

Risk Tip: Impacts of Mold Claims

Mold claims are having a serious impact throughout the environmental insurance industry. An increase in mold claims is pushing insurance companies to be more cautious when underwriting certain types of real estate risks where mold has become more prevalent. Most notably, over the past 12-18 months, there have been several seven-and-eight figure claims impacting the hospitality and habitational sectors of the real estate market. These claims not only included remediation/clean-up of mold, but also included millions of dollars in restoration costs and reimbursement for business interruption. An increase in frequency and severity of losses paid has resulted in a narrowing of terms and conditions with certain environmental insurance markets. Due to the large amount of claims paid, some insurers have erased this risk from their appetite all together.



Other markets still willing to include mold coverage for these risks are placing restrictions around the coverage, such as capital improvements exclusions or higher mold deductibles, and in the hospitality industry, “per-door” deductibles.

Preventing or containing mold can be the first step in obtaining broader coverage, and most importantly protecting your financial investment in your property. Indoor air quality exposures from mold typically result from spas, pools, hot tubs, HVAC, hot/cold water pipes, improper ventilation, and improper use of facilities. Developing and implementing a mold management plan is pertinent to obtaining coverage, particularly in certain risk types such as hospitality, habitational, and healthcare facilities.

Although, several environmental insurers have restricted mold coverage for certain classes, real estate clients can protect their balance sheets by purchasing premises pollution liability or Pollution Legal Liability (PLL) insurance. PLL coverage includes clean-up of pollution conditions including mold as well as third party liability for bodily injury and property damage resulting from the exposure to pollution conditions and legal defense. As discussed above, coverage for replacement costs and business interruption/extra expense is still readily available as well.