

Managing Risk

Your Pre-Inspection Agreement: **RADON INSPECTIONS**

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Radon: the colorless, odorless gas emitted into the air by the radioactive element, radium, as it breaks down in soil, rock and water. Typically, radon penetrates buildings undetected through small cracks or openings in foundations. And, once radon has entered a property, the radon may be trapped inside. In fact, this is what home inspectors test in their radon inspections.

“RADON WAS A ‘NEW’ ENVIRONMENTAL ISSUE, AND THEN IT STARTED TO BECOME A MUST-HAVE IN MANY REAL ESTATE TRANSACTIONS”

Many national and local governments encourage and, in some cases, even mandate radon testing during real estate transactions. This has led many home inspectors to offer radon testing as an additional service. In fact, more than 25 percent of the inspectors we insure carry the radon endorsement. This implies that just as many inspectors currently offer radon testing in the market at large.

WHY INSPECTORS TEST FOR RADON

When asked why they offer radon testing, the home inspectors we surveyed said that they began offering the service for one or more of the following reasons:

THEY WANTED TO PROTECT CLIENTS FROM POTENTIAL LUNG CANCER RISKS.

Victor G. Faggella of Centurion Home Inspections, Inc., in New York and Connecticut, began offering radon testing in the late 1980s, when the government began encouraging consumers to have their homes tested.

“Radon was a ‘new’ environmental issue, and then it started to become a must-have in many real estate transactions,” Faggella said.

In 2005, the U.S. Surgeon General stated that radon was the second leading cause of cancer in the nation. The U.S. Environmental Protection Agency (EPA) estimates that radon causes 21,000 lung cancer deaths each year. According to the EPA, breathing air containing radon increases your risk of lung cancer—particularly if you’re a smoker.

“Four picocuries per liter carries a risk that is the equivalent of smoking about half a pack of cigarettes a day,” said Richard Guimond, former Director of the EPA’s Office of Radiation Programs, in an interview with People magazine in 1988. “If you are exposed to that much radon over your lifetime, you have perhaps a 1-in-100 chance of getting lung cancer. If it’s 20 picocuries per liter, then it’s about a 1-in-10 chance of getting lung cancer, almost like smoking two packs a day.”



InspectorPro
INSURANCE PROGRAM

Note: The Managing Risk column with InspectorPro Insurance provides home inspectors with tips to protect their businesses against insurance claims and examines best practices for crafting effective pre-inspection agreements.

THE EPA IDENTIFIED THE HOME INSPECTOR’S REGION AS ONE WITH HIGH RADON LEVELS.

In 1993, the EPA developed the Map of Radon Zones (including the state maps of radon zones) by analyzing indoor radon measurements, geology, serial radioactivity, soil permeability and foundation types. The map identifies counties in the United States based on their potential for elevated indoor radon levels by sorting each county into one of three zones:

- **Zone 1: Counties with predicted average indoor radon screening levels greater than 4 pCi/L**
- **Zone 2: Counties with predicted average indoor radon screening levels from 2 to 4 pCi/L**
- **Zone 3: Counties with predicted average indoor radon screening levels less than 2 pCi/L**

According to Steven Burnett of Journey Property Inspections in Michigan, it’s logical to offer radon testing in areas known to have elevated levels of radon.

“Radon is very prevalent in southeast Michigan. There are eight counties in our area that have high [levels of] radon,” Burnett said. “It only made sense to test for radon.”

Just as high radon levels may be an incentive for you and other inspectors to perform radon testing, Matthew Steger of WIN Home Inspection in Pennsylvania argues that low levels should help you decide not to perform radon testing.

“TO OFFER RADON TESTING, HOME INSPECTORS MUST INVEST IN EDUCATION, EQUIPMENT AND ENDORSEMENTS.”

“If there’s low demand, or if radon’s historically not really an issue in the area, it probably doesn’t make sense to invest in doing radon testing,” Steger said.

As Steger suggests, you may decide that it isn’t a good business decision for you to invest in radon testing. Note that the EPA still recommends that all homes be tested, regardless of geographic location or zone designation.

THE HOME INSPECTOR WANTED AN ADDITIONAL SOURCE OF REVENUE FOR THEIR BUSINESS.

Dustin Sample of Resolute Home Inspections in Ohio began testing due to high demand and interest.

“I wanted to offer radon testing because I was losing a lot of home inspections where radon testing was requested,” Sample said.

Just how much revenue can radon testing bring in?

For every home inspection they performed, the inspectors we surveyed said that as few as 25 percent and as many as 75 percent of clients—for a survey average of 46 percent—opted to add a radon test to their standard inspection.

On average, the inspectors we surveyed charge \$140 per radon test with a home inspection and \$160 per test without.

So, if a home inspector performed 300 inspections a year and half of them opted into their \$150 radon test, that inspector would make \$22,500 in additional gross revenue.

RADON TESTING INVESTMENTS INSPECTORS MAKE

However, to offer an additional service like radon testing, home inspectors must make several up-front investments. Common investments include the three Es: education, equipment and endorsements.

EDUCATION

Steger recommends inspectors begin their education knowing their state’s specific stipulations.

“The first thing is to find out whether the state that the inspector’s in has any special requirements,” Steger said. “Pennsylvania, for example, requires that anybody who does testing or remediation be licensed in PA by the Department of Environmental Protection.”

Although South Dakota doesn’t have any certification requirements, Steve Green of Total Home Inspection, LLC, took a radon measurement class and the National Radon Safety Board’s (NRSB) certification exam. According to Green, this helps him provide better service and stand out from competition.

“I wanted to learn the right methodology behind radon measurement. Because the first question a client’s going to ask is, ‘What does it mean that I’m at eight picocuries per liter? And how does it enter the house? And what can I do about it?’ If you haven’t taken those classes, you’re not going to be able to answer those questions,” Green said.

EQUIPMENT

There are two groups of radon devices for short-term testing:

- passive devices—such as alpha track detectors, charcoal canisters, carbon liquid scintillation detectors and electret ion chamber detectors
- active devices—including continuous radon monitors (CRMs) and continuous working level monitors

Most of the inspectors we interviewed use active devices because of the following benefits:

- Provide time-integrated radon measurement
- Can provide data on range of variation within test period
- May detect or deter interference
- Provide instantaneous results
- Can provide evidence of tampering
- Fulfill state requirements

Many radon device vendors offer leasing programs that allow payments at a monthly rate rather than pay for machines outright. Home inspectors who prefer to lease appreciate not having to invest in pricey radon technology in one transaction. Furthermore, they like the ability to customize the number of monitors they lease to adjust to fluctuating client demand.

Others, like Green, prefer to own their radon detectors. According to Green, it only took 12 transactions for his radon monitor to pay for itself.

ENDORSEMENTS

An endorsement is a form that either modifies or adds coverage to your insurance policy. Most home inspection insurance policies exclude additional services like radon testing. Thus, the insurance company will not offer coverage for those additional services without an endorsement. So, if you perform radon testing or want defense and indemnity for claims involving radon testing, you may wish to change to an existing policy exclusion with an endorsement.

Typically, insurers charge a flat, annual fee of around \$50 for a radon endorsement. However, some insurance policies offered by other providers may give you radon coverage outright with a sublimit.

Sublimits cap certain risks, usually additional services, defined in your insurance policy, which gives you less coverage per individual service. For example, a home inspector who purchases \$1,000,000 / \$1,000,000 in coverage with a \$100,000 sublimit receives only \$100,000 per claim and per policy period for radon-related issues. So, when choosing your coverage, you must be sure to take sublimits into account.

LIMITING YOUR LIABILITY AGAINST RADON-RELATED CLAIMS

Carrying a radon endorsement is one of the most important things you can do to protect against radon-related claims. However, there are additional risk management techniques you can employ to safeguard your business. Here are some suggestions from our surveyed inspectors and our claims team:

ENCOURAGE CLIENTS, HOMEOWNERS AND REAL ESTATE AGENTS TO NOT TAMPER WITH RADON TESTS.

Some of the radon-related pre-claims and claims we receive have to do with testing malfunctions. In one case, homeowners opened windows during testing, resulting in fluctuating levels reported by our insured inspector and other specialists.

Consequently, to avoid this, we recommend that inspectors explain procedures to clients and others who could unintentionally interfere with measurements. By helping everyone understand the importance of not moving monitors or altering testing conditions, you can avoid accusations from compromised testing.

EDUCATE CLIENTS ABOUT RADON TESTING RESULTS.

According to Scott Patterson of Trace Inspections, LLC, in Tennessee, it's your duty as an inspector to understand testing protocols and reports.

"Get the proper training—even if you are in an unregulated state, like we are in Tennessee," Patterson said. "You must learn the science and the proper protocols for testing. Your clients are counting on you to provide an accurate test. And if you don't understand radon and the proper testing protocols, you won't be able to provide a reliable test."

"YOU MUST LEARN THE SCIENCE AND THE PROPER PROTOCOLS FOR TESTING. YOUR CLIENTS ARE COUNTING ON YOU TO PROVIDE AN ACCURATE TEST. AND IF YOU DON'T UNDERSTAND RADON AND THE PROPER TESTING PROTOCOLS, YOU WON'T BE ABLE TO PROVIDE A RELIABLE TEST."

Before your clients ask questions, incorporate some basic information regarding radon and the test results. For example, you can supplement your reports with the EPA's "Consumer's Guide to Radon Reduction: How to Fix Your Home," which provides readers with basic information about radon mitigation and reduction. You may also include an explanation of what is considered high levels of radon so that clients can decode the picocuries in their reports.

HELP CLIENTS WITH HIGH RADON LEVELS TAKE APPROPRIATE NEXT STEPS.

Every inspector we surveyed agreed that it's important to encourage clients with high radon levels to seek mitigation. Specifically, most recommend that clients seek assistance from a qualified contractor. According to Steger, keeping his referral vague helps his clients choose the remediation company that's right for them.

"I don't refer specific remediators," Steger said. "I direct [clients] to the [Pennsylvania Department of Environmental Protection] website, which has a list that they update monthly of all the licensed testers and the licensed remediators in the state. And I leave it to the buyer to decide who they want to hire."

For instance, if you decide to refer specific companies, request that they add you as an additional insured. This ensures that, if you are named in a claim regarding their remediation services, their coverage will defend you.

RADON TESTING AND YOUR HOME INSPECTIONS

Is there a lot of public interest in radon in your area? Has the EPA identified your region as one with high radon levels? Do you feel that you have a duty to your clients to protect them from radon-related illnesses? Are you looking for additional revenue sources and job security for your inspection business?

If you answered "yes" to any of these questions, perhaps it's time for your company to offer radon testing.