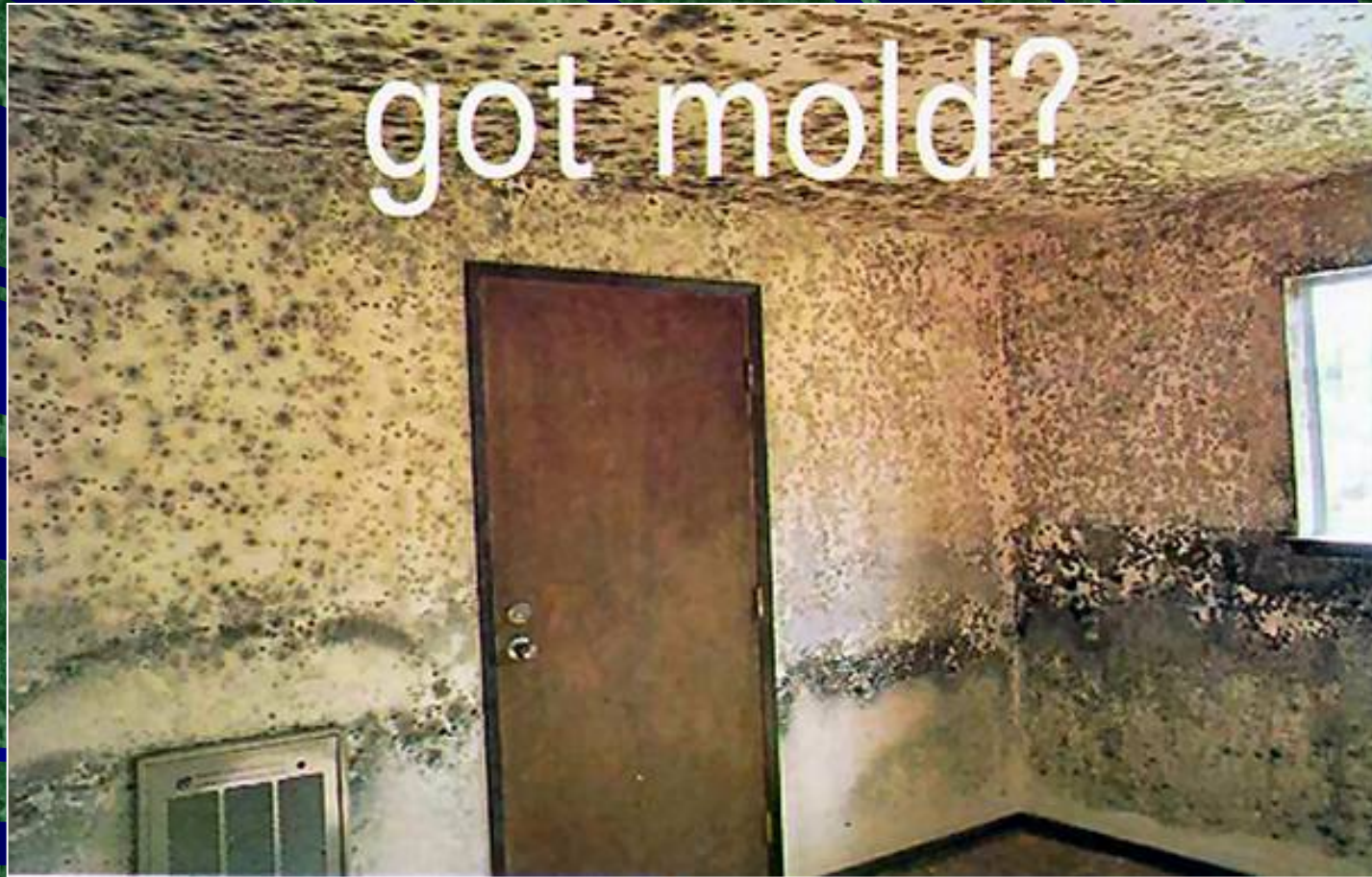




Topical Issues: Microbial Matter (a.k.a. Mould)

Mould, Fungi, Mildew Etc... (1)



Mould, Fungi, Mildew Etc... (2)



Microbial Matter: What Is It? - 1



Penicillium

spores

Mycelium

hypha

Microbial Matter: What Is It? - 2

- Moulds are part of the fungus family and exist naturally in the environment.
- They reproduce rapidly by making spores which travel on air currents and through ventilation systems and are tracked with dust and dirt.
- They are harmless in isolation, but problematic when spores germinate and form colonies.
- Mould colonies grow when there is a convergence of spores, moisture and nutrients (i.e. drywall, carpets, paneling, ceilings tiles, insulation, paint, draperies).
- Mould thrives on a lack of ventilation and does not require light to reproduce - often the reason why detection goes unnoticed until a serious infestation results.

Causes of Indoor Mould Growth

- Construction defects
- Rapid new building construction
- Building renovation
- Poor control of HVAC system
- Water or moisture incursion
- Mechanical water problems
- Building maintenance
- Tight buildings

Why the Recent Focus on Mould? - 1

- Energy crisis 1970's
 - Energy efficient construction 80's and 90's
- Changing weather patterns
 - El Niño and La Niña conditions
- Insurance company experience
- New building materials
 - Increased use of sheetrock
 - External Insulating Finishing System (EIFS)
- Increased public awareness – media!
- Lawyers

Why the Recent Focus on Mould? - 2

- Number of claims continues to grow:
 - Increase of over 1,300% since 2000
 - ~20,000 unresolved homeowners claims at 12/31/03
 - Insurance Industry paid out ~ \$2.5 billion in claims in 2002
- Number of lawsuits continues to grow:
 - Estimated at well over 10,000 lawsuits
 - 50% are bad faith claims against insurance companies

Mould Related Claims

- Bodily injury claims
- Property damage claims
- Construction defects
- Cleanup costs
- Business interruption
- Defense expense

If the entire problem is not properly remediated, mould infestation will grow back.

Mould is a **symptom** of the problem, water **intrusion** is the real problem that needs to be addressed.

Mould Related Claims - Property Damage

- Construction defects cause water Infiltration
- Improperly installed exterior siding, windows, vapor barriers, roofing, flashing, etc.
- Engineering design defect - HVAC
- Architectural design defect
- Product defect - EIFS
- Use of mouldy building materials

Example: Property Damage



Photos courtesy of AIG Environmental

Mould Related Claims: Bodily Injury - 1

- Possible health implications of mould exposure
- Allergy
 - Reactions range from mild to severe, chronic reactions
 - Institute of Medicine (1993) indicators:
 - 20% of Americans suffer from allergic rhinitis
 - 14% suffer allergy related sinusitis
 - 10% suffer allergy related asthma
- Infection
 - Not common except in susceptible populations
 - immune compromised or suppressed individuals

Mould Related Claims: Bodily Injury - 2

- Allergic sinusitis
- Skin and eye irritation
- Asthma and upper respiratory infection
- Headaches and fatigue
- Nasal and sinus congestion

Mould Related Claims: Bodily Injury - 3

- Cough and sore throat
- Flu-like symptoms
- Memory loss
- Learning disabilities
- Hypersensitivity pneumonitis

Example: Bodily Injury - 1



Image Courtesy of C. Halde
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Photos courtesy of AIG Environmental

Example: Bodily Injury - 2



Photos courtesy of AIG Environmental

Solutions: Risk Management & Insurance - 1

- Risk Management charged with finding solutions
- We can stop the growing trends
- Create and implement a “Water Response and Mould Protection Plan” (Marsh Mould Action Plan - MRC)
- Written “Best Practices” guideline for:
 - Maintenance and inspection protocols for preventing water and moisture incursion
 - Procedures for mitigating water and moisture incursion
 - Define roles and responsibilities at all levels
 - Proper communication with interested parties

Solutions: Risk Management & Insurance - 2

- Old property and casualty policies have standard language, including pollution exclusions, that are being used to decline coverage
- P&C market placing absolute mould exclusions on renewal policies
- Potential coverage gap
- Clients turning to the specialty market to fill the gap

Solutions: Risk Management & Insurance - 3

Underwriters still being very cautious:

- Offering limited capacity (\$2MM sub-limits)
- Offering annual policies (some exceptions)
- Requiring higher SIRs
- Greater underwriting scrutiny
- Requiring written “Best Practices” plan