

Water Damage:

An ounce of prevention

is worth a pound of cure.

FREQUENTLY ASKED QUESTIONS about water damage:

Over the last several months, you've heard us talk about water damage and the effects of the rising costs of water damage claims. We believe that this important industry issue deserves our attention and so we've put together a list of frequently asked questions and answers to keep you informed.

What is water damage?

Water damage can happen because of a broken pipe, an overflowing toilet, a leaky roof, or a sewer backing up. Water can damage a home and the contents within it. The damage may be so extensive that the home is unlivable while repairs are being made and belongings cleaned or replaced. Even a very small amount of water or sewage material can be a big problem.

Why is water damage such a big issue?

Water damage affects the entire industry. It has been increasing in frequency and severity over the past 10 years with an exponential leap in the number of water damage claims being processed. Basement flooding alone is estimated to be approximately \$140 million per year based on a multi-year average. This represents approximately 30,000-40,000 incidents with an average cost of each incident between \$3,000-\$5,000.

As a matter of fact, water damage now accounts for the majority of losses that are being reported.

What types of water damage claims are you observing?

- § Burst pipes and hot water tanks,
- § Sewer back-up and the backing up of drainage systems,
- § Pipe ruptures of hoses on appliances (dishwashers, ice/water makers, hot water tank, washing machines), especially those older than 10 years.

What could be the reasons for the increase in frequency and severity of water claims?

- § Appliances are not being replaced regularly,
- § Some residences are in areas that are prone to sewer back-ups,
- § Less people are at home during the day, consequently allowing more time to pass before leaks are discovered,
- § People are finishing their homes with more expensive materials (hardwood vs. laminate),
- § The design of homes is different now including laundry rooms on higher floors,
- § More people are completely finishing their home. In the past, basements were unfinished which meant less exposure and clean up in the event of a claim.

What steps is Intact Insurance taking to deal with this increase in water claims?

We're working to improve our performance in this business line, and we've put together a comprehensive five-point plan to do it. The plan focuses on pricing, insured amounts, claims review, product review and customer education, with the goal of establishing the right balance between protection and pricing. We believe we need to look at all of these elements in order to tackle this situation effectively.

What can we, as brokers, do?

You are the best source of information and advice for your customers. We encourage you to help educate them on what they can do to help prevent water damage.

Why should customers care about water damage?

There are a number of serious health impacts that can arise as a result of water damage, including:

- § Chronically wet houses are linked to an increase in respiratory problems,
- § Frequent occurrences of basement flooding can result in long-term damage to the building and equipment, and equipment that may not be covered by insurance,
- § There is a significant risk of mold developing in chronically wet houses which can be a health risk to people living with mold in the building.

In addition, increases in water claims may also mean:

- § Insurance rates may rise; minimum deductibles may increase significantly,
- § Property values may depreciate.

Why do basements flood?

- § A leak or crack in the basement walls,
- § Poor lot drainage,
- § Failure of the weeping tiles,
- § Overflowing eaves troughs or leaking/plugged downspouts,
- § A blocked connection between your home and the main sewer in the street,
- § Failure of a sump pump used to pump weeping tile water,
- § Failing hot water heaters,
- § Worn rubber hoses on washing machines (especially those older than 10 years)

What can customers do to prevent water damage?

Prevention is the best weapon against water damage. Customers should:

- § Regularly inspect all plumbing for signs of cracks or leaks,
- § Replace older plumbing,
- § Regularly inspect older appliances and replace them once they are past their normal life expectancy.
- § Install backflow valves,
- § Replace old worn rubber hoses with newer, braided hoses,
- § Install active monitors that will alert you if a leak occurs, and shut the main water off when moisture is detected.
- § Look at purchasing and installing a relative humidity sensor (hygrometer) that can measure the moisture level in a home,
- § Upgrade to energy-efficient windows that can support a higher level of relative humidity without condensation occurring.

Where can customers can for more information on water damage?

There are a number of valuable and helpful websites that customers can visit to find out more, including:

Intact Insurance website: www.intactinsurance.com

Canada Mortgage and Housing Corporation: <http://www.cmhc-schl.gc.ca/en/>

Canada Mortgage and Housing Corporation have numerous free publications available and they will ship them at no cost.

Insurance Bureau of Canada: http://www.ibc.ca/en/BeSmartBeSafe/Loss_Prevention_Tips/

Intact Broker Portal: you can order brochures on water damage for your customers.