

Connecticut Regulators' Guidelines Set Limits on Mold

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HARTFORD, Conn. (BestWire) - Connecticut regulators released guidelines that set limits on first- and third-party insurance coverage for mold-related damage, responding to requests from almost all commercial property/casualty and homeowners insurers to include limits in their policies for mold.

The majority of companies filed for restrictions or limitations, said Kate Kiernan-Pagani, a spokeswoman for the Connecticut Insurance Department, but she

didn't immediately know the numbers of companies that made the filings or which ones. Insurers pointed to the dramatic change in mold-related claim frequency in Texas and California, and some feared that it could expand to other states, including Connecticut. Some companies will have to refile to be in compliance.

The department made no changes to caps as they relate to fire or lightning claims, she said. Its guidelines said policies couldn't exclude or limit coverage for losses or remediation of mold stemming from water damage following

a fire or lightning strike.

For other perils, however, the department set coverage limit amounts at \$10,000 for first-party coverage and \$50,000 for third-party coverage.

However, the National Association of Independent Insurers would like to see

the third-party coverage limits lower. "It seems like it could lead to frivolous litigation," said Gerald Zimmerman, senior counsel at the NAI. It would have been better if the third-party limits matched the first-party limits at \$10,000, he said.

"Insurance companies have all seen in the last decade how litigation costs can quickly add up," Zimmerman said. "These days, it seems like a pot of money drives litigation, not necessarily an injury."

Zimmerman said that he wasn't aware of a dramatic increase of mold claims in the state, but some have been filed. "And it's safe to say that three to five years ago there were probably none," he said.

From coast to coast, insurers have been trying to clarify coverage related to mold. In Washington state, Allstate Insurance limited mold coverage to \$5,000 above the cost of repair for what caused the mold problem. State Farm clarified its policy language and

limited coverage to sudden or accidental events without capping mold expenses (BestWire, Aug. 21, 2002).

The Florida Department of Insurance received more than 200 filings for mold exclusions or coverage limits, and it held a series of three hearings on the issue (BestWire, Aug. 22, 2002).

The top five writers of homeowners multiperil insurance in Connecticut by market share, according to 2001 state/line reports by A.M. Best Co., were: Allstate Insurance Group, with a 10.8% market share; Travelers/Citigroup Cos., with 10.4%; Chubb Group of Insurance Companies, with 8.3%; Hartford Insurance Group, with 6.3%, and Nationwide Group, with 6%.

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