

Mold Coverage Rules Tighten
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Many Connecticut consumers will end up with less insurance for mold damage, and some businesses will lose coverage for mold-related liability claims under a long-awaited decision by regulators.

The guidelines the Connecticut Insurance Department released this week follow a deluge of requests by insurers to drop or limit mold coverage, with some planning to offer it as an option for additional premiums.

Mold claims have skyrocketed in some states, such as Texas and Florida, driving up their insurance rates. Although insurance companies say they've received relatively few mold claims so far in Connecticut, many want to protect themselves by changing policy language here and around the nation.

Connecticut regulators will allow some - but not all - of the restrictions proposed by insurers.

Insurers will still have to pay homeowners and businesses for mold damage, cleanup and testing if it's the result of a fire or lightning. Those accidents can lead to water entering a building and providing the damp conditions for mold to grow.

But for mold claims that stem from other causes, insurance companies will be permitted to limit the amount they pay under a homeowner's or commercial property policy to as little as \$10,000 a year.

Previously, there weren't special limits on mold, although insurers say policies were meant to pay only when mold results from something accidental, not from poor home maintenance.

Now there will also be limits on mold coverage in liability insurance, which protects policyholders from the costs of lawsuits.

Insurers, for instance, will be allowed to put an annual limit as low as \$50,000 into homeowners' policies on what will be paid for mold-related liability claims. Mold liability coverage can't be excluded altogether from homeowners', other dwelling, and personal liability policies, the insurance department says.

For businesses, though, insurers can exclude or limit coverage as they wish for mold-related liability claims, the department says.

The guidelines apply to bacteria as well as mold.

"We believe the guidelines reflect the reasonable needs for coverage of consumers as well as the needs of the industry to identify the exposure they have to loss," said Walter Bell, director of the insurance department's property and casualty division.

"While claims related to mold have existed in property policies for years,"

Bell said, "the explosion of claims in certain states, such as Texas, has made everyone concerned about the potential impact in other states for this type of a claim."

Connecticut regulators will now review insurers' filings on mold coverage and approve the restrictions that meet the department's guidelines. Once approved, the changes would take effect upon renewal of policies.

The changes are expected to be widespread because there have been filings by many individual companies as well as an industry organization that develops model policy language.

The insurance department has warned insurers that property policies "may not unreasonably restrict" the time within which a policyholder must report a mold claim. One company filed an unacceptable proposal to require reporting of a mold claim within 48 hours of the incident that caused it, Bell recalled.

The mold guidelines are posted on the insurance department's website at www.state.ct.us/cid/ under "What's New & What's Hot!!!!"