




# INFORMATION REPORT

<b>TO:</b>	Chair and Members Audit, Finance and Administration Committee
<b>COMMITTEE DATE:</b>	September 8, 2022
<b>SUBJECT/REPORT NO:</b>	Water Leak Protection Program Update (FCS21087(a)) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	John Savoia (905) 546-2424 Ext. 7298
<b>SUBMITTED BY:</b>  <b>SIGNATURE:</b>	Brian McMullen Director, Financial Planning, Administration and Policy Corporate Services Department  

## COUNCIL DIRECTION

Not Applicable

## INFORMATION

In October 2021, Council approved an enhanced residential Water Leak Adjustment (WLA) Policy effective as of January 1, 2022. Report FCS21087(a) provides an update regarding the implementation of the changed Policy.

The City's Water Leak Adjustment Policy (Policy) provides limited financial relief to eligible residential customers to address abnormally high water and wastewater / storm bills associated with plumbing failures. The Policy has allowed staff to address those instances when an eligible metered water customer receives an abnormally high bill as a result of a plumbing failure and provides widespread assistance that helps address housing affordability challenges particularly for low / fixed income customers. In some cases, tenants may pay higher bills due to leaking fixtures that the property owner (landlord) is responsible to repair.

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The Policy Enhancements included:

	Previous WLA Policy	Current WLA Policy
Benefit Frequency	One lifetime per account occurrence	One claim every 24 months
Benefit Overview	City covers 50% of the excess charges	Covers 100% of excess charges up to \$2,500
Customer Eligibility	Homeowners only with owner occupancy	All homeowners including rental residential properties

Furthermore, the Policy is no longer administered by Alectra Utilities as program administration has been assumed by a new service provider named ServLine. ServLine is a sister company of Service Line Warranties of Canada (SLWC). Further information and details of the enhanced Policy can be found in Report FCS21087 / LS21037.

Water leaks had to commence on or after January 1, 2022, to be eligible under the enhanced Policy resulting in no claims being processed under the new program until March 2022. Notwithstanding the transition period, as of August 1, 2022, there have been 89 approved claims amounting to total reimbursement to residents of approximately \$62 K. The financial assistance provided during the initial six-month period of March to August 2022 has already surpassed the annual totals of eight of the past ten years as reflected in Table 1 of Report FCS21087(a). The average cost per claim has increased significantly reflecting the enhanced coverage of 100% of excess charges (up to a maximum of \$2,500).

**TABLE 1**  
**Water Leak Adjustment Policy Cost Summary**

	Number of Claims	Total Cost	Total Avg Cost/Claim
2012	226	\$ 76,016	\$ 336
2013	181	\$ 45,097	\$ 252
2014	241	\$ 72,882	\$ 302
2015	169	\$ 55,196	\$ 327
2016	165	\$ 49,726	\$ 301
2017	150	\$ 55,564	\$ 370
2018	142	\$ 51,540	\$ 363
2019	93	\$ 34,790	\$ 374
2020	75	\$ 25,950	\$ 346
2021	69	\$ 25,258	\$ 366
<b>YTD Aug 1, 2022</b>	<b>92</b>	<b>\$ 65,015</b>	<b>\$ 707</b>
<b>Since 2002</b>	<b>3,763</b>	<b>\$ 1,927,632</b>	<b>\$ 512</b>

ServLine conducts customer satisfaction surveys and an initial survey has been completed of Hamilton customers who received water leak bill adjustments from March 2022 to May 2022. While the sample size is small, overall satisfaction with the leak adjustment claims process is at 88% just shy of ServLine's target level of satisfaction of 90%.

The COVID-19 pandemic has highlighted the importance of ensuring the affordability of drinking water, wastewater and stormwater services for customers. This has prompted the Canadian Water Network (CWN) to embark on a deeper exploration of affordability, including the opportunities and challenges associated with the implementation of affordability programs. In April 2022, staff participated in an initial CWN affordability workshop that involved staff from Canadian municipalities from across the nation. Hamilton's unique insurance-backed leak protection program is gaining attention from other municipalities as the program is being seen as a tangible means to support residential customers when faced with unexpected high water bills resulting from untimely leaks. Report FCS21087(a) will be shared at the upcoming CWN Affordability Strategic Sharing Group in September 2022.

## **Background**

The City has offered a water leak adjustment policy in some form since 1997, providing nearly \$2 M in water leak related bill adjustments associated with approximately 3,800 approved water leak bill adjustment requests. Over that timeframe, administration of the Policy has been primarily provided by Alectra with oversight provided by the City's Financial Planning, Administration and Policy Division.

In 2021, the Policy was reviewed extensively to address the Policy's limitations and the continued hardships that remained for many customers. In October 2021, Council approved an enhanced Policy that resulted in the previous cost-sharing model changed to an insurance-based, cost recovery model administered by ServLine. The City's water revenue receivables are insured by an insurance policy issued from an underwriter (Assurant Canada which is an "A" Rated, highly-regulated, insurance company). ServLine administers all aspects of the program on behalf of both parties.

The enhanced Policy became effective for leaks commencing on or after January 1, 2022. Approximately, 144,000 residential water accounts are automatically covered by the program administered by ServLine. It should be noted, newly constructed residential accounts are also covered once a water meter has been installed. The program is intended to be cost-neutral for the City and, as such, the premium fees charged to the City are recovered from the fixed charges applied to residential water accounts (fixed water rates increased by \$0.01 per day as of January 1, 2022). Premium and administrative fees are not expected to change for 2023 and, as such, there will be no related impact to fixed charges.

Key benefits of the new Leak Protection Program include:

- Ability to submit one claim every 24 months
- Coverage of 100 per cent of excess charges up to \$2,500
- Eligibility for all homeowners, including residential rental properties who have their own water meter
- Qualifying leaks adjusted back to resident's average bill over the previous 12 months

Information on the new Leak Protection Program guidelines and qualifications is available at [www.hamilton.ca/leaks](http://www.hamilton.ca/leaks). Residents who have questions or wish to file a claim should call ServLine at 1-888-977-7471.

To promote awareness of the enhanced Policy the following communication strategy was implemented:

- A bill insert (funded by ServLine) accompanied December 2021 residential water bills advising of the new leak protection program.
- The City's "water leaks" webpage ([www.hamilton.ca/leaks](http://www.hamilton.ca/leaks)) has been updated to provide information regarding the new leak protection program and a link to the Water Leak Adjustment Request Form.
- In January 2022, at ServLine's expense, newspaper ads advising of the new program ran in the Hamilton Spectator and Hamilton Community News.
- On January 12, 2022, a City news release was issued to support the launch of the new program.
- City social media has been utilized to support the new program.
- The annual Hamilton Water newsletter provided a bill insert to residential customers each fall will include information regarding the new leak protection program.

## **APPENDICES AND SCHEDULES ATTACHED**

Not Applicable

JS/dt