

CLAIMS

Escape-of-water claims have been steadily increasing in complexity and volume, with the costs for insurers doubling in the last two years. Muireann Bolger outlines ten ways to plug the holes in your strategy to tackling this growing problem

Illustration by Jonathan Edwards

Great escape

THE SURGE IN escape-of-water claims has become an increasing worry for the insurance industry. According to ABI figures, the cost of dealing with these claims has doubled from £46m in 2006 to £93m in 2008. Escape of water now accounts for 20%-30% of insurers' total claims costs, while giants Aviva and Allianz report that such claims have risen by more than 10% since 2007.

Unfortunately for insurers, this trend is here to stay. In the past, escape-of-water claims were seasonal, usually caused by the freezing and bursting of pipes in winter. Changing lifestyles, however, have led to a marked increase in the use of water in the home and a corresponding influx of claims. The cost of dealing with an average claim is now in excess of £2,000.

"It is not a problem that is going to go away," Zurich's UK property claims director, Anna Flemming, says. "We are moving towards a different way of living. We have more water in the home: more dishwashers, washing machines and ensuite bathrooms."

Meanwhile, new developments in building materials and higher insulation levels have also led to problems. "Locating the source of leaks in modern buildings and then dealing with the consequences is becoming a complex issue, often involving extensive strip-out and disturbances to building elements and finishes," Cunningham Lindsey's home inspection services director, Richard Ayton-Robinson, explains.

Last month, Groupama's director of claims, Phil Bird, fuelled a large response from *Insurance Times* readers after he highlighted the flaws in the management of these claims. He wrote: "The complexity of the host of delegated authorities dictating who does what and when can make the process complex and time-consuming." He added that this pushed up costs and increased customer dissatisfaction.

Bird also gave a stark warning to insurers. He suggested that policyholders may be encouraged to find restoration companies themselves, giving rise to an industry similar to credit hire in the private car market. So as fears mount about this problem, here are ten key ways insurers can improve the way they deal with escape-of-water claims, and save time and money as a result.

1 Manage the claim properly
Having a single person in charge of project management is vital. Currently, the process can be disjointed, as a variety of suppliers deal with their aspect of the claim without interacting with each other or dealing with one focused point of contact. If the claims are not managed properly, there is an increased likelihood of contracting an excessive amount of suppliers and incurring extra costs. "You need to appoint a competent person that takes responsibility for the entire project and that has the authority to appoint specialists," Ayton-Robinson says. "They need to take responsibility for the overall claim and not just the elemental parts of it."

2 Research your suppliers
Having full knowledge of suppliers' capacity and ability is essential. Inadequate repairs and poor response times can delay settlement and aggravate the problem. "Appoint specialist contractors that you know in advance are going to be able to deal with it – not one you hope can deal with it," Garwyn's head of major loss, Keith Wise, warns. If possible, costs should be negotiated before the work begins. "You need to have a service in place, negotiate the terms up-front and maintain an oversight of what they are doing," Allianz's property claims manager, Harry Rule, advises.

3 Join up the supply chain
Good communication among suppliers is vital. When dealing with a serious escape-of-water claim, the policyholder may be forced to live in alternative accommodation. Poor interaction between different parties in the process can prolong the work and lead to an unnecessary rise in housing costs. "If you have poor communication and a delay between one contractor taking over from another, that can increase the life cycle of the claim," Belfor managing director Neal Courtney says.

4 Act quickly
Timing is vital when dealing with escape of water. An immediate notification and a prompt response can prevent large-scale damage and reduce the overall cost of the claim. "If you have an incident on the Monday morning at 9am

and nothing has been done till Friday evening until 5pm, it is too late; the damage has been caused," Wise says. "Restoration could be impossible, as everything that has to be done should be done within the first 24 hours."

Furthermore, the source of the leak can often be difficult to locate. Sometimes the problem can be considerable before it is noticed, which means that quick action is required to trace the source quickly and avert further damage. "An average home has about half a tonne of water sloshing

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about it every day. The trouble with water is that it has to go somewhere. It is not like a fire where you can see it and then contain it. Water is going to be sloshing about until someone notices a damp patch coming through the floor boards," Aviva's senior claims manager, Jason Harris, says.

5 Keep tabs on new developments
Over recent years, changes in construction methods and building materials have been considerable. In many households, plastic pipes have replaced copper pipes, plastic boards have replaced bricks in conversions, and wooden and laminated flooring has now eclipsed carpets in popularity. Ayton-Robinson warns there is a dearth of knowledge about the implications of these developments. "Construction and the materials that are used have become a lot more complex. They are not widely understood by a lot of parties involved in the claims process," he says.

Insurers will also have to ensure they comply with a new raft of environmental legislation. Ayton-Robinson adds: "Using the legislative clout of the Building Regulations, there is an increasing requirement for upgrading undamaged thermal elements when repairs are carried out to walls, floors, roofs and energy-saving appliances."

6 Step up training
Specialist knowledge of this type of claim by all parties involved can speed up the process and avoid complications. Bird has suggested that more insurers will begin to develop dedicated claims handling services to manage this loss. "You need people who are experienced and who understand the effect of water, especially on modern buildings. If these claims take up between 20%-30% of a portfolio, it would make sense to have a separate team dealing with escape of water claims," Ayton-Robinson says.

Wise adds, however, that there needs to be more emphasis placed on training staff responsible for installation to ensure these problems do not occur in the first place. "Prevention is far better than anything else," he says, "The better trained the contractor is in installation, the less likely it is that the damage will occur."

7 Get the drying right
Errors in the drying process can prove a nightmare and can sometimes exacerbate the original damage. Correct monitoring of this complex process is vital. "You have to ensure that you have the right people involved in the drying work. It has to be people who have experience, who understand what the appropriate level of drying is in a property and what technique should be used," Courtney warns. "It is not just a matter of taking in some equipment and coming back in a few weeks' time and checking whether something has changed."

Harris adds there is scope for more research in this area. "We need to work with the tradesmen and the restoration companies to see if there is anything on the market that could enhance the drying process."

8 Be alert to shifting trends
Keeping tabs on the changes in people's lifestyles and how they treat their home can help in anticipating and managing risk. Harris says: "In this economic climate, there is evidence that people are not moving but are extending their house because it is less expensive to extend or have a loft conversion. They might have an extra bathroom or kitchen, which means more water is coming into the home." He adds that as people are working longer hours, they are less likely to notice signs of leakage until the damage is considerable.

9 Manage customers' expectations
As these incidents increase, there has been a corresponding rise in clients' expectations of service levels. "Customers are expecting you to be much more proactive in the drying process than they maybe were a few years ago," Flemming says. Some water claims can be complicated, however, and may not be completed in what the customer could consider a reasonable amount of time. In such cases, keeping the customer up to date with developments is key in cultivating a good relationship. "You have to manage customer's expectations from the beginning," Harris adds.

10 Educate the policyholder
Insurers can take steps to help customers manage the risks themselves. Policyholders should be encouraged, for example, to check the consistency of grouting around showers, and ensure the seals between bathroom tiles and baths and showers are in good condition. If customers choose laminated flooring instead of carpets, they should ensure that it is waterproof and keep a vigilant watch out for patches of damp, especially if there are pipes behind plastic-boarded walls.

Harris says advice can be key in mitigating the risk or, in some cases, avoiding danger. "We tell them not to attempt to investigate leaky pipes or mysterious water patches unless they know what they are doing, because one wrong move could bring the ceiling down," he says.

Furthermore, some insurers' policies do not cover escape of water if the customer has been absent from their home for more than 30 or 60 consecutive days. The customer should be aware of the need to notify their insurer and ask for tips on reducing the risk of water damage while they are away. **IT**

