

OPENING STATEMENT OF
LUIS V. GUTIERREZ
RANKING DEMOCRAT
SUBCOMMITTEE ON OVERSIGHT & INVESTIGATIONS
“MOLD: A GROWING PROBLEM”
JULY 18, 2002

We are gathered here today to discuss an issue of great importance to thousands of Americans throughout the country. The issue at hand is mold and the impact that it has on property and people's health. In fact, believe it or not, mold is a problem experiencing a five-fold increase in occurrences in homes. Thousands of Americans today are living in houses terribly infested by mold.

Despite this fact, no standards currently exist for levels of mold toxicity. No state or federal agencies currently offer testing of mold samples. In other words, although mold has been closely associated with various health problems, such as colds, influenza, asthma and allergies, there are no federal or state standards for what constitutes a dangerous level of mold inside a building. Moreover, because mold remediation is a new industry, there are no government-mandated guidelines for this business and remediation contractors are not licensed for that specific purpose.

Unfortunately, only those individuals who have been physically or financially harmed as a consequence of mold really understand the seriousness of problems related to mold. Those affected are already familiar with the adverse health effects of prolonged exposure to some mold spores and have already suffered allergies, coughs, nosebleeds, and congestion as well as upper respiratory ailments including asthma or bronchitis. For people with weakened immune systems, the results of exposure can be life threatening. Most of these same individuals and thousands more have also had to face the financial difficulties of living in a badly infested household. The financial burden this problem can cause could force people into bankruptcy.

But this is not even the entire story. Besides serious financial and health issues, the ever-growing increase in insurance costs due to mold damage claims is having a negative impact on the affordability and availability of insurance.

Homeowners throughout the United States, particularly in Texas, are facing exorbitantly high premiums. Some people have seen their insurance increase anywhere from 30 percent to 300 percent. They are facing restricted coverage and some people have even lost coverage as insurers drop those customers they label as "high-risk." For the thousands of homeowners who face mold contamination in their homes, lack of insurance could undoubtedly mean financial devastation. Some people are unable to sell their moldy house and must purchase a new home. If they can afford to. Some have been forced to take money out of their 401 (k) to be able to afford another home.

To make matters worse, those who can actually pay inflated insurance rates may end up paying for extremely limited actual cash value coverage. But those who are able to find insurance should consider themselves lucky. Some individuals cannot even secure insurance for their homes because of previous claims made at other properties they own. Why are people being punished for using their insurance? Why are people being denied coverage because they have filed a claim?

Unfortunately, sometimes policyholders are better off not making claims in order to avoid being refused a renewal policy.

Although the impact of mold on insurance companies will be determined by their ability to predict future losses and establish adequate loss reserves for the mold threat, establishing loss reserves will be complicated, to say the least, because of the lack of standards on mold toxicity and remediation and the scarcity of reliable research on mold risks. Even the U.S. Occupational Safety and Health Administration has no safety standards setting limits for mold exposure. There are no standard operating procedures for spore collection at a contaminated site.

Insurance departments must develop and implement standards for companies to repair water damage claims, evaluate mold damage and implement remedies to curtail losses to say the least. Thousands of homeowners, renters, office workers and schoolchildren are experiencing the negative health effects that can be commonly associated with mold exposure. Homeowners who discover mold today have no clear options to resolve the problem and are often confused over what to do. This problem is compounded by the lack of credible environmental standards on mold.

How can we expect legislation intended to increase homeownership, which also seeks to increase the quality of housing conditions for all Americans, to achieve this goal if we do not address the issues that make insurance unaffordable as well as unavailable?

Programs such as the "Healthy Homes Initiative", which was established in 1999, are meaningful and effective and have helped reduce the health risks and problems associated with mold infestation. Clearly, we need to expand these programs beyond public housing.

Homes should be insured for mold. We cannot wait for more children and adults to suffer the health problems associated with mold exposure. Nobody should be forced to sell their house because of mold infestation without having clear options to either save their home or secure their home from mold infestation.