

# MOLD AND THE INSURANCE IMPLICATIONS

## WHAT IS MOLD?

Molds are a type of fungi and are neither plant nor animal. There are over 100,000 types of mold with at least 1,000 types found in North America and live in colonies growing on food, fabric, bathroom walls, construction materials, and soil. Mold proliferates through the release of spores into the air we breathe and are not visible to the naked eye.

## **INDOOR MOLD CAUSES TWO KEY PROBLEMS...**

1. They destroy the material that they feed on, including walls, carpets, insulation, and ceilings.
2. Exposure to high concentration of certain types of mold creates health problems. For this reason, materials that are infected with mold need to be removed. In fact, mold is like a cancer, and unless it is dealt with and removed, it will continue to grow. The only way to deal with mold is to eradicate it.

## **HOW DOES MOLD GROW?**

Most buildings have mold because they offer the three ingredients mold needs to grow:



### **FOOD**

Food, which includes materials high in cellulose content such as paper and wood. Drywall, wallpaper, carpet, ceiling tiles, dust, and dirt, are also food sources for mold.



### **HEAT**

Heat, as mold spores thrive in temperatures between 32 and 120 degrees Fahrenheit. Temperatures from about 70-90 degrees are the most conducive for mold growth. Chances of mold growth are heightened greatly between those temperatures.

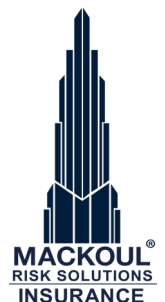


### **WATER**

Finally, water is the key ingredient. Mold can not grow without moisture. Where there is moisture, you will find mold. This is one of the reasons that leaking pipes, roofs and ceilings, sewer backups, floods, and condensation end up causing mold issues.

## **HOW DO YOU KEEP MOLD OUT OF BUILDINGS?**

As part of routine building maintenance, buildings should be inspected for evidence of water damage and visible mold. The conditions causing mold (such as water leaks, condensation, infiltration, or flooding) should be corrected to prevent mold from growing.



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## DONT SPRAY MOLD!

Killing mold is not the answer. There seems to be a misconception that getting rid of mold by applying bleach or chemicals is the answer to the problem. This is actually not the case because dead mold spores are just as harmful to the human lung as live spores.

Mold spores, like Aspergillus and Stachybotrys (black mold), are toxic in both a live form and a dead form. The key to proper mold removal is to remove all of the mold spores. If mold has been discovered, remember that some molds can be toxic and that it is best not to disturb the mold which could inadvertently release spores in the air and create even more problems. A mold specialist should be contacted for a professional assessment.

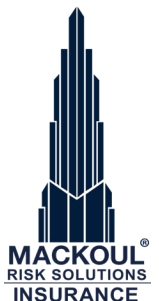
## HEALTH PROBLEMS ASSOCIATED WITH TOXIC MOLD

- Allergies
- Arthritic-like aches
- Asthma
- Bloody noses
- Chronic headaches
- Coughing
- “Crawly” feeling skin
- Depression
- Dizziness or stuffiness
- Epileptic-like seizures
- Equilibrium or balance loss
- Fatigue
- Flu-like symptoms

- Irritation of the eyes, nose or throat
- Loss of memory
- Loss of hearing
- Loss of eyesight
- Nausea
- Restlessness
- Runny nose
- Sinus congestion
- Skin rashes
- Sneezing
- Trouble breathing
- Unexplained irritability
- Upper respiratory distress

## YOU CAN CONTROL MOLD BY:

- Controlling humidity levels
- Promptly fixing leaky roofs, windows, and pipes
- Thoroughly cleaning and drying after flooding
- Ventilating shower, laundry, and cooking areas



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## HOW DOES INSURANCE PLAY A PART IN REGARDS TO MOLD?

There are two areas, excluding an Environmental policy, that coverage for Mold related claims can be found. One is under the **Commercial Property Coverage** and the other is under the **General Liability Coverage**.

### **COMMERCIAL PROPERTY**

In order to have the damage repaired and the cost of the mold clean-up or remediation covered, generally the mold must have resulted from a covered cause of loss (peril), such as water damage from a burst pipe. In addition, the insurance company must have been made aware that there was an incident that this resulted from. For example, if a pipe burst 10 months ago and a claim was not reported, then the insurance company may deny the claim for mold remediation 10 months later, citing late reporting. Once that has been established, the policy needs to be reviewed to confirm whether or not Mold is excluded.

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## WILL THE COST OF MOLD CLEAN-UP/REMEDATION BE COVERED?

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### What caused the mold to occur?

Some companies may exclude mold outright and some may not. The ones that provide Property coverage for mold only do so if the mold if resulted from a covered cause of loss, such as a burst pipe. This can cause problems as excessive humidity or condensation in some cases may not be considered a covered cause of loss and the remediation not covered, though there may be coverage for a liability suit depending on various factors.

### What state is the risk located in?

In New York, an Admitted carrier cannot exclude Mold that has resulted from a covered cause of loss. Some carriers provide coverage up to the property limit and others have a sub-limit. Most other states allow Mold exclusions. In New Jersey, Admitted carriers typically sub-limit Mold Coverage at \$15,000, though some offer the ability to purchase more for an additional premium.

### Is the carrier Admitted or Non-Admitted?

As indicated above, Admitted carriers typically provide Mold Coverage. Non-admitted carriers, since they are not licensed in that state, do not have to abide by the same laws requiring such. Typically, any policy written on a non-admitted basis will have a Mold exclusion. It will be listed in the Forms and Endorsements section as Mold Exclusion or in some cases, Fungi, Wet Rot, Dry Rot and Bacteria Exclusion. These exclusions remove coverage for remediation of mold, regardless of whether the mold resulted from a covered cause of loss.

## GENERAL LIABILITY

The property owner can be named in a lawsuit or be held negligent because of the possibility of an illness resulting from mold. This is where Mold in a General Liability policy comes into play. This is why with water damage claims, it is important that the insured almost always put a claim in timely. Otherwise, if a suit were to be filed down the road from an incident and the insurance company were not put on notice regarding the original incident, they could conceivably decline to provide a defense for the mold suit. In New York, if coverage applies, it will be up to the full General Liability limit. In New Jersey, typically the carriers exclude lawsuits related to Mold.

## OTHER INSURANCE

Most Directors & Officers Liability policies will not respond to a suit brought against the board because of a mold issue. Mold would be considered a pollutant and typically D&O policies have total pollutant exclusions. Commercial Umbrella policies typically follow form on Mold, meaning if the underlying General Liability policy is providing coverage for Mold, the Umbrella will as well. If the GL excludes Mold, then the Umbrella will also exclude it.

