

# **Effectively Handling Water Damage and Mold Claims**



## **A Consumer Guide**



*Published by the*  
**Texas Department of Insurance**  
April 2002

# Introduction

**T**HE FOLLOWING SUGGESTED PRACTICES have been developed by the Texas Department of Insurance (TDI) with input from the Advisory Task Force for Mold-Related Claims, which included representatives of the insurance industry, consumer groups, the building and trade industries, lenders, mold remediation specialists, and the scientific community. The task force recognized the various and complex issues associated with mold-related insurance claims and the many factors that may have contributed to the cause of the problems. The suggested practices alone will not address all of these issues. TDI's intent in developing these suggested practices is to improve the processing and handling of water damage claims with ensuing mold losses, to identify potential problem areas, and to outline the roles of the industry and the consumer in dealing with these claims.



The suggested practices are not mandatory for insurers and do not amend existing law nor the provisions of the insurance contract between the insurer and the homeowner. The suggested time frames do not alter or amend *Texas Insurance Code* Article 21.55, which sets forth the statutory timelines for processing claims.

In addition, while insurers should make every effort to handle claims promptly and thoroughly, circumstances may exist that would make time periods or other steps infeasible or not applicable. Also, certain steps listed in this document may not apply to a particular insurer or claim or may vary according to the severity of the claim. With every claim, however, the claimant and the insurer should maintain communication so that processes and steps utilized by that insurer are thoroughly and effectively conveyed to the claimant.

As an insured and potential claimant, these are some key points to be aware of when faced with water damage that could lead to the development of mold. These guidelines are designed to help consumers with claims involving water or potential mold damage.

**Note:** *Not all water and mold damage is covered by your residential property insurance policy—coverage and limitations vary with individual policies.* Whether or not your water damage is a covered claim, you should take immediate action to stop the leak and dry the area to prevent mold growth that could cause further damage to your home and/or affect your family’s health.



This brochure contains information to help you answer the following questions:

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*For additional information, please see inside back cover for other mold-related resources.*

**I have identified a potential water damage claim.  
What should I do?**

Your actions should include, whenever possible:

- Stop the water leak/flow
- Notify your insurer
  - Ask what is required of you
  - Begin the process of determining if your loss is covered and to what extent it is covered
- Remove standing water and begin drying the area
- Photograph the damaged property
- Remove water soaked materials
- Keep removed materials and move them to a secure, dry and well-ventilated area, or outdoors
- Protect repairable and undamaged items from further damage
- Keep an activity log, including a record of all contact with your insurance company
- Keep all receipts
- Don't throw away removed or damaged materials until instructed by your insurance company
- Don't jeopardize your safety
- Don't make large structural or permanent repairs
- Don't exceed personal capabilities



*Since molds require moisture to grow and can begin growing within 24 to 48 hours of a water event, stopping the flow of water and drying out materials as soon as possible reduces the potential for mold growth. Water damage claims that include active mold growth involve significantly higher costs than water damage claims without mold. Your policy allows you to protect your property from further damage without jeopardizing your coverage. It is important to document any repairs, keep all materials for review by your insurer, and document your expenses.*

*Your duties, as outlined in most residential property insurance policies, include, but are not limited to:*

- *give prompt written notice to the insurer of the facts relating to the claim*
- *protect the property from further damage*
- *make reasonable and necessary repairs to protect the property*
- *keep an accurate record of repair expenses*

## **What can I expect from my insurance company when I report water damage?**

For typical water damage claims, it is appropriate for your insurance company to

- Make written or verbal contact within 24 hours or one business day of notice of claim, and share information regarding emergency repairs and mold prevention.
  - In the case of an active leak, your company may verify that you have shut off the water and advise you to contact a qualified specialist (such as a plumber or drying company) if needed. Your company may provide a list of qualified specialists who can address the problem immediately. However, it is your right to select any vendor of your choice, including vendors not on the insurance company list.
  - Your company may advise you of your responsibilities under the policy.
- Provide the name and contact information of a company representative and advise you that multiple individuals may be involved with the investigation and processing of your claim. However, one insurance company representative should oversee your claim and be available to answer questions.
- Send a company representative to your home within 24 to 72 hours of notice of claim. Your company may take into consideration the severity of the potential claim, and strive to have a representative on-site within 24 hours.
- Determine whether your claim is covered and provide an initial estimate of damage within seven to 14 days after the company representative's initial on-site visit. This initial estimate is subject to change. Within the same timeframe, your company should strive to provide you with a written statement confirming or denying coverage.
- Return all phone calls within 24 hours.



*Policy provisions require you to provide your company with a written notice of claim, but on most water damage claims your initial contact should be via telephone. Have your policy number available and be prepared to provide information on the extent and severity of the water damage. Initial contact may be with your insurance agent, a claims office or the toll-free phone number included in the policy.*

*Under most loss settlement provisions, your insurer is responsible for paying the actual and necessary cost to repair or replace the damaged part of your home with material of like kind and quality, subject to your limit of liability and all other policy provisions.*

*However, your insurer is not responsible for paying any claims that do not exceed the policy deductible.*

*There are times when these timelines may not be feasible, such as in the event of a major catastrophe.*

### **What can my insurance company expect from me?**



- The name and contact information of a responsible person to provide information and access to the home. This person should be available to allow prompt inspection of the damage to minimize delays in claims processing.
- Cooperation and complete information in order to accurately and adequately resolve the claim.

*While the company representative inspecting your home may be your most direct contact with the company, claims processing involves a number of company representatives. Having a responsible person available reduces the risk of providing incomplete or inaccurate information, and helps the claims process proceed smoothly and efficiently. Written notes should be kept as a record of any requests for additional information or discussion of what to expect during the process.*

### **What can I do if I feel my insurance company is not being responsive?**

- Document conversations with and activities by your insurance company, including dates, names of company representatives, dates when requests for additional information were given to you, and dates the additional information was provided.
- Be persistent.
- Request to speak to the representative's manager, and continue up the chain of command as necessary.
- If you cannot resolve the dispute directly with your company, file a complaint with the Texas Department of Insurance (TDI). You may file a complaint with TDI in several ways:

- by the Consumer Help section of our website at

**[www.tdi.state.tx.us](http://www.tdi.state.tx.us)**

- by email at **[ConsumerProtection@tdi.state.tx.us](mailto:ConsumerProtection@tdi.state.tx.us)**

- by fax at **512-475-1771**

- by mail at

**Texas Department of Insurance**

**Consumer Protection (111-1A)**

P.O. Box 149091

Austin, TX 78714-9091

For more information or to request a complaint form, call TDI's **Consumer Help Line**

**1-800-252-3439**

**463-6515** in Austin

*Documenting all conversations with written notes will reduce the risk of misunderstandings between you and your insurance company. In the event a misunderstanding cannot be resolved, this documentation will make it easier for the company representative's superior or a TDI complaint specialist to assist in resolving your complaint.*



### **Should I test my home if I find mold growing?**

- The Texas Department of Health (TDH) and the Environmental Protection Agency (EPA) advise that testing mold prior to remediation is not necessary to determine if remediation is needed. There are, however, other reasons why testing may be desired. Consult the TDH and EPA websites for additional information.
- Mold testing can be expensive and time-consuming. At this time, there are no numerical health standards to which test results can be compared, making interpretation difficult. Your policy may not cover mold testing, and money spent on mold testing could reduce the amount available for cleaning up the mold and repairing your home. Your insurance company, however, may choose to conduct testing. If your insurance company insists on conducting tests, this should be done at the insurer's expense and not included as part of the settlement amount.
- Post-remediation testing, performed after your home is remediated, is used to determine whether remediation has been effective. This type of testing is best used only as a quality control check on the mold remediation specialist and should be done while the area is still under containment. Establish in advance with your insurance company whether the cost of post-remediation testing will be part of the settlement amount.

*To date, there are no established standards for evaluating and applying the results of most mold tests. A number of states, including Texas, have health task forces reviewing this issue. TDI recommends that anyone considering testing review information available on the Internet from independent sources—the Texas Department of Health (TDH) has links to a variety of federal and state agencies. Although the focus of federal agencies like the Environmental Protection Agency (EPA) has primarily been indoor air quality in schools and commercial buildings, the EPA recently released **A Brief Guide to Mold, Moisture, and Your Home**.*





### **Should I move out of my home if I discover a mold problem?**

- If you are concerned about possible health risks from mold growth in your home, you should consult a physician. Health expenses are not covered under your residential property insurance policy.
- When determining whether relocation is necessary, you and your insurance company should consider the following factors:
  - Is the home unlivable due to significant structural damage?
  - A thorough inspection applying guidelines such as those found on the Texas Department of Health (TDH) website should be done. For example, is there heavy mold growth surrounding the window in your bedroom, or is the mold growth in a light traffic area such as a garage?
  - Do any members of the household have health symptoms consistent with mold? Is there a time-link relationship between the symptoms and the mold infestation, or can the symptoms be linked to another potential cause such as the adoption of a new family pet?
  - Do the symptoms persist after the affected person leaves the home?
  - Is there an unexplained strong musty smell or visible mold?

*While experts agree more research is needed on the potential health effects of mold, some individuals appear to be more susceptible to potential mold-related health symptoms. Infants, the elderly, asthmatics, persons with weakened immune systems or persons in frail health are thought to be at higher risk. Visit the TDH website for additional information and links to other health resources.*

### **I had to move out of my home. What can I expect from my insurance company regarding Additional Living Expense (ALE) coverage?**

For typical water damage claims, it is appropriate for your insurance company to

- determine if ALE is payable within 10 to 14 days of notice of claim
- provide advance payment for ALE within 24 hours of determination of need
- reimburse covered ALE expenses within five business days of receipt of documentation
- provide information on ALE provisions of your specific policy, such as how it may be used and the limits of coverage available under your policy



- keep you advised of remaining coverage available under the ALE provision

*As defined in the standard residential property insurance policy, Additional Living Expense refers to “any necessary and reasonable increase in living expense you incur so that your household can maintain its normal standard of living.”*

For example:

REGULAR MONTHLY EXPENSES		MONTHLY EXPENSES WHILE OUT OF HOME		ALE REIMBURSEMENT
Mortgage	\$1000	Mortgage + \$900 Rent	\$1900	\$900
Groceries	\$300	Meals	\$450	\$150
Utilities	\$200	Home + Apartment Utilities	\$325	\$125
Pet Expenses	\$50	Pet Boarding	\$300	\$250
Monthly Total	\$1550		\$2975	\$1425



### **How can I control my ALE expenses?**

- Monitor your expenses closely and know the limits of your policy. Discuss the timing of recurring bills (such as rent) with your adjuster to ensure that claims processing time is considered. When possible, consider using vendors who can direct-bill your insurance company.
- Obtain a written plan of action from the remediator and contractor regarding when repairs will be completed, and monitor the repair progress.
- Be aware that any vendor you select is an independent contractor chosen and retained by you.

*It is important to know the amount of ALE available and to monitor these expenses. You should compare the estimated time you will be out of your home to your coverage limit. Even if you believe your ALE coverage is adequate based on the contractor’s estimated completion date, additional damage may be uncovered during the remediation process and the repair time lengthened.*

### **How can I select a qualified remediator? How can I ensure the mold remediation and repair process is handled correctly and efficiently?**

- At this time, there are no standards or certification for mold remediation specialists. Some insurers may have a list of recommended specialists, but it is your responsibility to select the contractor. Your insurer is prohibited from requiring you to use a specific company, but may assist you with the selection of a contractor and with getting remediation work done in a timely manner.



- If your insurer provides a list of recommended specialists, consider asking:
  - How are the vendors selected?
  - What are the benefits of selecting a recommended vendor?
  - Will the work be guaranteed by the insurer?
  - When selecting a mold remediation specialist, use the same care that you would employ when selecting any contractor. Specifically, it is advisable to select a contractor who is experienced in removing mold from homes and who has the necessary safety equipment to do the job. Ask the contractor to provide references and proof of education in mold remediation and related areas. Ask to see written company operating procedures and the type of insurance the company carries. Be aware of possible conflicts of interest on the part of companies providing multiple services, such as testing, water extraction, and build-back. Consult the Texas Department of Health (TDH) website for additional information on selecting mold remediation specialists.
- One person should diligently monitor and supervise the remediation and repair process to ensure that work is progressing and completed in a timely fashion.
  - Obtain a written contract that includes estimated completion dates for various stages of the work.
  - Have the contractor develop a written plan of action within five business days of accepting the job.
  - Check that the job is progressing on schedule and, if not, follow up.

*The remediation and repair of your home can cost thousands of dollars. Therefore, it is important to be selective in your choice of a mold remediation specialist. It may be valuable to seek other homeowners who have experience in mold remediation and selecting contractors. You may also wish to contact your local Better Business Bureau to learn whether any of the contractors you are considering have had complaints filed against them. It is your responsibility to choose and hire a contractor, and you are never obligated to use a contractor recommended by your insurer.*

### **Should my belongings be cleaned or replaced?**

- Most reputable mold remediation contractors develop and follow decontamination procedures.
- In general, moldy items that are porous, such as paper, rags, wall-board, rotten wood, carpet, drapes, and upholstered furniture, may be difficult to properly clean. Solid materials, such as glass, plastic and metal, can generally be kept after they are thoroughly cleaned.

- For additional information, consult established guidelines such as those linked to the Texas Department of Health website.

*If improperly cleaned items are returned to the home, the mold may return. Proper cleaning, however, may allow you to salvage a family heirloom or reduce expenses. You should verify coverage and limits with a company representative prior to deciding whether to clean or replace belongings.*

### **What other information do I need?**

- How can I prevent mold growth in my home?
  - Consult the Texas Department of Health (TDH) website and the Texas Department of Insurance (TDI) website for additional information and publications on water damage and mold prevention.
- I know there are different types of adjusters—who are they and what do they do?

**Company adjusters**—full-time insurance company employees who must be licensed by TDI.

**Independent adjusters**—independent contractors who provide claims services to various insurance companies and must be licensed by TDI. Independent adjusters charge insurance companies a fee for each claim that they handle.

**Public adjusters**—independent contractors who provide claims services to consumers. Public adjusters generally charge consumers a percentage of the total claim payment. If you decide to use a public adjuster, establish up front what the public adjuster's fee will be. TDI does not license public adjusters.

- How can I get more information on water damage claims, and the coverage and limitations of my policy?
  - Your insurance agent, claims adjuster or company representative should be available to answer your questions regarding policy coverages and steps you should take in the event of a water damage claim.



# TDI's Suggested Practices for Insurers



## What should the claimant expect when reporting water damage claims?

For typical claims, it is appropriate for insurers to make an effort to:

- Make written or verbal contact within 24 hours or one business day of notice of claim, and share information regarding emergency repairs and mold prevention.
  - In the case of an active leak, verify that the insured has shut off the water and advise the insured to contact a qualified specialist, if needed. You may provide a list of qualified specialists (such as plumbers and drying companies) who can address the problem immediately. Advise insured of the right to select any vendor, including vendors not on the insurance company list.
  - Encourage insured not to exceed personal capabilities.
  - Provide the insured with an estimated timetable for the claims process to help the insured understand the next steps and to establish expectations for both parties.
  - Advise the insured of the insured's responsibilities under the policy.
  - Provide insured with the name and contact information of a company representative and advise that multiple individuals may be involved with the investigation and processing of the claim. Ensure that one company representative is overseeing the claim and available to answer insured's questions.
- Have a company representative at insured's home within 24 to 72 hours of notice of claim. Take into consideration the severity of the potential claim and strive to have a representative on-site within 24 hours.
- Determine whether the claim is covered and provide an initial estimate of damage within seven to 14 days after the company representative's initial on-site visit. Inform the insured that this estimate is subject to change. Within the same timeframe, provide insured with a written statement confirming or denying coverage.
- Return all phone calls within 24 hours.

## How can the overall water damage claims handling process be improved?

It is appropriate for insurers to make an effort to:

- Identify and eliminate "bottle necks" in the claims process.
- Establish a 24-hour information system to provide insureds with immediate information and recommended actions for water damage.



- Develop standard procedures based on these suggested practices for all potential water damage claims to ensure that claims are handled in the best possible manner.
- Create a specialized unit to handle potential mold damage claims, including specialized training for adjusters and additional staff to handle the increased claims workload.
- Provide insured with information and guidance on how to protect the property from further damage.
- Promptly respond to inquiries and concerns from the insured and keep a record of all communications in the claim activity record, including the time calls were received, the nature of the call, and when the call was returned.
- Identify a range of reasonable costs and standards for water damage, mold remediation and repair. Periodically review methods used to assess repair and replacement costs to ensure that they are current and accurate.
  - When selecting or recommending mold remediation specialists, use the same care employed when selecting any contractor. Specifically, it is advisable to select a contractor who is experienced in removing mold from homes and who has the necessary safety equipment to do the job. Ask the contractor to provide references and proof of education in mold remediation and related areas. Ask to see written company operating procedures and the type of insurance the company carries. Be aware of possible conflicts of interest in companies providing multiple services, such as testing, water extraction, and build-back. Consult the Texas Department of Health website for additional information on selecting mold remediation specialists.
- Develop a strategy to have a company representative diligently monitor the remediation and repair processes to ensure that work is progressing and completed in a timely fashion.
- Encourage the contractor to develop a written plan of action within five business days of accepting the job.

### **Should the home be tested?**

- The Texas Department of Health (TDH) and the Environmental Protection Agency (EPA) advise that testing mold prior to remediation is not necessary to determine if remediation is needed. There are, however, other reasons why testing may be desired. Consult the TDH and EPA websites for additional information.

- Mold testing can be expensive and time-consuming. At this time, there are no numerical health standards to which test results can be compared, making interpretation difficult.
- If the insurer insists on conducting tests, this should be done at the insurer's expense.
- Post-remediation testing, performed after the house is remediated, can be used to determine whether remediation has been effective. This type of testing is best used only as a quality control check on the mold remediation specialist and must be done while the area is still under containment. Establish in advance with the insured whether the cost of post-remediation testing will be part of the settlement amount.



**What factors should be considered when determining whether a dwelling is wholly or partially untenantable and Additional Living Expense (ALE) is necessary?**

- Develop guidelines to follow when determining whether ALE is applicable. Suggested factors to consider include:
  - Is the home untenantable due to significant structural damage?
  - Do a thorough inspection and apply guidelines such as those found on the Texas Department of Health website. For example, is there heavy mold growth surrounding the window in a bedroom, or is the mold growth in a light traffic area such as a garage?
  - Do any members of the household have health symptoms consistent with mold? If so, have they consulted a physician? Is there a time-link relationship between the symptoms and the mold infestation, or can the symptoms be linked to another potential cause such as the adoption of a new family pet?
  - Do the symptoms persist after the affected person leaves the home?
  - Is there an unexplained strong musty smell or visible mold?
- For typical claims, it is appropriate for insurers to make an effort to
  - determine if ALE is payable within 10 to 14 days of notice of claim
  - provide advance payment for ALE within 24 hours of determination of need
  - reimburse covered ALE expenses within five business days of receipt of documentation
  - provide consumer education on ALE provisions such as how it may be used and the limits of coverage available under the policy
  - keep the insured advised of remaining coverage available under the ALE provision

- offer to set up direct-bill with insured's selected vendors
- examine practices that may unnecessarily increase ALE

**What additional information, assistance and education can the insurer provide the insured?**



- Inform the insured that complete information and cooperation is needed to accurately resolve the claim. Attempt to involve the insured in the process and assist as needed.
- Provide the insured with information regarding required access to the property to process the claim. Consider after-hours and weekend appointments to accommodate the insured.
- Provide a checklist for the insured to follow in the event of a water damage claim.
- Explain the policy coverage, including any applicable coverage limitations.
- Refer the insured to the Texas Department of Health website for mold resources and information.

For additional information related to mold, consult the mold or indoor air quality resources at:

The Texas Department of Health  
**[www.tdh.state.tx.us](http://www.tdh.state.tx.us)**

The Environmental Protection Agency  
**[www.epa.gov/iaq/](http://www.epa.gov/iaq/)**

The California Department of Health Services  
**[www.dhs.ca.gov/ehib/](http://www.dhs.ca.gov/ehib/)**

The Texas Department of Insurance  
**[www.tdi.state.tx.us](http://www.tdi.state.tx.us)**





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