

Managing Risk

Claim 4: Mold

By InspectorPro Insurance

Note: The Managing Risk column reviews the most common allegations in the industry and provides tips to make inspectors better equipped to prevent claims.



WHY ARE MOLD CLAIMS COMMON?

Regardless of whether or not you decide to perform mold screenings, clients can file mold claims against you. Mold claims are the fourth most common type of allegation against home inspectors and they are costly. In 2004, the number of mold claims in general, including those against home inspectors, increased by more than 1,000 percent¹ in some areas. Mold claims continue to be one of the most frequent claims we receive at InspectorPro Insurance and that doesn't look to be changing.

A possible health risk and a costly issue to fix, mold deters many potential homebuyers away from otherwise great finds. Others who buy a home, only to find mold in it later, frequently look for someone to blame, leaving you, the inspector, with a sizable target on your back. Although how mold affects people is still largely up for debate and extreme health claims often lack scientific support², mold's potential side effects spook many homebuyers and that fear can influence mold claims' price point. With many clients fearing and misunderstanding mold's nature and side effects, it is important to know how to deter mold claims.

WHERE IS MOLD DAMAGE COMMON?

Mold needs moisture to grow. Many areas of the home can get damp and humid. An unpleasant, musty odor may indicate when mold is near; however, only a careful survey of the property will reveal what is and what isn't plagued by mold.

FOR A BREAKDOWN OF COMMON MOLD ISSUES BY ROOM, SEE THE GRAPHIC.

WHAT CAN INSPECTORS DO?

It's important that your clients understand both mold and home inspections. In most states, home inspectors don't have to do more than report when they do or do not observe mold. Mold inspectors, however, should be able to provide more information.

"Giving your clients a report from the mold lab isn't going to mean anything to the client because they don't know anything about the types of mold and what [they] mean," explained Robb Graham, President of the Professional Mold Inspection Institute (PMII) in Madison, South Dakota (<https://www.moldinspectioninstitute.com/index.php>), which provides mold training and certification for inspectors and remediators. "You have to understand what the lab is doing, how to analyze its results and how to give that information to the client in a meaningful manner."

Making sure clients receive and understand the inspection's limitations will help them look at its results realistically.

What about inspectors who aren't performing mold inspections? How do they prevent meritless mold claims? Our claims team recommends prominently including a mold advisement in your pre-inspection agreement. An advisement, which is often included with a limitation of liability clause,³ states what is and what isn't covered in your inspection.

It's important to make this advisement prominent to decrease the chance that your client could overlook it. Our claims team estimates that few inspection clients read the entire pre-inspection agreement,⁴ making it essential to make any advisement stand out.

For example, our claims team suggests using boldface type or another color or font type to highlight the advisements related to mold and other additions to both your pre-inspection agreement and your report. Some inspectors whom our team has defended had included an advisement in the footer of every page of their inspection reports. It's also smart to have the client initial or sign off on any advisement to guarantee that the client is aware of and understands the terms.



BREAKDOWN OF COMMON MOLD ISSUES BY ROOM

1. A wet or stained roof or ceiling may indicate water damage conducive to mold growth.
2. Window condensation may indicate high humidity conducive to mold growth.
3. Bathrooms are common places for mold growth. Check for excessive moisture.
4. Bedrooms are subject to mold in the same areas as the rest of the house, including the windows, sills and vents.
5. The sink, refrigerator, pantry, stove and cabinets are all places in which mold may reside.
6. Wet spots or buckling or peeling paint may be signs of water damage and mold inside the walls.
7. Mold often goes unnoticed in cluttered spaces. If the closet is open, check the walls and floors for mold that may have grown.
8. If clothes dryers aren't vented outdoors, they may cause increased humidity and subsequent mold growth.
9. Basements can be one of the most damp and most humid areas. Look for mold around the pipes, ducting, foundation and sump pump.
10. Water pooling around the foundation may be a sign of water intrusion and subsequent mold problems.

Also keep in mind that, when it is wet and humid outdoors, chances are that it could be wet and humid inside the house. Know that you are likely to see seasonal changes in the frequency of mold and plan accordingly. Disasters such as hurricanes and floods also can lead to escalated mold cases. Consider the context and the history of the home so that pertinent information may inform your inspection.

CLAIMS PROTECTION

Even if you do everything right, you can still get a mold claim. That's why it's essential to carry errors and omissions insurance (E&O) for defense and payout help. Contact your InspectorPro broker or submit an application (https://www.inspectorproinsurance.com/application/?utm_source=ASHI%20Reporter&utm_medium=Referral&utm_campaign=-Claim%201) with us to receive a quote at no obligation.

SOURCES

1. International Risk Management Institute (IRMI). Expert commentary: Mold and fungi insurance claims. August 2004. <https://www.irmi.com/articles/expert-commentary/mold-and-fungi-insurance-claims>
2. R.E. Gots. International Center for Toxicology and Medicine. Mold claims. <http://wilsonweb.physics.harvard.edu/soundscience/mold/gots7.pdf>
3. USLegal.com. Limitation of liability law and legal definition. <https://definitions.uslegal.com/l/limitation-of-liability/>
4. InspectorPro blog. Behind the "pre" in pre-inspection agreement. December 1, 2017. (https://www.inspectorproinsurance.com/risk_management/why-pre-inspection-agreement/).

UP NEXT MONTH: PLUMBING CLAIMS

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