

Sample Mold Coverage Specifications for Loan Covenants

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To assure the lender is actually insured for mold related damages the request for mold coverage on collateral needs to be integrated into the other loan covenants. It is important to note the mold coverage in the insurance specifications below is designed to get the borrower and lender back into the insurance position they were in prior the introduction of mold exclusions. This sample is designed for commercial loans on properties over 25,000 sq ft. It is highly recommended that this specification not be used without consultation with ARMR.Network to integrate these specifications into the lending process of the institution.

Sample Mold Coverage Request*

Insurance coverage for mold related damages is required in both the property and liability insurance coverage specified in the above sections. If the required insurance policies above contain mold and fungus exclusionary endorsements, the exclusions must be specifically notated on the certificate of insurance and copies of the exclusions should be provided to this office along with the certificate of insurance.

If mold exclusion endorsements are in place in the above-specified insurance policies the borrower shall provide an Environmental Liability policy on the secured property with the following coverage parameters.

- 1. The policy shall specifically insure mold as a covered pollutant.*
- 2. The policy shall provide first party clean up and restoration as a result of mold related damages.*
- 3. The policy shall provide for extra expenses as a result of a covered loss.*
- 4. The policy shall provide third party liability coverage for Bodily Injury, Property Damage and Defense costs.*
- 5. The policy will have a self insured retention of no more than xxxxxxx*
- 6. The policy will list the Lender as a loss payee and additional insured.*
- 7. The policy term shall be equal to the term of the loan if commercially available, but not less than two years.*
- 8. The policy shall have a limit of liability of at least \$1,000,000.*

If Contractors Pollution Insurance is utilized to insure new construction, the policy shall provide

- 2. The policy shall specifically insure mold as a covered pollutant.*
- 3. The policy shall provide first party no-fault clean up and restoration.*
- 4. The policy shall provide third party liability coverage for Bodily Injury, Property Damage and Defense costs.*
- 5. The policy will have a self insured retention of no more than xxxxxxx*
- 6. The policy will list the Lender as additional insured.*
- 7. The policy term shall be equal to the term of the loan if commercially available, but not less than three years.*
- 8. The policy shall not contain exclusions for: a.) Property Damage To Your Work, b.) Materials Supplied Or Handled By The Insured, c.) Damage To Impaired Property, d.) Work Performed by Subcontractors, or e.) Have any separate limitation for Completed Operations outside of the policy term or extended discovery period.*
- 9. The policy shall have a limit of liability of at least \$1,000,000.*

Lenders need to be aware that the limits requested will vary by the size of the loan. However, policy limits in excess of \$10,000,000 may be difficult to obtain.

***Disclaimer: The above insurance specifications should be used only as a reference. Because loan covenants and the underlying insurances provided by borrowers vary a great deal, it is highly recommended that a credentialed environmental insurance professional review the insurance on each loan before implementing these suggested requirements or accepting any insurance policy as fulfilling these requirements. A trained and credentialed environmental insurance professional can usually make a determination of compliance within a few minutes if they have been provided the proper documentation. Lenders should be aware that environmental insurance policies are not subject to rate and form regulation by State Insurance Commissioners and the words environmental insurance do not appear in insurance agent licensing exams. There are more than 100 different environmental insurance policies available to purchase today. Most do not fulfill the insurance needs of borrowers and lenders for mold damages. Therefore, seeking out specialized expertise in environmental insurance is critical to building an effective mold risk management program for the borrower and lender.**

For more information on mold insurance and risk management alternatives see the web site of American Risk Management Resources Network, LLC at www.armr.net. For information on the ARMR.Net, REEL/HPR/Mold insurance product see www.armr.net/reel.html.