

# **Dave's Top 10 Ways To Save Money And Buy Better Insurance**

By

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In 2007 most firms in the restoration business need a Contractors Pollution Liability (CPL) insurance policy to fill the insurance coverage gap created by the "mold related" claims exclusions in Commercial General Liability (CGL) insurance policies. By following the simple suggestions offered below, restoration contractors can lower their liability insurance expenses and significantly improve the quality of the CPL insurance they buy.

The basic business liability insurance needs of all contractors changed dramatically when insurance companies forced *mold related* claims exclusions onto insurance policies. These new exclusions try to eliminate or severely restrict all the coverage in insurance policies for claims "related to" mold. Nobody knows yet how far a claims adjuster can stretch the meaning of the exclusion for claims "related to mold" but the early indications are if some part of the loss has a little mold involved, the whole claim can legally be denied by the insurance company. The only way to fix this gap in insurance coverage is to purchase a separate insurance coverage designed to cover mold related loss exposures. This is most often done with a CPL policy.

There is a common misperception in the restoration contracting business that only mold remediators need CPL policies. This is not true. The "mold related" claims exclusion in CGL policies eliminates insurance coverage for water losses that result in mold in addition to losses arising from mold during mold remediation projects. There are many more water losses that are "mold related" from general contractors than there are from drying contractors and more "mold related" losses from drying contractors than there are from mold remediators. Today any contracting operation that can cause a water loss needs a CPL policy to fill the insurance coverage gap for "mold related" losses in the liability insurance of the firm.

Based on the experience gained from working on hundreds of restoration contracting insurance placements there are five easy ways to minimize the rates paid for business liability insurance and five suggestions to improve the quality of the CPL insurance the firm purchases.

## 5 ways to save money on liability insurance

1. Find an insurance broker with specialized expertise in the insurance needs of restoration contractors. A insurance broker with quantifiable and verifiable qualifications in environmental insurance who specializes in the restoration business can save the firm many hours of lost time and thousands of dollars in insurance premiums while finding good quality insurance for the firm.
2. Complete the insurance application in a professional manner. All the underwriter knows about the firm is what is in the underwriting submission. The applicant should look at the insurance application like it is a job site. Is the application neat and complete or is it reminiscent of a sloppy work site with electrical and fire hazards lying all around and incomplete work just waiting to get the contractor sued? Which image of the firm will the underwriter gain from the insurance application if it is illegible and contains glaring holes in the information requested?
3. Provide copies of the relevant certifications of training and accreditation. One major underwriter provides CPL rate reductions of up to 25% for IICRC and ASCR courses and will even pay for the firm's membership fees in these important organizations. Other insurance companies provide discounts for the training of personnel.
4. Consider a package policy that combines Commercial General Liability and a Contractors Pollution Liability coverage part to fix the mold coverage gap. This avoids buying two separate

policies. Some firms who utilize this approach achieve cost savings of up to 30% over the cost of purchasing two separate policies.

5. Provide five years of loss history reports from the firm's current and former insurance companies.

The five suggestions to improve the quality of CPL insurance are:

1. Avoid a Property Damage To The Real Property You Are Conducting Operations On exclusion in the CPL or any other coverage part of an insurance policy designed to pay for mold related damages. With water and the resulting mold damage potentially ruining an entire structure, this exclusion can be particularly onerous for a drying or mold remediation contractor. An example of this exclusion being applied against a restoration contractor can be found in Nautilus Insurance Company versus 5 West Side Group. In this litigated insurance coverage case the restoration contractor performed a mold remediation and allegedly caused damage to the house in the process. The contractor had a CGL policy in force that was provided by Nautilus Insurance Company. The judge in finding for the insurance company to deny coverage for the claim found that the CGL exclusion for *damage to real property on which you or any contractors ....are performing operations, if the property damage arises out of those operations* eliminated coverage under the CGL policy for the damages to the house as a result of the insured's work. The same exclusions have worked their way into CPL policies with unknown consequences for mold related damages.
2. Avoid exclusions in a CPL policy that eliminate coverage for claims arising out of Impaired Property. These exclusions are common in CPL policies. They are not standardized but commonly try to eliminate insurance coverage for damages to property that cannot be used or is less useful because the contractor's work is defective. Not drying a house out completely would be defective work. In light of the damages that are likely to be caused by their operations, a drying contractor or mold remediator should shudder when they read an Impaired Property exclusion in a CPL policy. The more restrictive versions of this exclusion could eliminate coverage to remediate the house as well.
3. Avoid insurance that restricts coverage for Completed Operations for any part of the insurance offered under the policy. Because mold takes time to grow it is unlikely there will ever be a claim for mold damages until after the job is completed. Restrictions for completed operations may also appear separately from the base insurance policy in Additional Insured endorsements. As a result, even a policy that is ok for the contractor because it does not restrict coverage for completed operations can be totally inappropriate for a certificate holder if this restriction appears in the Additional Insured endorsement.
4. Avoid insurance that excludes claims arising from the work performed by subcontractors. This exclusion usually appears as an endorsement in the CPL policy. If subcontractors are used on every job this exclusion may be the coverage equivalent of a "all the jobs you do" exclusion.
5. Buy good quality insurance. Because CPL insurance is not regulated or standardized for the coverage provided in the various policies, it is very important for insurance buyers to carefully evaluate the coverage differences in the various CPL policy forms before a policy is purchased.

It is amazing to see restoration firms that invest in well-trained staff and high quality equipment place such little value on the quality of the insurance they buy. Today the most widely sold CPL insurance policy to restoration firms is also the most restrictive, even though the more restrictive policies may not be the least expensive. All the vendors that sell restrictive CPL policy forms are willing to fix the potential coverage flaws mentioned above for a very reasonable additional premium, however few contractors take the time to understand the CPL insurance coverage they are actually buying, nor do they ask and pay for the coverage extensions they need.

Most restoration contractors today select CPL insurance based solely on the premiums being offered assuming that all the CPL policies are the same. This is a mistake. Selecting CPL insurance based solely on the premium and the limits of liability being offered is like buying air movers solely on the cubic feet per minute of air they push and the amps they use. Professional drying contractors commonly purchase axial fans that push 2500 cfm at 2.5 amps and cost upwards of \$300 per unit. The same contractors could purchase an air-mover for under \$15 that pushes 2200 cfm and only uses 1.82 amps. The \$15 air-mover is readily available at Wal-Mart and is sold as a 20-inch box fan. Although a contractor could buy 21 box fans capable of pushing 46,000 cfm for the cost of just one professional grade axial fan, every professional restoration contractor buys the more expensive models because of the differences in the quality and the performance of the axial fans. It also would not look professional for the contractor to show up at a drying job with a truckload of Wal-Mart box fans. Similar to the differences in fans there can be big differences in the quality of insurance policies. Just like showing up at a job with a truck load of Wal-Mart fans, producing a certificate of insurance for a CPL policy that contains coverage gaps a truck could drive through can create similar concerns with certificate holders about the professionalism of the contractor. Contractors should purchase good quality insurance coverage for the same reasons they purchase good quality equipment.

It is a myth that good quality insurance costs significantly more money than the most restrictive policies. In sharp contrast to the twenty-fold price difference between the best and lowest quality air-movers available, the premium difference between the most restrictive CPL insurance policies in the market place and those with the broadest coverage available are usually very small after the major coverage gaps are closed.

Obtaining good quality CPL insurance policies for restoration contractors requires specialized skill sets in environmental insurance and knowledge of the unique risks faced by the firms in this business. These specialized insurance brokerage skill sets are difficult to find, which explains the preponderance of CPL insurance policies in the restoration business with significant coverage flaws.

Most restoration firms purchase their insurance from local independent insurance agents who also become a good source of restoration work for the contractor. The training courses for insurance agent's licensing exams and their continuing education credit courses are virtually devoid of any mention of environmental insurance. Even if an insurance agent sets out to learn about environmental insurance there is no effective way for them to do so. Supplemental insurance brokerage skill sets are usually needed to get good insurance on a restoration contractor today.

If the local insurance agent does not have a working knowledge of CPL insurance and the specific insurance needs of restoration contractors, there are specialized wholesale insurance brokers that provide local insurance agents with access to this extra level of expertise. Implementing the Top 10 list can usually be set in motion within a few minutes on the telephone with one of these specialist wholesale insurance brokers. Reaching out to contact one of these qualified specialists can save the firm money and substantially improve the quality of the liability insurance the firm buys.

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For more information on the insurance options available for restoration contractors please contact any of the exceptionally well qualified insurance brokers in ARMR.

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