

The Mold Problem

By Phyllis Van Wyhe, CPCU, CIC, CSP

www.insurancece.com

Mold is a naturally-occurring organism that has been present on earth since the beginning of time. In modern society, several factors, including modern building materials and construction practices, have combined to cause a dramatic increase in the number of mold-related claims. The insurance industry is seeing the following:

- **Escalation in Water-Damage Claims**
Today, a leaky pipe can lead to a total loss of a building if the water damage is not remediated promptly and properly. Some insurance companies are seeing the dollar amount of an average water claim increase tenfold.
- **Increased Liability Claims**
Commercial lines is experiencing a wave of construction defect claims against contractors, developers and property managers. In addition, employers, building owners, home-inspection firms, and real estate agents are being sued. Liability is also a concern in personal lines.
- **Bad Faith Judgments**
In several cases where insurance companies have been found to delay or deny rightfully covered claims, bad faith damages have been awarded. The awards are usually for millions of dollars.
- **Class-Action Lawsuits**
Manufacturers of building materials face litigation on a class-action basis. In addition, several class-action lawsuits are pending on behalf of students, teachers, and parents where school buildings have become infested with mold.

The mold problem will plague the industry for years to come. Some are predicting it will become bigger than asbestos. It is a problem that has the potential to impact all lines of business and no agent will be able to escape it. And, agents are the ones who are left to explain it all to their clients.