

## **Managing Mold Risks**

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Insurance Exclusions for mold create the need for new insurance coverage's.

The explosive growth in mold damages claims in 2001-2002 has the entire property and liability insurance industry running for cover. All but a handful of specialty environmental insurance underwriters have issued new mold exclusions to either eliminate or severely limit the amount the insurance company will pay for mold related damages. What the insurance companies have accomplished by issuing the exclusions is to shift the cost of mold damage claims to other parts of the economy. Anyone with an indoor air/humans loss exposure combination now needs highly specialized environmental insurance covering mold.

There will be full mold exclusions on all commercial insurance policies for the foreseeable future. Some but not all homeowners and condominium owner's insurance policies will provide a sub-limit for consequential damages caused by mold if the water intrusion event is covered under the policy. Higher limits to cover mold related damages are available from some insurers for additional premium on the homeowner's policy.

Commercial insurance buyers face a different challenge. With the new exclusions in place, landlords and their vendors will no longer have any property or liability insurance coverage for new mold related damages. Environmental insurance covering mold damages is available for contractors, services providers and landlords. For building owners trying to insure their mold risk they can look to their vendors for appropriate mold insurance protection, and the owner should get their own. Where this may sound like over kill, this is the exact scenario building owners use to handle day- to-day insurance when they hire a contractor to work for them. The contractor is always asked for a certificate of insurance for General Liability and Workers Compensation. As a backstop to the contractors insurance, building owners maintain their own General Liability insurance. What is different today is the building owner and their vendors will have mold exclusions in their traditional insurance policies.

Services vendors will either need a Contractors Pollution Liability insurance policy if they are performing operations on the property or a Professional Liability policy if they are preparing reports or surveys of mold contamination. Each of these policies should specifically address mold as a covered "pollutant" in the policy form. Landlords will need their own Environmental Impairment Liability insurance policy. Although EIL is a "liability" insurance policy, it includes coverage's that are normally found in property insurance policies including

restoration and business interruption insurance for losses arising from mold contamination. By combining the contractors environmental coverage's with their own, landlords can complete the circle of insurance protection for mold damages the same way they address all other liability loss exposures. To implement these insurance strategies landlords will need to change their procurement contracts to reflect the new insurance requirements.

For more information on environmental insurance and mold risk manage see the website of the Environmental Risk Resources Association at [www.erraonline.org](http://www.erraonline.org).

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