



Informing Progress - Shaping the Future

FOIL UPDATE

19 November 2020



Update – FOIL Roundtable on Escape of Water Damage Claims

This roundtable event was held virtually on 17 November. It was chaired by **Paul Lowe** of **Weightmans** and the speakers were **Martin Ashfield** of **AXA** and **David Reid Rowland** of **Hawkins**. It attracted 94 attendees.

Background

The first speaker, **Martin Ashfield**, opened by showing a graph illustrating the rate of increase in this type of claim over the last six years. The data was provided by 11 insurers and showed a dramatic increase in the cost of domestic water damage claims. There is also concern that the upward trajectory in claims will continue and could go ‘off the scale’.

Three key factors need to be considered.

1. The physical environment

The materials used in the construction of properties are now more expensive than in the past. Old fashioned lino has been replaced by various types of floor covering, now including composite materials. Kitchens tend to attract greater investment, with marble and granite seemingly far more popular than more basic materials.

IN BRIEF

This roundtable event considered:

1. The rising cost of claims arising from the escape of water in domestic properties;
2. What steps can be taken to mitigate the damage when a leak occurs.
3. Recovery and subrogation
4. The causes of losses and possible solutions

Domestic contents are also more numerous, varied and sophisticated than in the past, with a proliferation of electrical items. Even wall coverings are arising, where considerable sums have been spent on wallpaper, with one claim put at £70,000.

Accordingly, the value of contents, fixtures and fittings is steadily increasing and impacting on claims.

2/3. Build quality and workmanship

There are two areas of concern here: first the quality of the workmanship of some professional plumbers and secondly the impact of home improvements, that are becoming ever more popular. One example cited was of the growing desire to create a wet room: a deliberate wish to flood the floor of one room in a domestic property.

These problems are exacerbated by the change in the materials used from metal fittings and soldered joints to plastic push fittings. This in turn has encouraged more DIY activity.

All this means that while there has been an increase in the amount of fitting out in properties, this has been accompanied by a reduction in the quality of the materials used.

Mitigating the damage caused

David Reid Rowland concentrated on escapes of water from hot and cold systems in domestic properties, which arise primarily (but not exclusively) from separated or failed plumbing joints.

Leak detection devices are an evolving technological solution. When fitted within a property, they enable leaks to be detected early on and hopefully enable the home owner to take steps to mitigate the damage. Although currently found in higher value properties, these devices are becoming less expensive and are likely to become much more common in the future.

Some of these devices only alert the property owner to the existence of a problem and require their intervention. More sophisticated versions include solenoid valves which will cut-off the water automatically in the event that a leak is detected. Other devices work on air temperature monitoring and will alert the home owner if there is a risk of freezing.

Detection devices may be retrofitted to existing meters and work by detecting abnormal electrical pulses in the meter. More basic devices may be strapped to a water pipe and these work by detecting imbalances in air and water temperature, caused by the flow of water through the pipe.

There are also flow detection devices, which may be strapped to a pipe. These may be set either by reference to a certain flow of water, or, in more sophisticated models, to irregularities in normal water usage. Both types of device will pick-up on slow, continuous leaks. When an irregularity is detected an alert is sent to the home owner. The devices will pick up a leak anywhere in the system, but not necessarily before a high volume of water has already escaped to do damage.

Another form of detector works on electrical or optical sensors which monitor for excess moisture. However, these devices tend to be fitted where an escape of water may be expected, e.g. under a sink, and they may not pick up leaks elsewhere.

Recovery and subrogation

Martin Ashfield put up a number of illustrations of the type of water damage that may arise; the wide variety of locations involved; and the devastation caused.

Recovery involves subrogation and it is very important to understand this process. It should be under consideration from the outset and not an afterthought.

Evidence collation and retention is crucial. This may include the relevant parts, photographs and documents, including any plans. Investigation should not become focused on just the obvious, e.g. a plumber had recently been at the premises. Foreseeability and causation should be borne in mind when looking at the bigger picture. Are there leasehold considerations involving a landlord, or contractual provisions (express or implied) which may involve building regulations? Relevant published standards are critically important.

A full picture needs to be built up about what works were agreed; events leading up to the incident giving rise to the loss; the chain of events (who was involved); what was involved; what advice was given; and what actions were taken. These facts then need to be applied to the nature of the failure.

Causes of escapes of water

David Reid Rowland concluded the presentation by looking at the principal sources of escapes of water. These he listed as:

- Installation defects: cited as the primary cause. These may involve inadequately inserted components; poor assembly of parts; and/or the re-use of damaged components. The examination of these components after an incident is therefore important, while also looking for any other contributory factors. A poll carried out by FOIL confirmed that 89% of cases handled by members fell under this category.
- Abnormally high pressure, associated with 'water hammer' which occurs when water stops flowing suddenly. This occurs most commonly in tall buildings, particularly when the system is refilling after the water pumps in the lower part of the building have been offline and there is a massive surge in pressure when they are turned back on. This is sufficient to blow well made joints, as well as any that are weak. The risk of this happening is reduced in more modern systems, which have inbuilt control mechanisms (provided they are activated).

Where claims arise under this heading consideration must be given to the roles of those installing the pipework, as well as those responsible for running/maintaining the system overall.

- Material defects, caused by manufacturing faults (particularly with parts imported from China and India), corrosion or contamination (including during installation).

Discussion

The FOIL poll revealed that 76% of respondents felt that leak detection was the key action to be followed-up in the future, with only 30% citing subrogated claims. 68% also felt that the use of correct material in the future was an important factor. 10% felt that DIY activities should be avoided!

Poor or late investigation was seen as the greatest barrier to successful recovery.

Given that poor installation is by far the greatest cause of this type of loss, the question was put whether this required closer scrutiny of the competence of plumbers and greater regulation.

It was agreed that it is too easy for individuals to put themselves forward as competent, when in fact they lack the necessary skills. The onus is on the householder to seek out and ensure that the contractor is competent. It would be helpful to have accreditation which the consumer could then look for when seeking assistance. This could take time to introduce but it does already apply to electricians and gas fitters.

In the short term, it might assist for insurers and others to create far greater awareness of the perils of water damage and steps that could be taken to mitigate the risk of serious damage. Guides could be produced for the domestic market to provide appropriate assistance, including where to store items in relation to potential sources of leaks. Insurers could also do more to encourage the installation of leak detection devices. These range in cost from around £70-80 for a basic model to £350 plus installation costs, for domestic systems.

There is some work being done in the building industry on best practice, including consideration of the installation of leak detectors.

Can insurers be incentivised to encourage leak detection systems within domestic property? The problem is seen as who will pay, given that the householder may well switch insurer on a regular basis.

At a practical level, those involved in handling the claim and any recovery, must be trained to focus on the key information from the outset. This involves close collaboration with anyone attending the site and the initial claims handler ensuring that all of the key information is captured. Reference may also be made to a number of industry standards, including the Construction Insurance Risk Engineers Group document on Avoidance of Water Losses.

Given the obvious scale of this problem and the interest generated by this event, FOIL's Sector Focus Teams will continue their work on this topic and will answer a number of questions posted online, but which could not be dealt with in the time available.

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