



WATER DAMAGE CLAIMS FLOOD HOME INSURERS

More American homes are flooding from the inside.

Old pipes and valves, worn-out hoses on second-story washing machines and faulty connections for a proliferation of water-using appliances are causing a surge in increasingly expensive damage reported to insurers. The increase has occurred even as many other types of claims-including fire-have declined in frequency, industry figures show.

One in 50 homeowners filed a water-damage claim each year between 2013 and 2017, the latest data analyzed by Verisk Analytics' ISO insurance-analytics unit. It crunches industry data on a five-year rolling basis. The 2.05% frequency rate is up from 1.44% annually between 2005 and 2009.

The bottom line is a \$13 billion water-damage bill for companies that insure homes in 2017. Claims average about \$10,000, ISO says.

Industry executives said there are myriad factors driving the costs higher:

The rise in overall claims is due partly to aging homes. A postwar building boom in the 1950s gave way to other booms, meaning much of America lives in houses that are decades old and become likelier candidates for plumbing failures. Even homes build during the real-estate bubble of the early 2000s can generate claims as they often have far more appliances with water connections.

In luxury home, wet bars, water-filtration systems, hot and cold-water taps, extra bathrooms and other features typically create 40 points of connection into the plumbing system, said Stephen Poux, a senior executive at **American International Group Inc.**

"That's a lot of opportunity for a valve or a connection...to spring a leak," he said.

Mr. Poux regularly meets InsureTech entrepreneurs and tests problem-detecting products. "I've personally piloted several devices," he said. "They don't always work."

Though insurers' payments are growing, it doesn't mean they pay every water claim. Since the 1960s, standard homeowners policies have excluded storm surge and river flooding. And in general, homeowners' policies cover "sudden and accidental" damage, not routine maintenance.

So homeowners who neglect an obvious slow leak for months before serious damage occurs could end up in a coverage dispute, insurance executives and lawyers said.

(By Leslie Scism, Wall Street Journal - 3-9-19)



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