

Mold Damage: Federal Court Addresses Insurance Coverage Issue



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A United States District Court in Connecticut (“Court”) addressed in a September 26th opinion whether an insurance policy covered certain mold damage. See *National Liability & Fire Ins. Co. and Boat America Corporation v. John Jablonowski*, 2018 WL 4623027 (D. Conn. 2018).

National Liability & Fire Ins. Co. (“Plaintiffs”) issued a Yacht Policy to John Jablonowski (“Defendant”) for his 1962 wooden auxiliary boat with an agreed \$90,000 value covering the boat and boating equipment during September 18, 2015 and September 18, 2016.

On Jun 16, 2016, the Defendant reported a claim under the Yacht Policy for an alleged electrical fire at the boat’s shore power cord connection. The alleged damage resulted from mold or mildew in the boat’s interior.

Plaintiffs declined full coverage of \$90,000, but agreed to pay \$3,000 for cleaning mold and mildew.

Three days after the declination, the Defendant reported another claim for alleged vandalism due to an unknown person’s sanding of the cabin top and V-berth. The Defendant claimed that the sanding spread mold throughout the boat.

Plaintiffs’ expert witness concluded there was no fire.

The Yacht Policy provides in part:

We will pay for property damages to the insured boat, its engines and items listed in “What is Covered” from any accidental cause including theft of vandalism.

This insurance does not cover: A. any loss caused directly or indirectly by wear and tear, gradual deterioration, mechanical or electrical breakdown, overheating, ice or freezing, galvanic action, rot, mold, or mildew . . .; however, we will cover immediate consequential property damage resulting from fire. . .

The alleged absence of a fire was argued by the Plaintiff to negate coverage for the mold damage under the Yacht Policy. The Court concluded that a fire must exist in the first place, which is the effect of combustion, and is equivalent to ignition or burning. It granted summary judgment in favor of the Plaintiffs with respect to the Defendant’s fire claim.

The court also addressed a claim that vandalism caused the mold damage, triggering coverage. The policy defined vandalism as the “willful or malicious destruction or defacement of things of beauty or of public or private property.”

The Court concluded that without any direct evidence of malicious intent, it was not reasonable to infer that a prospective vandal would choose to covertly sand the interior of the cabin as means to cause harm

to the vessel. As a result, the Court granted summary judgment in favor of the Plaintiffs with respect to the Defendant's vandalism claim.

A copy of the opinion can be found [here](#).