



DEVELOPMENT AND INFRASTRUCTURE SERVICES
TOWN OF NEWMARKET
395 Mulock Drive
P.O. Box 328
Newmarket, ON L3Y 4X7
www.newmarket.ca
info@newmarket.ca
905.895.5193

June 7, 2016

**DEVELOPMENT AND INFRASTRUCTURE SERVICES
COMMISSIONER REPORT 2016-28**

TO: Committee of the Whole
SUBJECT: Sewer and Water Line Warranty Program
ORIGIN: Commissioner of Development & Infrastructure Services

RECOMMENDATIONS

THAT Development and Infrastructure Services Commissioner Report – 2016-28 dated June 7, 2016 regarding Sewer and Water Line Warranty Program be received and the following recommendations be adopted:

- 1. THAT through this report Council is aware of Service Line Warranties of Canada (SLWC) as a provider of insurance for water and sewer lateral service line protection to the home, as an alternative for residents to policy endorsements which may be available through their own homeowner insurance policies; and**
- 2. THAT staff further explore means by which residents are advised of insurance programs for water and sewer lateral service lines not covered by the Town.**

BACKGROUND

At the Committee of the Whole Meeting on November 9, 2015, Committee passed a motion that read as follows:

THAT staff bring back a report to Council on a third party insurance program for residents to insure their water and sewer pipes that run under private property and are not covered by the Town.

In researching this item, staff found the following information:

In 2013, Service Line Warranties of Canada (SLWC) approached the Association of Municipalities of Ontario (AMO) with an insurance program that could be offered to residential homeowners across municipalities in Ontario. At the same time, the City of Hamilton was in the process of issuing a Request for Proposal (RFP) for a similar coverage to assist residents in their municipality. AMO made the decision to wait to learn from the outcome of Hamilton's RFP before endorsing any one provider, since Hamilton is the second largest municipality in Ontario.

Hamilton issued an RFP in March 2014, described as a Revenue Generating Agreement for Residential Water/Wastewater Warranty Protection Plan. Two companies put forward proposals and SLWC was the successful proponent. The program was launched in September 2014.

This was a completely voluntary program offered to those homeowners wishing to retain the coverage to water and sewer lateral line to their homes. The costs were as follows:

- o Water Line Warranty - \$5.00 per month or \$55.00 annual fee – covers repair costs to restore flow to frozen, leaking or broken water lines located outside the home to the property line. Up to \$5,000 coverage per repair incident.
- o Sewer Line Warranty - \$5.75 per month or \$64.00 annual fee – covers the costs to restore flow to frozen, leaking, broken or clogged sewer laterals located outside the home to the property line. Up to \$8,000 coverage per repair incident.
- o In Home Plumbing Warranty - \$6.50 per month or \$73.00 annual fee – Covers costs of repairs to clogged, leaking or broken water and sewer lines inside the home, including drain lines connected to the main sewer stack. Up to \$3,000 coverage per repair occurrence.

In the first year, SLWC addressed 450 warranty claims with a value of approximately \$145,000 in repair work. No complaints were received by the City of Hamilton with respect to these claims. The contract between the City of Hamilton and SLWC was for two years with the City having the option to extend the contract, and in fact Hamilton has now extended the contract with SLWC for an additional three years.

The City of Hamilton receives a monetary compensation for any homeowners that sign up for the program at 5 percent of the premiums received by SLWC. This is an optional arrangement with SLWC, and many municipalities that receive this compensation state that it is for the use of the municipality's logo in marketing their service offerings.

Local Authority Services (LAS), through AMO, has now endorsed the SLWC program as it provides municipalities and their residents with the opportunity for a low cost warranty program that will help repair, replace, or restore sewer and water lateral service lines to the home, which are often perceived as the municipality's responsibility. As a preferred service partner of LAS, this warranty program is being made available to any Ontario municipality with a standard rate structure for residents. The municipality is required to endorse the program model, which allows SLWC to market the program to residential property owners in the municipality.

According to AMO, as of January 2016, 14 municipalities representing 14,360 households have engaged the services offered by SLWC and 36 more are reported to be currently investigating the benefits of the arrangement with SLWC.

COMMENTS:

Homeowners presently have the option of contacting their insurance providers to determine whether they are able to secure protection through policy endorsements which cover overland water damage and sewer back-up, where available. Recently, some insurance companies have added improved protection by adding coverage to repair or replace damaged service lines, as well as coverage for the installation of a sewer backup prevention device following a sewer backup claim. The insurance industry is adjusting to the demands of a changing need from homeowners for residential coverage. The SLWC program is an example of an option for sewer and water line damage or blockage that could be made available through a LAS preferred service

partner and municipal endorsement. Beyond sewer lines, it also covers problems with water lines and in particular frozen services.

How the SLWC Program Works

After receiving information on the description of the program and associated costs and coverages provided, the homeowner could choose to compare similar coverage with their existing insurer and would determine whether to protect their sewer or water line lateral services. Through the SLWC program a monthly or annual fee would be charged and the homeowner would be given the option to stop coverage at any time. If a leak or blockage is detected, the homeowner would call a 24-hour telephone number and SLWC would utilize their network of pre-screened local contractors and would arrange a call back to the homeowner. A time is arranged between the contractor and the homeowner for a site visit, and after the contractor makes the necessary repairs, SLWC would be invoiced. The homeowner would not pay for the repairs. SLWC would send the homeowner a survey to follow up on the work done, and if there are any problems the homeowner can call SLWC for assistance.

Benefits to a municipality with the SLWC Program (from the SLWC website)

- To educate residential property owners about their responsibilities for the maintenance, repair and replacement of water and sewer service lines (the portion from their homes to the property line) – at no cost to the City.
- To make available to residents optional, affordable protection against the unexpected costs of repairing or replacing non-functioning water and sewer service lines, as well as broken interior plumbing and drainage systems.
- To be assured that all repairs are completed to code and that all appropriate permitting is pulled. Additionally, SLWC only uses qualified local contractors so repair dollars stay within the community, helping the local economy.
- To reduce expense to property owners and the City because the Program encourages residents to report water and sewer leaks, clogs and breaks in a timely manner. Timely water line repairs conserve water and reduce water loss for the City. Timely sewer line repairs minimize wastewater (sewer) pollution, which helps keep the environment free of contaminants.
- Because other cost savings for the City are expected with fewer calls from residents to report problems and less involvement of City personnel regarding infrastructure that is the responsibility of property owners.
- Because SLWC does offer the City compensation for allowing use of the City logo on the warranty offer letters that homeowners receive. The support of the City alerts residents to the legitimacy of the program, resulting in more enrollments, which in turn allows SLWC to offer lower warranty prices to residents because of the increased participation.

It is anticipated that a license agreement would be required between the Town and SLWC to use the municipal logo and capture the benefit of the Town's endorsement when communicating with residents. Further review of this aspect with the Town's Procurement and Legal Services Departments will be required before an endorsement would be recommended by staff to Council.

In the interim, staff will be reviewing means by which residents can be advised of insurance programs available for water and sewer lateral service line coverage, since these lines are not the responsibility of the Town when damage or blockage occurs.

BUSINESS PLAN AND STRATEGIC PLAN LINKAGES

Well Respected - Strive to be respected and valued for our exceptional customer service, quality of life, judgment and innovative programs and services while striving to preserve our heritage and environment.

CONSULTATION

Staff from Public Works Services – Water and Wastewater, and Legislative Services – Insurance and Risk Management, and Procurement Services have been consulted during the research and preparation of this report.

HUMAN RESOURCE CONSIDERATIONS

Not applicable to this report.

BUDGET IMPACT

There would be no cost attributed to recommendations contained in this report at this time.

CONTACT

For more information on this report, contact Peter Noehammer at pnoehammer@newmarket.ca or (905) 953-5300 x2201.



Peter Noehammer
Commissioner, Development and Infrastructure Services