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Escape of Water

Introduction

According to research by the Association of British Insurers nearly one in five claims made on buildings and contents insurance is for damage caused by escape of water, costing as much as £2m every day.

Although having a much lower profile than large fire claims or flood catastrophes, over the medium term the financial effect on customers can be similar or even worse. Consequently, understanding the causes of escape of water claims and the best risk management approach is very important.

Education and awareness can reduce the number and costs of claims. Taking what can be very simple, common-sense steps can assist in radically reducing the number and severity of incidents. Additionally, more radical measures, can be implemented such as the installation of products for the prevention and detection of leaks. Although these methods may be expensive for individual there is a real benefit in looking to encourage the installation of this type of equipment across property portfolios.

From an insurance claims perspective, if claims are notified quickly, early intervention at the affected premises can reduce secondary damage e.g. moisture travelling to areas previously unaffected by the initial incident. This step alone could significantly reduce damage and claims costs.

Causes

From our research, there doesn't appear to be a single cause but more a range of different issues. Traditionally these claims used to emanate from water pipes leaking following freezing temperatures, but our evidence suggests that the recent claims are occurring across the year, effectively ruling out cold weather as the primary cause.

The increasing presence of plumbed appliances, accommodation containing multiple showers and toilets, the use of modern methods of construction, push-fit plastic pipework, DIY and even fraud all seems to be adding to increased incidence and costs.

Other issues include:

Current Climate – both economic and natural

- Climate change – increasingly colder winters
- Surge in renting and buy-to-let, sub-letting of leasehold properties with the resulting lack of familiarity and long-term interest in the property
- Lack of maintenance
- Increasing number of unoccupied properties
- Higher insulation levels, creating colder roof spaces affecting exposed pipes and tanks

Construction and Workmanship

- Poor construction, particularly post-2000
- Shortage of skilled trades
- Modern plumbing methods that can be installed by unskilled workers
- Failure of joints in pipework
- Valves mistakenly left open prior to charging the system.

Lifestyle

- Upgrading of properties with increased number of bathrooms, toilets, showers and wet rooms
- More plumbed appliances
- Increase in wet under floor heating
- DIY 'improvements' and repairs
- Older properties with corroding pipes
- A higher propensity to claim compared to the past
- Blocked drains allowing sinks, baths and showers to overflow
- Imperfect seals around baths and showers
- Lack of central heating maintenance
- Leaking taps and overflowing cisterns
- Failure of door seals in washing machines and dishwashers

In the current economic climate there has been an upsurge in the amount of properties being sub-let, absentee landlords and a lack of maintenance.

People taking up short term lets who are only in the property for 6 or 12 months and have no residual interest in the property, have a greater potential to ignore tell-tale signs of impending EoW: Temporary occupants will also lack familiarity with the building which can also cause problems e.g. where stopcocks are located

Unoccupancy has a greater impact on commercial risks over all sectors, mainly due to the downturn in the economy but also schools and businesses closing for the winter break. The main cause here is the lack of routine inspections, heating turned off and the water system not being drained down so the impact of any change in temperature or sudden leak is not picked up at an early stage and can have catastrophic results.

With an increasing trend for theft of pipework, boilers, central heating systems etc., given the high prices for non-ferrous metals, even temporarily vacant buildings can be targeted. If this happens where there are empty flats within a block, especially on the higher floors, the impact on the other flats can be substantial. High-rise flats and student accommodation also tend to have more water damage exposures. Individual units can have their own combined pressurised hot water and heating systems and a failure in one can lead to a large escape of water over several floors.

Modern Methods of Construction

The increasing use of modular construction and pods over the past 10 years have shown a similar increase in EoW claims; there are other causes as previously stated, but the correlation cannot be ignored.

In particular these are most common in high density, repetitive buildings such as student accommodation and hotels.

Preventative Measures

Raising awareness is possibly the one single factor which could have the most impact. A significant proportion of both personal and commercial customers fully appreciate the benefits of alarms and other risk management devices that can be used to combat theft and fire. However, only a minority are aware of the extent of the risk of EoW or of some of the simple and relatively inexpensive devices that can assist in reducing its impact.

Other recommendations for preventing this type of incident include:

- Ensure exposed pipes are appropriately insulated, including within roof voids and cellar areas

- The need to ensure 24/7 heating provision during particularly cold spells
- Inspect cold water tank(s) and associated pipework regularly
- Inspect and maintain sealant around baths and showers
- Ensure the main stop valve location is known, accessible and operational – label/sign as necessary. This is a particular consideration for the elderly and less able
- Repair dripping taps
- Check for dripping or leaking overflows
- Be aware that if heating fails, this may be due to freezing pipes
- Quickly isolate appliances if leaking
- Be aware and alert to signs of water leaks
- Ensure emergency call out numbers are available

(Customers with residential properties and their tenants and leaseholders should be aware that any installation or repair work should be carried out by a competent plumber who has the appropriate third party accreditation such as APHC (Association of Plumbing and Heating Contractors) or CIPHE (The Chartered Institute of Plumbing and Heating Engineering)).

Physical Protections

Unoccupied Premises

These require a regular inspection regime, adequate insulation/lagging of pipework and either the water to be drained from the system or for the heating to be maintained to a minimum level of 10°C. With a significant amount of claims occurring within unoccupied premises, taking what can be very simple steps can radically assist in the reduction of incidence, such as:

- Leaving heating on or set to come on at 10°C with 15°C being preferable
- Turning off the stop-cock and, if long term unoccupancy, draining down of all systems
- Ensuring pipes are all adequately lagged, particularly in the loft or roof-space areas or where pipes are external or in unheated spaces
- Insulation should be over pipes in roof-spaces – not under, to benefit from heating from occupied areas below
- Protection of water tanks and cisterns
- Outdoor pipes and those in outbuildings should be adequately lagged or stop-cock tuned off and systems drained if buildings are not in use during the winter months

- Increased inspection times whilst out of working hours for commercial premises
- All gullies and drainage channels cleared of any obstructions

The above measures can be adopted in all premises not just unoccupied and more radical measures that can be undertaken include:

- Products for the prevention and detection can be used to reduce the incidence of EoW claims include WaterGuard and other companies on the Water Technology List (see below).
- Methods for heating pipework in colder areas such as electronic pipe heating which comes on when the temperature drops below a pre-set level

Remote Meter Reading and Leak Warning Devices

Remote monitoring and leak warning devices provide a very effective means of identifying water leaks in a supply system not readily accessible or at a remote location.

Devices exist that analyse water consumption and identify abnormal usage trends, providing an early warning of water leaks. Some devices may also have the facility to cut off the water supply automatically.

Enhance EoW risk management in construction

In respect of buildings under construction, it is recommended that customers work with their contractors to create awareness of the problem and develop loss prevention measures. For example, security guards can be trained to provide an early emergency response and shut down systems where necessary.

Main contractors should be aware of the potential for water damage losses during the design phase, the construction phase and during the defects liability period after handover. It is important to consider system design and specification as well as site installation and commissioning.

Incentives

For many customers the following government scheme may be an incentive to fit water monitoring equipment:

Enhanced Capital Allowance Scheme

The Enhanced Capital Allowance (ECA) scheme offers a 100 percent first-year allowance for investments in certain water efficient plant and machinery. It allows businesses to write off 100 percent of the cost of qualifying plant and machinery against taxable profits in the year of purchase. This can bring significant financial savings and reduce your organisation's impact on the environment.

The ECA water scheme is managed by the Department for Environment, Food and Rural Affairs (Defra) and HM Revenue and Customs, in partnership with AEA Technology, who manage the scheme on behalf of Defra. The ECA water scheme includes a variety of technologies - such as water efficient taps, toilets, monitoring equipment and industrial cleaning equipment. Eligible products are detailed on the Water Technology List (WTL).

The Water Technology List (WTL) provides details of which products are eligible for enhanced capital allowances (ECA) for as part of the ECA water scheme. A product must be on the WTL when it is purchased in order for you to claim an ECA through your corporation tax Self Assessment return.

The WTL guide is mainly aimed at businesses that want to buy water efficient products, and the manufacturers and suppliers of those products. It is also relevant to organisations that are not eligible to claim ECAs but can use the WTL as sustainable procurement tool. The guide outlines how the ECA water scheme works and which technologies are covered. It also explains how manufacturers and suppliers of water efficient products and technologies can apply to have these added to the WTL.

Businesses can write off the whole of the capital cost of their investment in these technologies against their taxable profits of the period during which they make the investment. This can deliver a helpful cash flow boost and a shortened payback period.

Warm Front Scheme

Tenants and Leaseholders could get help with the cost of insulation and this may even be free particularly if they are low income earners.

Conclusions

EoW incidents are on the increase both in terms of frequency and severity. Education and awareness can reduce the number and costs of claims. Taking what can be very simple, common-sense steps can assist in radically reducing the number and severity of incidents.

For more information, speak with your usual Risk and Insurance Consultant.

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