

Tuesday, August 20, 2002, 12:38 a.m. Pacific
Mold grows big bills for insurers: Revised policies to restrict coverage
By Amy Trask
Seattle Times business reporter

After a jury walloped one insurance company with a \$32 million verdict to clean mold from a Texas woman's home, insurers throughout the country began scrambling to rewrite their policies concerning the icky substance.

In Washington, the state's largest home insurers are rewording their policies to explicitly state they will cover mold damage only when it's caused by a covered problem, such as a major storm or a burst pipe.

The insurers say they never intended their policy to cover mold damage caused by leaks, condensation, poor home maintenance or Seattle's rainy weather.

Among the latest to adopt new language is Allstate, the state's second-largest home insurer. In annual renewal letters, Allstate is telling policy holders it will pay for mold damage only under specific circumstances.

Allstate spokeswoman Darcy Olson said the language is a clarification, not a policy change, to reinforce that insurance is to cover "sudden and accidental loss."

What is new, Olson said, is that Allstate will pay no more than \$5,000 to clean up mold, even when it is caused by a covered loss.

Karl Newman, the executive director of the Washington Insurance Council, a local industry group, said Washington insurers have not been overrun with mold claims.

"It's more of a cautionary measure at this time," Newman said.

The state Insurance Commissioner's Office has approved 264 filings this year from insurers who asked to change mold policies. The changes included limiting coverage, amending wording and changing rates. Last year, 125 filings were approved. The department is reviewing 193 other filings.

Because of court rulings, Washington insurers can't eliminate mold coverage entirely, office spokeswoman Stephanie Marquis said. But they can limit how much they will pay to clean up mold after a disaster. Insurers have proposed limiting mold cleanup to \$5,000, although some have set that cap as high as \$25,000.

If a company petitions the state's insurance commissioner to limit coverage, it must also present an argument to justify how much it charges.

"If there's anything that is a reduction in service, we want to see a rate filing to make sure the consumer is getting charged a fair rate," Marquis said.

Cleaning up mold can be expensive. The average claim was about \$35,000, according to the Insurance Information Institute, an industry-sponsored research group. In all, insurers paid \$1.3 billion last year to settle mold claims.

That number has grown exponentially, considering that mold was essentially off insurers' radar screens two years ago.

For example, in 1999, Farmers Insurance, which insures about 13 percent of Washington homeowners, saw so few mold-damage claims that it didn't even track them, said spokeswoman Mary Flynn. In 2000, the company saw about 500 nationwide. By 2001, there were about 13,000 - 11,000 in Texas alone.

Although insurers or state insurance regulators do not have statistics on how many mold claims have been filed in Washington or how much was paid out, experts say any of those numbers would be dwarfed by claims in Texas, which an industry-funded research group estimates accounted for 70 percent of the mold claims filed last year.

Industry watchers in Washington say mold is a concern here, but much less so than in Texas or California. Only 23 of the 5,000 complaints received by the state insurance commissioner this year concerned mold damage.

Pemco, a Seattle-based insurer that insures homeowners only in Washington, saw two mold claims last year; in both cases, the culprit was burst water pipes, said spokesman Jon Osterberg.

Mold-related insurance claims, media attention and lawsuits have been concentrated in the past year in sun-drenched Texas, Florida and California.

"The development of most of the insurance claims has nothing to do with climate," said Robert Hartwig, chief economist of the Insurance Information Institute.

Many of the mold claims have been driven by attorneys and media coverage, Hartwig said.

"There's no meteorologic danger there, although you'd swear otherwise," Hartwig said. "Mold has not become more virulent or simply been unleashed recently."

Homebuilders and contractors are worried mold could be the next asbestos, as homeowners and condo owners are bringing lawsuits claiming that defective construction caused mold to grow, even in new homes, said Tom McCabe, a vice president at the Building Industry Association of Washington.

New homes built to be more energy-efficient will likely need ventilation systems, McCabe said.

"Because of energy code, new houses are built to be very tight - the windows are thicker, the door is thicker, house is sealed very tight," McCabe said. "When it's sealed up that tight, it can and does create mold problems."

To control mold, insurers say, check for leaks in pipes and appliance hoses, control standing water in plants and gutters and cut humidity with air conditioners, fans or dehumidifiers.

Amy Trask: 206-464-2032 or atrask@seattletimes.com