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Posted on Sat, Jul. 27, 2002

The Charlotte Observer**COMMENTARY****Insurers put cap on mold payouts**

ALLEN NORWOOD

Companies that sell homeowners insurance in North Carolina, reacting to the growing hubbub about mold, won permission to limit coverage for mold damage to \$5,000.

Major companies, including Allstate, Nationwide and State Farm, have been petitioning states to let them exclude or limit mold coverage. They're reacting to huge claims by homeowners and, in particular, a \$32 million judgment against an insurer in an Austin, Texas, mold case.

The N.C. Rate Bureau, an insurance group that represents the industry in dealings with the state's Department of Insurance, asked for the \$5,000 cap in November. It was approved in December and went into effect May 1.

The request was in response to the situation in Texas, not because of a particular problem here in North Carolina, said Tim Lucas of the Rate Bureau.

"We wanted to move quickly to put a cap in," said Lucas, personal lines manager for the bureau. "The \$5,000 cap... seemed to be something the industry could live with, as well

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as the public."

The change won't affect insurance rates.

Mold is covered when it's related to something else that's covered. For instance, if there's a fire or other accident and moisture gets in and causes mold, that's covered. The mold repair portion of that expense would be capped at \$5,000, Lucas said.

Insurance policies don't cover long-term leaks or moisture caused by lack of maintenance, though. That's what the industry calls "seepage and leakage," Lucas said. N.C. policies excluded such coverage for years, and then added coverage in the mid-1990s. It was excluded again May 1.

So if you ignore a bathroom leak that causes mold, that won't be covered.

Lucas said the Rate Bureau considered but rejected the idea of allowing homeowners to buy mold coverage for an additional fee. Only homeowners with reason to believe they needed mold coverage would buy it, the bureau decided, which would make the cost prohibitive.

The Texas Department of Insurance allowed insurance companies to phase out mold coverage in new homeowners policies, according to The New York Times -- and then offer "enhanced water coverage" at an average annual cost of \$2,000.

Mold isn't new. What's new, according to some experts, is that today's houses are tighter than ever, trapping moisture and making them more susceptible to mold. And that claims and lawsuits are up: Texas insurers paid \$1.2 billion in mold

claims last year. (Yes, that's "billion" with a "B.")

And insurance companies aren't the only ones reacting.

Realtors, for instance, are wrestling with how they should handle the mold issue when representing buyers and sellers.

"(Realtors) are exposed to liability every day," said Anne Marie Howard, chief executive of the Charlotte Regional Realtor Association. "This is just one more thing played up in the media that's another source of liability for them."

One of the problems, she said, is that there are no federal or state rules governing those who test for mold or what contractors should do to eliminate it.

"I wish someone would come out and say, 'Here's the problem, here's the solution, now do 'X'," she said.

The N.C. Association of Realtors' Task Force on Mold is researching the issue and will make recommendations to the state's real estate pros on how to handle mold and their own liability.

Tom Miller, general counsel for the N.C. Real Estate Commission, told the task force that Realtors won't be asked to become mold experts but should look for water damage and other signs of mold.

And when in doubt, Howard said, Realtors need to disclose what they know and see.

The matter is getting other official attention.

The Building Code Council, which the insurance department oversees, is looking at the issue of ventilation in crawl spaces,

said Chrissy Pearson, spokesperson for the department.

Since the primary way to combat mold is to prevent moisture under and inside homes, the council might recommend changing the code to provide more ventilation in crawl spaces.

For more information on mold, including tips on how to select a mold inspector or contractor, visit the online site of the N.C. Department of Health & Human Services' Division of Public Health. It's www.epi.state.nc.us/epi/oii/mold.

Allen

Norwood

Allen Norwood: The Charlotte Observer, P.O. Box 30308, Charlotte, NC 28230-0308; (704) 358-5237; anorwood@charlotteobserver.com.



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