

Utilities respond to homeowners' angst about broken pipes

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Offering a warranty program helps educate owners about their responsibility for leaks on their property. Photos courtesy Aquarion Water

Every spring and fall, several frantic customers call their utilities to report water pipe breaks on their property. They are stunned and upset to learn that they must pay for expensive repairs.

Now, a growing number of utilities across the country are offering customers a safety cushion by partnering with private companies that offer residential service-line warranties.

A warranty program offers customers peace of mind and reduced costs for the coverage. For the utilities, it helps raise awareness about homeowners' responsibilities for water infrastructure repairs on their property.

And about half of the utilities participating in such programs receive royalties of 10 percent of the premiums, a standard in the business. The other half decline the revenues and pass on the savings to their customers.



A one-year warranty costs an average of \$5 per month to cover \$4,000 in repairs.

“A lot of homeowners are not aware of their responsibility for water pipe leaks on their property,” said Paul Titzmann, director of special projects at Providence (R.I.) Water. Consequently, when emergencies occur on their property, they think a utility crew will fix the problem.

In early 2009, Providence Water became interested in service line replacement programs after its neighboring city, Pawtucket, R.I., launched one. “We weren’t interested in making any revenue,” Titzmann said. “We wanted a program that would provide an affordable option for our customers, should a catastrophic event occur.”

After examining bids from several companies, Providence chose Connecticut-based Homeowner Safety Valve to administer the program. Launched in May 2009, Providence’s program offers two options for water line warranties: \$5,000 coverage for repairs at \$54.99 per year, or \$10,000 coverage at \$59.99 per year.

Currently about 10 per cent of the city’s 6,400 customers are participating in the program. Over the last two years, HSV has replaced 32 residential pipelines in Providence at an average cost of about \$3,700 per claim, Titzmann said.

“All in all, it’s a good customer service program. It makes us feel good to offer them options with low prices,” he said, noting that the city sewer department is considering offering a similar plan to cover sewer pipe repairs.

The Warwick (R.I.) Sewer Authority rolled out an HSV sewer line protection program on June 1. According to a Warwick Beacon story, warranties offered to 20,000 Warwick residential customers \$79.99 a year. Sewer line coverage is typically more expensive than water pipe protection plans.

Janine Burke, authority executive director, estimated the utility could reap about \$20,000 the first year and up to \$50,000 in two to three years, according to the Beacon.

Paul Roberts, HSV director, said about half of the cities decline the royalties. “The others find the revenues helpful to offset raising water rates or increased fuel prices for their trucks.” (Read more about various warranty programs.)

Roberts said that about 20 percent of city customers in Connecticut, where the program started 12 years ago, purchase warranties. In other states, 10 percent participation is typical.

Now, service line protection public–private partnerships are becoming more popular in the Midwest and Rocky Mountain states since last December, when the National League of Cities launched its Service Line Warranty Program, administered by Utility Service Partners, in Denver.

In March, the North Central Texas Council of Governments announced a similar partnership with USP endorsing the National League of Cities program to 230 local governments in the Dallas–Fort Worth area.

As of mid-June, about 40 cities in 14 Midwestern and Western states have signed partnerships, said Brad Carmichael, vice-president of USP business development.

The one-year warranties carry monthly premiums averaging \$5 to cover \$4,000 in repairs. Sewer line warranties include an additional \$4,000 to cover cutting into public streets. There are no annual or lifetime caps on the coverage, Carmichael said.

Englewood, a suburb of Denver, became the first city in Colorado to offer the NLC warranty program. By late June, nearly 1,400 Englewood residents had enrolled in it, according to Mayor Jim Woodward.

Englewood declined the 10 percent royalties to reduce the cost to residents — \$3.75 a month for \$4,000 coverage if they enrolled by June 15. Those who chose an annual premium received a 20 percent discount, reducing the premium to \$39 a year.

Woodward said he was told the number of Englewood enrollees — 15 percent — “was an unheard of response for Home Service Warranties.” He attributed the large number to the city’s age and, in many areas, cast-iron water pipes and clay sewer pipes.

“We also liked that the warranty program “only uses contractors in the city of Englewood” to handle repairs, Woodward said.

Woodward regrets that the city didn’t get its planned press release out. “We got about 15 calls from residents after the letters went out. Some were negative about the city promoting the private sector. Others wanted to verify that it wasn’t a scam; the rest had a few questions.”

Through the NLC program, cities negotiate contracts directly with USP to customize plans to fit the city’s and customers’ needs. Service Line Warranties of America, a USP affiliate, sends letters to homeowners in the spring and fall, when most pipe breaks occur, describing the warranty plans.

It doesn’t cost the city anything, said Denise Belser, director of the NLC Enterprise Program, an umbrella of initiatives offering cities products and services that add value and reduce costs.

Belser said the USP warranty partnership “piqued our interest because it saves money for residents. We also wanted a flexible program and a company that would fulfill the needs of various cities.

“We like this product’s simplicity and the revenue component for cities — a lot of cities are going through a hard time now,” she said.