Escape of Water: Property managers guide

Contents

The scale of the problem

Escape of water continued to be a significant issue for both residential and commercial buildings in 2022, with a total of £987 million worth of claims made across the year, a 15% increase over 2021. This amounts to an average of around £2.7 million worth of escape of water losses every single day, not accounting for those where damage costs amounted to less than excess (please check the policy excess as damage can fall under this amount), or the additional costs that may have come from loss of rent, business disruption and potentially liability costs for a property owner.

As an issue, escape of water is significant both in terms of regularity of claims and the severity of them - which means that they happen often and cost a lot to repair when they do. The cost of repair is something that has risen in the past few years, largely due to the cost of living crisis which has seen an increase in the cost of labour and parts, but also due to the increased time needed for drying out where modern methods of construction materials have been used.

Why should you act?

Zurich's Property Major Loss Team continues to see a significant volume of commercial escape of water claims, some of which run to seven figures. They are not only expensive, but cause considerable disruption for our customers.

One of the reasons why the impact is so huge, is that often offices have large scale water systems, such as large heating systems, air conditioning, coffee machines and water coolers.

Furthermore, commercial building architecture can turn a simple leak into an expensive loss. In addition, any loss can be undetected for some time if it occurs after working hours or at the weekend. This guide will highlight the common causes of a leak, preventative measures to mitigate damage and help formulating an incident response plan should an incident occur.

A message from Colin Prince

Underwriting Manager, UK Property

"The frequency and cost of water damage losses is nothing new and has been a challenge for many years across all areas of property insurance.

Unfortunately recent inflationary impacts, more frequent and severe cold spells, shortage of tradespeople and the use of less resilient building materials have all contributed to a jump in both frequency and the severity of losses at a time when the cost of living increases are causing hardships for many.

Increasing excesses and premiums may provide the funds for insurers to meet these costs, however all that such action achieves is to transfer part of the financial burden to the owners and occupiers of the premises and this is something that we are keen to minimise.

Far better is to try and reduce the frequency and scale of events and this document has been prepared to look at actions that can be taken to do that. Implementing some of the recommendations within this document will, we believe, help to prevent losses or to minimise them once they happen, not only avoiding or minimising the financial impacts, but also the inconvenience and distress caused to the occupiers."

The scale of the problem

Myth Busting

Myth 1: “It’s only a winter issue”

Bad winters may cause peaks (such as Q4 2022 which saw £386 million of claims) but the underlying volume of escape of water claims is steady. The average cost is increasing and the number of potential causes is high.

Myth 2: “It’s not a source of major loss for insurers”

Escape of water has the largest share of claims when it comes to building losses, at roughly a third of all incidents. Just because escape of water won’t always be visible, or cause as much damage as a fire might, doesn’t mean it isn’t a significant issue for customers and insurers.

Myth 3: “It’s only a problem for residential property”

It’s not just residential property, it’s all property. Industrial and commercial properties are just as likely to be effected and, while the volume of claims may be lower, the value can be much higher.

Common causes of escape of water in property

Leaks can vary from major bursts, which can result in flows of up to 60 litres of water per minute, to minor leaks, which may remain undiscovered for several months if the leak is in a concealed area not visible to the building resident, or where the building is unoccupied for long periods.

Research has shown there are many causes of escape of water loss including cold weather, height of building, poor workmanship, faulty pipework and joints, modern lifestyles, lack of maintenance and even fraud. A study conducted by forensic investigators of 1,200 escape of water claims over a 2-year period found that 67% of all incidents emanated from faulty pipe joints, all resulting from poor quality installation standards.

In this section, we're going to cover some common causes of escape of water in the home, how their impacts can differ, and what to look out for with seemingly simple day to day tasks.

Common causes of escape of water in property

Kitchen Appliances

Kitchen's are a common source of escape of water, with built in appliances such as dishwashers using large amounts of water. The pipes allowing water to flow can come loose, have joint failures or mechanical faults that can all lead towards a leak, so it's important to ensure these are fitted correctly and maintained where needed to mitigate the chances.

Toilet Cisterns & Tanks

A similar issue to kitchen appliances pipes which can happen in toilets is joint failure, which can start out as a small leak and grow into something more substantial. In addition to this, other issues such as limescale can occur and cause damage, plus the chances of unprotected pipework and sprinklers in a bathroom with an outer-facing wall.

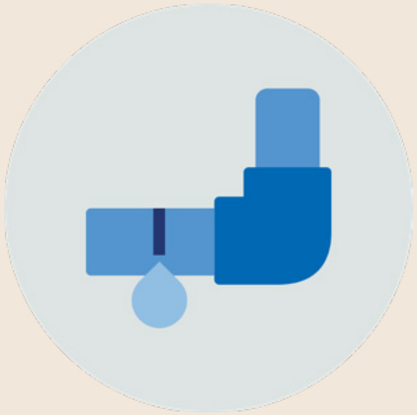
Short leases and ways of working

Changes in the way people occupy buildings has inadvertently increased the risk of water damage, including 'pop up' retail occupants, short term lets and renters meaning occupants have little interest in the property and its maintenance. With fewer employees working regularly in offices, it may also take longer for issues to be discovered, causing extended damage,

Waste Pipes & Joints

Similarly to baths, showers, sinks and toilets, waste pipes can become blocked easily and the backup can cause overflowing or put undue pressure on the pipes. Joint failure can occur over time, especially if not fitted correctly, and the cold weather can also be a common cause of issues.

Common causes of escape of water in property



Immersion Heaters & Boilers

Heaters and boilers are often hidden away, making these a significant cause of escape of water and ones that can take a while before they are spotted. Limescale, over-pressure, mechanical faults and joint failure are all risks when it comes to these, which means regular checks by an approved plumber are essential.

Height of building & occupancy

As the height of a building increases, so does the complexity and quantity of its plumbing. Buildings over 3 stories are likely to need pressure boosted systems (pumps) to lift the water to upper floors. Pumped plumbing systems under constant pressure can be overly stressed, leading to higher rates of wear, tear, and failure. This is especially important for buildings such as universities, where specialised equipment can be damaged at high cost and disruption to production.

Radiators

With the temperature of radiators changing frequently, and with them being out in the open, the chances for accidental damage are heightened. Corrosion over time is possible, as is joint failure if pipes aren't fitted correctly.

Supply Pipes & Joints

Supply pipes & joints corrosion and erosion are possible with pipes and joints, especially as these are hidden away from plain sight. The potential for frost and changing weather conditions are also risks. Soil stacks are prevalent in new builds and, given they are boxed away, can suffer severe damage before becoming visible. Water pressure can cause poorly installed plastic "push-fit" systems to fail, along with inadequately tightened compression joints on more traditional metal pipework.

Common causes of escape of water in property

External Factors

Weather

Whilst weather, more specifically rain and cold weather period, can cause flooding and frost both inside and outside of properties, it's main link to escape of water is how it exacerbates underlying problems. Whilst nothing can be done about the weather, ensuring pipework (lagged if possible, particularly if exposed), boilers and radiators are fit for use before extended periods of rain or frost can help reduce the risks.

Materials

Pipework failures can result in substantial losses, either through an individual case or multiple smaller ones. Using the right materials for piping is essential (some plastics react to the likes of mastics and solvents) and should be well thought out ahead of any work being done.

Risk from residencies

Sometimes escape of water can damage more than just one property, and is a common risk in high rise living due to pressurised system. Leaks from a flat can also impact others on floors below.

Workmanship

During the construction or renovation of buildings, there is an increased risk of escape of water becoming an issue if there is a lack of skilled labour or workmaship. A troublingly high proportion of escape of water claims relate to problems with the original plumbing installation. If your property is large, contractor error can have significant financial implications. An escape of water permit should be used to record contractor insurance details and competency of contractors before you allow them to work on your property.

Common causes of escape of water in property

Case study

Slow leak

Scenario

Loss occurred when bath water leaked through defective sealant to flow beneath the bath for several years, out of sight.

Cause

Although the sealant appeared in good condition, with no obvious signs of degradation, the weight of the full bath caused the bath to drop and open up a gap beneath the sealant, allowing excess bath water to flow beneath the bath. As there was no routine inspection behind the bath panel, the water damage went unnoticed until too late.

Cost

Circa £400,000

What do property managers need to do?

There is no one thing that will prevent an escape of water loss. A loss is usually a culmination of several adverse actions / factors. Therefore, in order to reduce the likelihood and severity of an escape of water incident, property owners and managers are encouraged to develop a 'water risk management strategy' for each individual property, encompassing risk assessments, occupancy education and controls, audit programs and maintenance programs.

In this section, we're going to cover some of the do's and don'ts of mitigating escape of water damage.

What do property managers need to do?

Risk assessment

Assessing the damage and trauma suffered from the effects of a water damage loss cannot be underestimated. **There is a sustained supply of water following a leak from a cold-water pipe, resulting in approximately 60 litres of water per minute**, and leading to significant damage and disruption to homes.

While there cannot be any guarantees against an escape of water, undertaking a thorough risk assessment for each property will help identify the key risks, so that you can take action to prevent losses and mitigate damage. This assessment should consider the location of any water installation, such as emersion heaters, toilet cisterns, water pumps, joints, seals, appliances, soil stacks etc., and establish the mechanism of failure for each, the likelihood and impact of the failure occurring and the mitigation measures required to reduce the risk of failure.

Occupant education

Take the opportunity to educate the resident about escape of water risk when they take occupancy, and also periodically throughout their tenancy. Provide them with a best practice ‘do’s and don’ts’ list, show them the location of the stopcock and how to operate it, and keep them regularly updated with risk mitigation advice and legislative changes.

Audit program

Where considered appropriate, such as in high-risk properties or those having suffered previous water damage incidents, implement an inspection program aimed at checking high-risk plumbing areas. This could be checking for leaks and signs of damage in areas like behind bath panels and washing machines. Presence of moisture can be checked visually or electronically by trained individuals using calibrated moisture meters and thermographic imaging cameras. Other high-risk areas worthy of periodic inspection are soil stacks, drains, roofs and gutters, especially where problems have been experienced previously.

What do property managers need to do?

Occupant controls

Use the lease or tenancy agreement to set out the resident's maintenance roles and responsibilities, and sanctions should these not be met. Set out clearly defined access arrangements, allowing representatives of the property owner or manager access at short notice to assess and deal with incidents. Ask the occupant to complete an annual self-assessment checklist requiring them to periodically check and report on the condition of key plumbing components.

Set out clear rules around plumbing DIY and renovations; consider asking residents to submit evidence highlighting good standards of wet appliance installation, where they are permitted to do this themselves.

Our experience shows that water damage losses arising from sub-let properties often have longer notification periods and an increased average cost per claim, often due to poor communication between resident, landlord and property owner. Therefore, property owners and managers should be alive to the increased risk associated with sub-let properties and act swiftly when notified of a leak or broader loss. Sub-letting can sometimes be identified by the correspondence address of a claimant being different to the address of the property which has suffered a loss.

Between 35-40% of all escape of water incidents, whether slow leak or catastrophic burst, emanate from bathrooms, therefore a focus on these high-risk areas can have a significant impact on reducing losses.

Maintenance program

Implement a robust maintenance program for common areas, to include:

- Periodic inspection and testing of plumbing infrastructure in accordance with manufacturer and or industry guidelines.
- Condition monitoring of key plumbing equipment/infrastructure and protections.
- Component replacement program.
- Documented record of results, trending of readings, and the specific maintenance procedure carried out.
- Be undertaken by a suitably competent and qualified plumbing contractor, adhering to rigorous quality standards.
- Use of a formal 'Escape of Water Permit to Work' procedure for the control and supervision of contractors working on plumbing infrastructure.
- Auditing of workmanship to ensure its quality meets the standards expected.

What do property managers need to do?

Contractor procurement & control

A worryingly high proportion of escape of water incidents relate to problems with the original plumbing installation. As the vast majority could simply be avoided, it's critical that anyone commissioning plumbing works ensures that the contractors employed are competent, qualified and adhere to rigorous quality standards.

Top six things to look out for when choosing a contractor:

1. Does the supplier have adequate public liability insurance, and are the cover limits sufficient? Record contractor insurance details to enable recovery if damage occurs.
2. Does the company have a good reputation and a proven service record?
3. Are the operatives certfied and do they have the right skills?
4. What guarantees and warranties are in place for both installation and products?
5. What are the terms for post-construction guarantees?
6. Is the plumbing to be sub-contracted as part of the overall project? If so, then consider all of the above points in respect of the third party.

For large scale projects, also ask the following:

1. What are the contract implications of the Joint Contracts Tribunal?
2. Who has the insuring responsibility? Is there a waiver of subrogation? This could prevent an insurer from being able to recover costs in light of a claim against the supplier.

Managing contractors:

1. Think carefully about appointing your own Clerk of Works to oversee larger and more complex projects – and to ensure the quality of the entire execution and delivery.
2. Create a Water Management plan – define responsibilities, procedures, and specific actions to manage and mitigate the risk.
3. Check an Escape of Water Permit is in place – to control labour on live plumbing systems, filling, testing, commissioning, snagging and maintenance.

There is a specific joint code of practice for prevention and management of escape of water on construction sites, click here to read more.

What do property managers need to do?

Do not:

- Ignore that dripping tap!
- Forget to isolate your water supply if you're going away for a long period of time
- Forget to ensure that pipes and tanks are insulated or heated to prevent them freezing
- Discard nappies, wet wipes or cotton buds down the toilet
- Discard cooking fat down the sink
- Stand on sanitaryware
- In cases of being a tenant, undertake bathroom or kitchen renovation without informing the landlord

Do:

- Know where your stopcock is and how to turn it off, test it works twice a year
- Check for leaks in high-risk areas such as bathrooms, kitchen, boiler rooms etc. at least annually, ideally more regularly
- Check beneath the bath and shower basin, plus flexible hoses on appliances
- Check sealant and grout around shower trays, bathroom and kitchen fittings; ensuring they are maintained and in good condition
- Ensure you prevent excessive quantities of water from spilling onto bathroom floors from washing, bathing, or showering, where the floor is not designed for such purposes
- Contact the landlord (if renting) to alert of any water leaks, blockages or plumbing problems
- Contact the landlord (if renting) for plumbing repair or installation advice and assistance
- Use an approved plumber to fit pumbing and appliances, checking their insurance details
- Maintain all heating appliances in accordance with manufacturers guidance

What do property managers need to do?

Leak detection and suppression devices

Even where a suitable risk assessment has been undertaken and precautions put in place, escape of water incidents will still happen. However, alongside improved water risk management planning, technological advances mean that leak detection and suppression devices are now available that can be fitted into new or existing buildings to significantly reduce the impact of a leak or burst pipe, should it occur.

Leak detection and suppression devices comprise of various components used together in several configurations. Device components include:

- Leak cable or point sensor – fitted in high risk areas to detect burst pipes or drips
- Ultrasonic sensor – fitted onto soil stack or drainage pipework to sense blockages
- Multi point sensor – can include heat, humidity and water sensors in a single unit
- Water flow monitor – fitted on or in the incoming mains supply pipe to measure flow rate, flow volume or water temperature
- Water shut-off valve – fitted in the incoming mains pipe to manually or automatically shut off the water supply following a leak or burst pipe
- Control Panel – Interface between the components
- Signalling & communication technology – signalling technology is used to send an alarm and system data to computers and mobile devices
- Power supply – leak devices are powered via a combination of mains and battery supply
- Smart platform – web-based applications allow remote control of valves and water consumption monitoring
- Humidity - the devices also measure humidity which can be an early indicator of hidden damage

Such devices are cheaper and simpler to install at new build stage, but also effective when installed in established buildings at high risk of water damage, or those suffering from significant and persistent escape of water incidents.

Over recent years, Zurich has engaged with several device suppliers and manufactures, such as Geo: Waterlock, Aqualeak and Leaksafe, to learn more about the potential benefits of fitting such device at new build and retrofit stages. Several suppliers spoken to stated that for some properties, leak detection and suppression devices can potentially reduce the severity of claims by up to 80%.

Speak to Zurich before engaging a leak device company, we can discuss the pros and cons of your situation and help you make the right decision on a solution to your leaks.

Responding after an incident

Claims handling

Responding quickly on discovery or notification of an escape of water should be a priority for all involved, in order to assess the damage and stop any further damage occurring as well as alleviate the distress and disruption an escape of water can cause. Even what could be on the surface a minor leak could cause significant underlying damage so it's important that action is taken upon discovery.

However, undertaking invasive building works and repairs too quickly can affect the long-term claim cost; erroneous spending is a significant problem and can complicate the process of making a claim under your Property Damage Policy.

Replacements and repairs of course, must also be in accordance with policy cover. It's therefore important you understand your Policy and notify the claims team early, so they can offer you the necessary support an specialist intervention to respond to the escape of water.

Do not hesitate, have a plan and act quickly - evidence suggests there's a correlation between the time it takes to claim and the cost of the claim - the longer you take to claim for an escape of water, the greater the damage, distress and cost becomes!

Make sure that everyone involved in responding to an escape of water has a clear understanding of their individual roles and responsibilities, and that they are working in the correct order. Consider a triage routine like the following:

- Are there clear and available instructions if an escape of water is discovered, outlining what to do and who to contact?
- Who should be first at the site of the incident?
- Has the leak stopped? – do they know where to locate the stopcock?
- Has the main water supply been switched off? And how to do this?
- What actions can be taken to start to clear up & dry the affected area?
- What damaged has occurred? Take photographs before anything is disposed of.
- Has evidence been collected? If a pipe or joint has failed, retain the part.
- Has the insurer been contacted?
- What repair and replacement actions are permitted under the policy wording?

Fradulent claims

The overwhelming majority of claims are perfectly genuine. However, over the last few years Zurich has detected an increasing volume of dishonest escape of water-related notifications.

There are several key fraud indicators that should be considered when dealing with escape of water damage to enable the early detection of fraudulent claims e.g.

- Water damage in improbable locations
- Lack of water staining to timber ceiling joists within areas of high damage
- Blocked or disconnected overflow devices
- Clean cut pipework within the area of origin
- There's been two or more insurance claims by the tenant in a short period
- The tenant's documentation regarding the loss is poor quality, suspicious or non-existent.

Think about developing a fraud assessment protocol, to be implemented as part of your claims handling process.

How can we help you?

For further guidance on escape of water, below are some useful websites:

- News and Insight: Escape of Water
- Escape of Water: The perils of plastic
- The Construction Insurance Risk Engineers Group (CIREG)
- Association of Plumbing and Heating Contractors
- Chartered Institute of Plumbing and Heating Engineering
- Geo: Waterlock
- Aqualeak Detection Ltd
- LeakSafe Solutions

In the event of a claim:

- Social housing boards and Zurich Municipal customers should submit information about their claim via our Property Insurance Claim portal.
- For commercial property owners or private landlords, you can find more information about how to make a claim here.

If you have any questions or if you would like to talk to one of our team, please contact us:

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