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Texas Mold Claims Hit \$4 Billion

Texas insurance companies have paid out just under \$4 billion for mold claims in the past three years. Mold claims have represented a larger monetary loss for insurers than any weather catastrophe that has ever struck the state.

“Companies price their insurance policies to handle hurricanes, tornados and hailstorms that frequently strike Texas,” said Mark Hanna, public relations manager for the Insurance Council of Texas. “Companies were not prepared to deal with the high cost of mold claims and subsequent litigation that has jolted the industry as well as consumers.”

Mold claims began to mushroom in January 2000 and terms like toxic mold and mold remediation specialists became household words. Texas’ comprehensive homeowner policies had insurers paying for families to relocate in other homes or motels for up to a year, while their homes were taken apart piece by piece and then completely rebuilt.

With no state regulation or licensing required, mold remediation specialists with little or no experience began to multiply. Texas Insurance Commissioner Jose Montemayor is often quoted as saying, “all one needed was a magnetic sign for their truck and a rocket suit, and you had a mold remediation specialist.”

Doctors question whether there has ever been a health threat due to mold in the state. A recent study by the American College of Occupational and Environmental Medicine states that “current scientific evidence does not support the proposition that human health has been adversely affected by inhaled mycotoxins (mold) in home, school or office environments.”

Mold claims were reported in every corner of the state, but claims per policyholder in Corpus Christi were twice as high as any other city. Homeowner rates in Nueces County were already among the highest in the state due to a tremendous amount of litigation over questionable slab foundation claims.

Mold claims in Texas grew from \$420 million in 2000 to just over \$1 billion in 2001.

In 2002, mold claims exceeded \$2 billion. The cost of mold claims peaked in July 2002 with insurers paying \$215 million on 24,000 claims. Since then, the cost of mold claims has been declining with most homeowner policies now either limiting or excluding mold claims all together.

“Mold has taken a huge financial toll on every insurer in the Texas market,” Hanna said. “Throw in Tropical Storm Allison, which became the state’s costliest weather catastrophe with \$2.5 billion in insured losses, along with \$885 million in losses from this spring’s North Texas hailstorm and you will see why the state has an insurance availability problem.”

Texas lawmakers are considering legislation that will change the way homeowners insurance is currently regulated. Proposed legislation would require the Texas insurance commissioner to approve the homeowner rates of every insurance company.

The Insurance Council of Texas is the largest insurance trade association in the state consisting of more than 400 property and casualty insurers writing business in Texas.