



# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

### FILING REVIEW GUIDELINES RELATED TO MOLD COVERAGE IN PERSONAL AND COMMERCIAL INSURANCE POLICIES

August 7, 2002

The Connecticut Insurance Department has received numerous form filings pertaining to mold coverage under personal and commercial insurance policies. In general, the filings propose to restrict or limit existing property and liability policy coverage. Insurance companies point to the dramatic change in mold related claim frequency and severity in Texas and California to support the filings. Information submitted suggests the increase in mold related claim costs could expand to Connecticut and other states. The department will continue to monitor issues related to mold. These guidelines may be amended to reflect current information.

Such a migration could significantly impact consumer and insurer costs. The filings are intended to control the impact of mold claims on insurers and consumers, insurance pricing and the marketplace. At the same time, the proposed policy changes reduce or eliminate coverage that consumers presently have in their policies.

These guidelines identify policy provisions related to mold that are necessary to comply with Connecticut law. These guidelines will assist companies in preparing filings and expedite review by Department examiners.

The Department will examine filings for coverage for loss due to mold under personal and commercial insurance policies for compliance with Connecticut insurance law and the criteria included in these guidelines. All companies must withdraw and refile any forms, rates or rules that do not conform to these guidelines.

#### A. DEFINITIONS

The Department will not establish mandatory policy definitions. Policy terms and definitions should be consistent with their intent and use in these guidelines. The following terms are defined for the purpose of these guidelines:

“**Mold**” includes:

- Any type or form of fungus, including mold or mildew, and any mycotoxins, spores, scents, or by-products produced or released by a fungus
- Wet or Dry Rot
- Bacteria

“**Remediation**” includes:

- The reasonable and necessary treatment, testing, removal or disposal of any type or form of fungus, bacteria, wet or dry rot, or mold

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## **B. PROPERTY COVERAGE – COMMERCIAL LINES & PERSONAL LINES**

- 1. Fire or Lightning:** A policy may not exclude or limit coverage for loss arising out of **mold** or **remediation** in which the proximate cause of loss is the peril of fire or lightning.
- 2. Perils Other Than Fire or Lightning:** A policy may not exclude coverage for loss arising out of **mold** or **remediation** in which the proximate cause of loss is a peril other than fire or lightning, unless a sub-limit is provided for mold loss in which the proximate cause of loss is a covered loss. The minimum aggregate sub-limit for **mold** and **remediation** coverage is \$10,000. This limit may include Loss of Use or Business Income/Extra Expense coverage.
- 3.** An additional deductible for **mold** loss is not permitted.
- 4.** The policy may not unreasonably restrict the time period for reporting a mold claim. All policies include a provision for timely reporting of a loss. A policy may not require a mold claim to be reported within a specified number of days following a covered loss. Policy language that requires a loss due to mold to be reported during the policy period in which the original covered loss occurs does not comply with this requirement.

## **C. LIABILITY COVERAGE – PERSONAL LINES**

### HOMEOWNERS, MOBILE HOMEOWNERS, DWELLING FIRE, PERSONAL LIABILITY

A policy may not exclude coverage for liability arising out of mold. A policy may include a minimum aggregate sub-limit of \$50,000 for loss arising out of mold.

## **D. LIABILITY COVERAGE – BUSINESS LINES**

A policy may include, exclude or limit coverage for liability arising out of mold.

For more information contact:

### **Property and Casualty Division**

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