



Mold: Impacts on the Affordable Housing Industry

Mold issues in multi-family housing can lead to many significant impacts – from remediation costs to loss of rent and, perhaps most critically, long-term health effects. Although engineering and construction practices have significantly improved in recent years, affordable housing organizations need to be vigilant around mold issues and concerns. While insurance coverage is typically relied upon for many property-related losses, there remains a disconnect about how mold claims are often handled by the insurance industry.

Risk Management Considerations

There are many factors that come into play when considering the environmental conditions that lead to the growth of mold. The primary area where there is opportunity to implement proactive risk management practices is related to moisture.

SOURCES OF MOISTURE IN BUILDINGS:

- Rainwater entering through leaks
- Plumbing leaks
- Condensation due to humidity
- Water vapor created by occupants
- Condensation from HVAC systems
- Groundwater seepage or flooding

RISK MANAGEMENT BEST PRACTICES TO ADDRESS MOISTURE ISSUES:

- Use of appropriate construction materials
- Appropriate drainage
- Appropriate ventilation
- Humidity control utilizing HVAC
- Regular HVAC maintenance
- Regular property inspections
- Timely response to reports of moisture
- Professional mold remediation when found

Insurance Considerations

From an insurance perspective, there are a few key points to consider as it relates to mold (pollution) claims:

PROPERTY / GENERAL LIABILITY

- Most property and general liability policies exclude coverage for mold-related claims. Generally, the only exception to this exclusion is if the mold results from another cause of loss (i.e., fire). In some situations, property policies might give a sub-limit to help with remediation costs.

ENVIRONMENTAL / POLLUTION

- Environmental/pollution policies are available in the market and can contemplate both the first party (property) and third party (general liability – bodily injury/property damage) mold exposure.
- Generally, these policies have higher deductibles than standard policies - \$25k, \$50k, or \$100k are common deductibles.
- Underwriting is extensive and involves separate applications/questionnaires and an extensive review of historical claims.

Like many other risks impacting the Affordable Housing industry, insurers are more willing to provide favorable coverage if there is a good loss history and a proven, proactive approach to risk management. Our Affordable Housing team at Scott is here to provide guidance as you navigate your comprehensive risk management strategy and build the right insurance program to protect your organization.