

# STEMMING THE FLOW OF WATER CLAIMS

How clients can prevent and mitigate water damage claims



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When a major rainstorm hit the GTA in July 2013, the pounding rain found a weak spot on the flat roof of a multi-storey building. The building was built in the 1980s, so its roof was nearing the end of its effective age. And when a significant amount of precipitation fell in a very short period of time, it wasn't long before the rain burst through the roof and damaged multiple floors of the building. The event ultimately caused more than \$1 million in damage.

It's not just the severe storms that are causing water damage claims though; smaller-scale events create big headaches, too. When a toilet overflowed in an apartment, for example, it damaged several units below because the residents didn't know where to find the shut-off valve. And even though the apartment staff responded quickly to the situation, it still resulted in a more than \$65,000 claim.

Water damage claims can be caused by everything from the unpredictable to the everyday. And unfortunately, claims are on the rise. In fact, Zurich Canada reports that 57 percent of its commercial real estate claims are attributable to water damage. What's more, the costs associated with

water damage claims are also increasing. Compared to an average loss, water damage claims are three times more expensive says Graham Boucher, real estate practice leader at Zurich Canada. The main reason for this higher price tag is that water is hard to contain—it spreads quickly and can easily damage an entire building. That building will then have to be dried out, cleaned and repaired. And this takes time—meaning clients can also experience a lengthy business interruption.

There are a number of reasons why insurers are seeing more (and more expensive) water damage claims. One of the big reasons is that Canada is experiencing more severe weather events than before. The Insurance Bureau of Canada (IBC) reports that extreme weather events that used to occur every 40 years now occur every six. The IBC also found that, between 2009 and 2014, catastrophic events cost the insurance industry roughly \$1 billion each year, and most of this was due to water damage. The condo boom has also contributed to an increase in claims, according to Boucher. He says that the increasingly rapid construction of condo units can sometimes lead to structural deficiencies, which in turn can lead to claims. Additionally, there are more water outlets

(dishwashers, washing machines, etc.) being added to residential units and, simply put, more water outlets mean more sources for potential problems. Then, of course, there's the issue that older buildings aren't being repaired or upgraded when they should be.

"Buildings that were built in the '70s and '80s now are going to have more issues with their piping," says Boucher.

Pipes are, understandably, one of the major sources of water damage. If they freeze, corrode, are poorly installed, or have a manufacturing defect, they can cause a serious claim. Externally, roofs are the major culprits. Boucher says that most roofs are guaranteed for 25 to 30 years; however, in reality, they don't last that long. "The effective dates on the roofs are decreasing. Take the ice storm that we had [in the GTA] in 2013—the wear and tear on roofs is increasing," he says. Flat roofs are also an issue, he adds, because they need to be cleared of debris, and drains need to be cleaned in order to avoid potential claims.

When it comes to water damage, clients are clearly up against some significant challenges. But Boucher says that there are plenty of easy things that they can do to defend against these claims. At the top of that list: putting together a prevention plan. The most effective plans consist of three main components: physical controls, administrative controls and recovery.

One of the first things clients should do to mitigate water damage is ensure they have physical controls, such as excess flow shut-offs, in place. Identifying areas of exposure or potential causes of loss is also essential to risk mitigation. "If I had a water damage loss, what would be the biggest ticket items that I would want to keep away from water?" asks Boucher.

Computer servers, legal documents and expensive furniture are just a few examples of items that you wouldn't want to locate below piping.

The next step is implementing administrative controls, such as a training plan for staff. The plan should identify where shut-off valves are located and which valves control which areas, where the emergency contact lists are posted, and whom to call in the event of a flood or burst pipe. Preventative maintenance is also an important part of this step. "Make sure you understand what's around you, always be checking on your pipes, see if there are any issues, test regularly [and perform] periodic inspections," says Boucher.

Now, say you've experienced a water damage event. What's your recovery plan? Boucher says clients should have a "spill cart" on hand. "Something as simple as a blue tarp to divert water if you need to. None of this stuff has to be fancy; it just has to get water away from the most affected area or [divert it] towards a drain or outside," says Boucher. The cart could also include shark clamps, and valves and pipes that match those in the building. "Some of this stuff is pretty easy, but we want people to act on this fast because the longer you let water go, the more damage it can [cause]," he says. According to Zurich Canada, 170 litres of water can flow through a half-inch pipe per minute. If you have a four-inch pipe, that increases to 11,507 litres per minute. So, when it comes to responding to water damage, time really is of the essence.

Clients should also have accessible contact lists. "Do you have a vendor list that you would go to for roof [repairs] or that you'd go to for restoration?" asks Boucher. Last, but

## HERE TO HELP

Water damage can seem like a huge problem for clients to tackle, but there are people and resources to help. Zurich Canada's "A Cure for Water Damage" program can help clients understand how to implement an effective water damage prevention plan and how to mitigate losses. It includes a number of useful tools, from risk-assessment checklists to vendor phone lists for emergencies. Zurich Canada also has knowledgeable risk managers on hand to walk clients through every step of a prevention plan and review it for completeness.

For resources, including informational infographics and Zurich Canada's "A Cure for Water Damage" program, visit [www.zurichcanada.com/waterdamage](http://www.zurichcanada.com/waterdamage).

certainly not least, is post-incident analysis. "So if you have one pipe that's burst and you don't know what caused the issue, you probably have some other pipes that were installed around the same time with the same materials. Maybe that's worth looking at. It could be that it was just that one pipe that had a failure, but it could be that you actually have a systemic problem to look at," says Boucher. After experiencing a loss, it's vital that clients ask themselves, "Could this happen again?" And if the answer is "yes," they need to develop a plan to mitigate their exposures.

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