims, and expected recoveries necessarily involve judgment. Those amounts should reflect management's current estimate using the methodology applied in its reserve analysis. The estimates should be updated when material changes occur. Horton initially told SEC staff that it did not maintain the detailed aggregate claim information being requested. It subsequently

21 D.R. Horton, Inc., June 21, 2012 response, supra note 12.
22 17 C.F.R. § 201.192, supra note 1.
23 Securities Exchange Act of 1934 § 13(a), 15 U.S.C. § 78m(a).
24 Securities Exchange Act of 1934 § 23(a), 15 U.S.C. § 78w(a).

developed a reporting process that remains in use.[25] Current filings from Meritage, Horton, Pulte, Lennar, and NVR show that these companies already maintain substantial construction-defect information. That information is used for claims management, actuarial analysis, accounting, insurance, and reserve estimation.[26]

In many cases, the proposed framework would standardize information already generated in the ordinary course. It would not require an entirely new dataset.

IX. Investor Value of Standardized Construction-Defect Disclosure

A standardized disclosure framework would allow investors to ask the same questions of each publicly traded residential homebuilder:

1. Are construction-defect claims increasing or decreasing?
2. Are new claims arriving faster than existing claims are being resolved?
3. Are resolution costs increasing or decreasing?
4. How much of the estimated liability relates to known claims, and how much relates to anticipated or IBNR exposure?
5. What portion of the estimated liability is expected to be recovered through insurance, subcontractors, indemnification, or other sources, and what portion does the issuer expect to retain?
6. Is a particular defect category, construction period, building system, product, or geography materially affecting the exposure?
7. Are changes in claim frequency, severity, actuarial assumptions, or methodology affecting the liability estimate?
8. What role do litigation, arbitration, settlement, or other formal resolution mechanisms play in claim inventory, timing, and resolution cost?

Those questions bear on contingent liabilities, future cash requirements, reserve adequacy, estimation uncertainty, and the development of product-related claims. The disclosures would not tell an investor which company to buy. They would allow investors to evaluate each issuer using the same reporting baseline. These disclosures are also used by lenders, insurers and reinsurers, credit analysts, researchers, policymakers, government agencies, industry participants, and consumers. A major publicly traded residential homebuilder can evaluate claims across thousands of homes and multiple communities. It can also analyze patterns by construction period, geographic market, subcontractor, material, or building system. Investors and other external users generally do not have access to that issuer-wide information.

25 D.R. Horton, Inc., June 21, 2012 response, supra note 12.
26 Meritage Homes Corp., D.R. Horton, PulteGroup, Lennar, and NVR annual reports cited supra notes 2-8.

Standardized disclosure would make a defined portion of that information available for investor analysis. It would not establish that any particular home is defective. Nor would it replace an inspection, engineering evaluation, warranty review, or other consumer due diligence. It could make broader patterns visible when the underlying information is available to the issuer but fragmented across disclosures or not separately reported. Investor disclosure remains the primary purpose. Public availability creates secondary value for other users.

X. Requested Commission Action

For these reasons, I ask the Commission to:

1. Review the Division of Corporation Finance's prior filing-review experience involving construction-defect claim activity, reserve composition, defect categories, frequency, severity, and other quantitative and qualitative information requested from individual homebuilders;
2. Examine how publicly traded residential homebuilders currently report construction-defect claims, liabilities, reserve activity, resolution costs, anticipated exposure, and expected recoveries;
3. Determine whether current disclosures provide investors with comparable and decision-useful information about construction-defect exposure across publicly traded residential homebuilders;
4. Consider requiring a Construction-Defect Exposure and Claim Activity Disclosure that would:
    a. establish standardized definitions, reporting thresholds, estimation conventions, normalization methods where appropriate, and privacy and privilege protections;
    b. require a minimum set of common data elements addressing pending claims, new claims, resolved claims, aggregate resolution costs, reserve attribution, known versus anticipated or IBNR exposure, claim frequency and severity, and material defect categories, construction cohorts, building systems, or geographic concentrations;
    c. disclose expected insurance, subcontractor, indemnification, and other recoveries, including the amount or proportion of estimated construction-defect exposure expected to be transferred and the resulting net exposure expected to be retained by the issuer;
    d. provide aggregate information concerning litigation, arbitration, settlement, and other formal resolution mechanisms when material to understanding construction-defect exposure; and
    e. identify material changes or transfers between resolution forums when relevant to the timing or cost of resolving construction-defect claims.
5. Initiate rulemaking, issue interpretive guidance, conduct further study, or take another action the Commission considers appropriate to establish a standardized reporting baseline for publicly traded residential homebuilders.

XI. Conclusion

The filings reviewed for this petition show that major publicly traded residential homebuilders already identify, estimate, and manage construction-defect exposure. Investors, however, cannot evaluate that exposure using a common set of data elements, definitions, and measures. Meritage's 2025 filing does not separately disclose pending, new, or resolved construction-defect claim counts. It also does not separately disclose aggregate construction-defect resolution costs, the portion of its reserve attributable to known versus anticipated construction-defect exposure, or the amount of expected insurance, subcontractor, or indemnification recoveries associated with that exposure.

The comparison with other major publicly traded residential homebuilders confirms the absence of a common reporting baseline. Horton provides construction-defect claim counts, resolution activity, costs, and reserve attribution. Pulte provides information about defect categories, IBNR, frequency, and severity. Lennar provides actuarial information concerning unpaid claims and IBNR and reports its self-insurance reserve net of expected recoveries. NVR provides reserve activity and the factors used to estimate corrective-action and litigation exposure. Each filing provides a different portion of the information needed to evaluate the same underlying category of exposure.[27]

SEC staff has previously requested both quantitative construction-defect claim information and qualitative information about the nature of that exposure. In its review of Horton, SEC staff requested quantitative claim activity and resolution information and stated that the information was important to investors evaluating historical and expected trends. In its review of Pulte, SEC staff requested greater qualitative detail about the nature of construction-defect claims and quantitative information about changes in frequency and severity. Those filing reviews improved individual issuer disclosure but did not create a standardized baseline across the industry.[28]

A minimum set of common construction-defect data elements and standardized definitions would provide that baseline. Normalized measures could be required where appropriate. Issuer-specific qualitative and quantitative disclosure could then explain the particular factors driving each company's exposure. The result would be more comparable and decision-useful construction-defect information across publicly traded residential homebuilders and over time.

Respectfully submitted,

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27 Meritage Homes Corp., D.R. Horton, PulteGroup, Lennar, and NVR annual reports cited supra notes 2–8.
28 D.R. Horton, Inc., June 21, 2012 response, supra note 12; PulteGroup, Inc., July 8, 2011 response, supra note 15.