

The Availability of Pollution Insurance for Restoration Contractors

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I have been asked to summarize the availability of environmental insurance covering mold for restoration contractors in Florida. In summary there is a competitive market for environmental insurance covering mold for qualified restoration firms in Florida. An Internet search for mold insurance produces eight different insurance agencies advertising environmental insurance covering mold in the first page results alone. Our nationwide experience with restoration contractors is that it is not insurance availability for restoration contractors that is the most significant constraint in the insurance market place. Environmental insurance covering mold is available in a competitive market place from at least five top rated insurance companies. The single most significant barrier for a restoration contractor in obtaining appropriate environmental insurance is the vast majority of independent insurance agents are unprepared to work in the very specialized and complex world of environmental insurance. Because of this constraint in the insurance agency system the market place abounds with poor information on the availability and cost of environmental insurance on restoration contractors. However there is an active market of expert help available for restoration contractors and their insurance agents. All eight of the firms on the Internet could assist a restoration firm find environmental insurance. So could the firm I work for, American Risk Management Resources Network, LLC.

American Risk Management Resources Network (ARMR.net) is an insurance consultancy and wholesale brokerage providing insurance services primarily in the areas of mold liability management for contractors and property owners. ARMR.net is nationally recognized for its expertise in the field of environmental insurance. ARMR.net staff has authored numerous articles and national insurance training materials organizations on the subject of environmental liability management. ARMR.net provides consulting work and expert witness work for the U.S. Army, the U.S. Airforce, the U.S. Department of Justice and the USEPA, and for private party clients such as policyholders and insurance companies. All ARMR.net professional staff have over 12 years experience in environmental insurance.

Our insurance brokerage services are offered in all states through ARMR.net offices in Chicago, New York, Los Angeles, Grand Rapids, and Madison. We have a network of qualified insurance agencies in Florida that we work with.

Due to the introduction of universal mold exclusions and restrictions in commercial insurance, firms that work with water in the built environment now need specially modified forms of contractors environmental liability insurance to cover the uninsured loss exposures that mold can create. This insurance has been available for several years, and new insurance carriers continue to enter this growing and competitive insurance market.

To summarize the current state of the pollution market for restoration contractors, there are five main insurance companies writing pollution and mold insurance for this industry: Zurich, Liberty, Everest, AIG and Market. All of these companies are rated "A" or better by the premier insurance industry rating organization A.M.Best. The minimum premium currently available for restoration contractor's pollution insurance is \$4,000, although the average minimum premium in the market place is closer to \$7,000. There are at least two more emerging sources of environmental insurance for restoration contractors that we are aware of:

One of these companies, Zurich, writes a combination policy covering the general business liability of the restoration firm, along with the pollution and mold liability generated by the operations of these firms. The minimum premium for this combination policy is \$10,000.

All of these insurers write business in the state of Florida, which is a major market for the placement of pollution policies for restoration contractors and other firms providing water and mold cleanup services. Florida's climate and exposure to hurricanes have created a large and growing market for the services of restoration contractors, and mold cleanup is a significant part of the services provided by these firms. For these firms, mold coverage is an essential component of the insurance packages placed by brokers. The insurance industry is meeting this need in an aggressive fashion in the state of Florida, where a significant portion of the nation's mold coverage is sold.

There are some restrictions on the availability of this insurance for firms not meeting three common underwriting eligibility requirements: contractors that have not completed accredited training courses in water cleanup or mold cleanup will have a very difficult time obtaining coverage. As of this writing there is no insurance available for mold on firms that have not been certified by a recognized provider of training like IICRC, or IAQA. Also, firms that subcontract out all their work will have a more difficult time procuring insurance because insurance companies like to see a degree of management control over the operations they insure. Finally firms with a history of insurance claims for mold damages or financial problems will also have greater difficulty obtaining coverage, or will be forced to pay more for the insurance. For firms meeting these requirements however, pollution insurance is generally available.

The cost of environmental insurance appears to be stable around the following rates.
Mold Remediation 2%-4% of the cost of the project. (Asbestos and Lead Abatement Contractors pay similar rates for environmental liability insurance.)
Water and Drying Work .5% to 1.25% the contract revenue in these areas.

General Fire and Water Damage Restoration .1% to .5% of revenue.

To reflect that underwriter's are very concerned about the training of the firms they insure in this area, a premium reduction of 10% is being offered by at least one of the insurance companies if a firm is IICRC certified.

Countrywide restoration contractors pay less than 1% of revenue for environmental insurance if the individual firm is large enough to break past the effect of minimum premiums. In general that takes a firm with more than \$700,000 in annual revenue. To help alleviate the minimum premium constraint some franchise operations have created insurance alternatives for their franchisees.

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