



The Compelling Data on Water Damage at Home



INTRODUCTION

CONTENTS

- 1 INTRODUCTION
- 2 TOP CAUSES OF DAMAGE
- 4 TAKING ACTION: WATER SHUTOFF DEVICES
- 7 ABOUT AIG PRIVATE CLIENT GROUP
- 8 CONCLUSION

Water damage is the biggest property damage risk for high net worth U.S. homeowners, not wildfires, mudslides, hurricanes, tornadoes or other natural disasters.

When considering the top causes of home damage that might lead to an insurance claim, chances are that water damage isn't high on your list. Many people would say that other concerns—fire, hurricanes, severe weather—are more of a risk, but the numbers on water damage are staggering. It's the second highest frequency claim category (after wind and hail) for the property and casualty insurance industry.¹ In addition, it's the third highest claim category for severity.² Given these two statistics, it's no surprise that the water damage category is the single largest payout category for the industry³ and certainly for high net worth carriers.

Claims Journal indicates that the problem totals up to \$9 billion per year,⁴ with the high net worth space having an even larger water damage loss problem due to the nature of higher end homes. An analysis of AIG Private Client Group claims over the last ten years shows that the number of water damage claims goes up in direct relation to the number of bathrooms in the home. Further, the average plumbing claim severity is \$55,000, and the average claim duration is 96 days.⁵ This means a family can be displaced from their home for more than three months waiting for repairs to be completed.

Unfortunately, the problem is getting worse. Water damage claims frequency is going up year to year⁶, as is claims severity.⁷ High net worth homes typically feature ultra-custom interiors throughout every square foot of wall, ceiling and floor areas. Additionally, expensive electronics and wiring behind walls often get damaged with any water loss, and costs continue to escalate when comparable alternative living arrangements are required.

Repair costs are not the only issues after a water damage loss. The family's lifestyle can be dramatically disrupted by the potential inconvenience of having to move out of their home. Damage can occur to irreplaceable sentimental items such as artwork, personal mementos and other valuable contents. Homeowners will usually have to pay their deductible out of pocket, and after repairs are completed the client now has a water loss claim on their record. This could pose a problem for future premiums and insurability. In a study by the California Insurance Department, "25% of the companies (surveyed) refused to renew the policies of customers who made one or two non-water-damage claims in the past three years. And 32% refused to renew policies for people who made one or two water-loss claims in the past three years."⁸ Homeowners often do not recognize their risk of sustaining a water loss, nor do they anticipate the full consequences of a water loss to their home, but it is projected that 14,000 homes a day will have some kind of a water loss.⁹

¹ [http://www.iii.org/fact-statistic/homeowners-and-renters-insurance-Homeowners Losses Ranked By Claims Frequency, 2011-2015 \(1\)](http://www.iii.org/fact-statistic/homeowners-and-renters-insurance-Homeowners%20Losses%20Ranked%20By%20Claims%20Frequency,%202011-2015%20(1))

² [http://www.iii.org/fact-statistic/homeowners-and-renters-insurance-Homeowners Losses Ranked By Claims Severity \(Average Claim\), 2011-2015 \(1\)](http://www.iii.org/fact-statistic/homeowners-and-renters-insurance-Homeowners%20Losses%20Ranked%20By%20Claims%20Severity%20(Average%20Claim),%202011-2015%20(1))

³ [http://www.iii.org/fact-statistic/homeowners-and-renters-insurance-Homeowners Insurance Losses By Cause, 2011-2015 \(1\)](http://www.iii.org/fact-statistic/homeowners-and-renters-insurance-Homeowners%20Insurance%20Losses%20By%20Cause,%202011-2015%20(1))

⁴ <https://www.claimsjournal.com/news/national/2011/04/08/184301.htm>

⁵ AIG Private Client Group is a division of American International Group, Inc.

⁶ Op cit- [http://www.iii.org/fact-statistic/homeowners-and-renters-insurance-Homeowners Insurance Losses By Cause, 2011-2015 \(1\)](http://www.iii.org/fact-statistic/homeowners-and-renters-insurance-Homeowners%20Insurance%20Losses%20By%20Cause,%202011-2015%20(1))

⁷ [http://www.iii.org/fact-statistic/homeowners-and-renters-insurance-Homeowners Insurance Losses, 2011-2015 \(1\)](http://www.iii.org/fact-statistic/homeowners-and-renters-insurance-Homeowners%20Insurance%20Losses,%202011-2015%20(1))

⁸ <https://www.kiplinger.com/article/insurance/T028-C001-S001-dangers-of-water-damage-claims.html>

⁹ <https://www.waterdamagedefense.com/pages/water-damage-by-the-numbers>

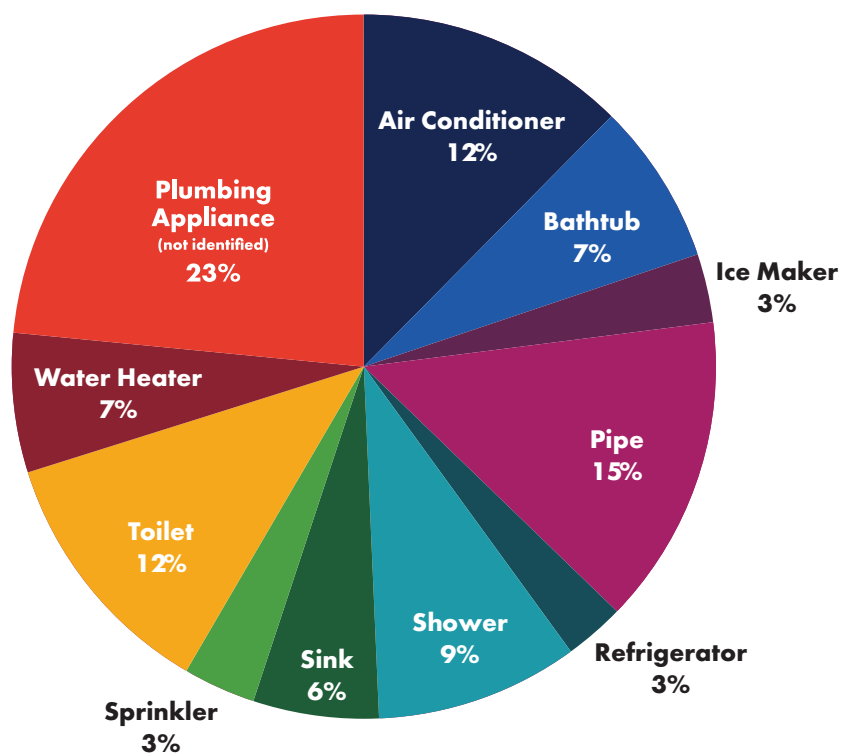
TOP CAUSES OF DAMAGE

TOP CAUSES OF DAMAGE

AIG Private Client Group conducted an in-depth analysis of what causes residential water losses based on 10 years of claims data. Here's what we discovered:

- The leading culprits in the home are leaks relating to pipes, followed closely by toilets and air conditioning.

Top Causes of Water Damage at Home



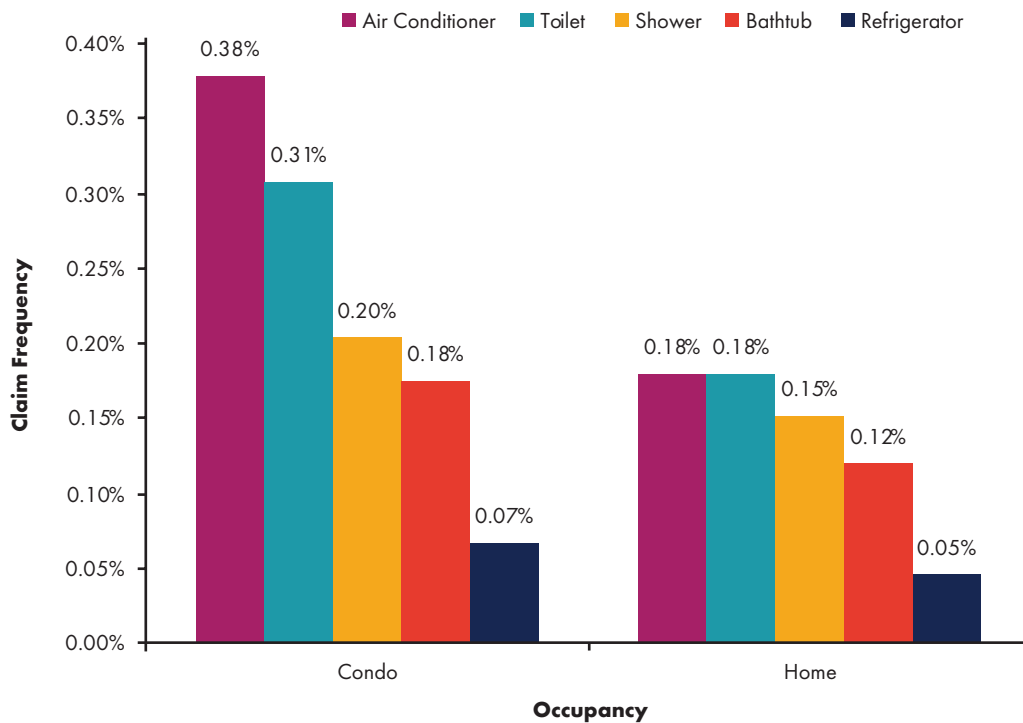
- These losses can be broken down further to understand which **U.S. regions** are more susceptible to certain types of losses:
 - Ice makers in the South
 - Air conditioning in Florida
 - Water heaters in Texas
- We can also analyze these losses each **season** to identify trends:
 - Air conditioning claims spike in summer
 - Interior residential fire sprinkler claims are more frequent in winter
 - Pipe claims occur more often in January and February

TOP CAUSES OF DAMAGE

- Correlations also can be made related to the **age of the home**:
 - Ice maker and interior residential fire sprinkler claims are less frequent in older homes
 - Pipe losses are less frequent in newer properties
 - Older homes with recent renovations generate the most severe shower claims
- When it comes to home **occupancy**:
 - Freeze claims are 33% more likely in secondary homes
 - Severity is 70% higher in secondary homes
- When water damage is a result of **exterior** issues:
 - The largest number of exterior claims are roof claims
 - Roof claims are more frequent in Florida and Texas
 - Florida has bigger window and balcony problems than anywhere else
 - Ice dam claims increase with roof age and are rare on the West Coast
 - Ice dam risk decreases as older homes get roof renovation/replacement
- **Condos** specifically had unique findings:
 - Plumbing claims are significantly more frequent
 - Losses are more than twice as frequent than homeowners for air conditioning and higher for toilet, refrigerator, shower and bathtub

The most interesting finding is the **recidivism rate**: For those who have had a prior water damage claim, the likelihood of another more than doubles, and in some cases triples.

Claim Frequency of Selected Plumbing & Appliance Sources by Occupancy Type



TAKING ACTION: WATER SHUTOFF DEVICES



TAKING ACTION: WATER SHUTOFF DEVICES

Losses from internal home water systems (pipes and appliances) can be effectively mitigated by a variety of loss prevention measures. These measures range from centrally monitored water sensors that detect and inform about water in limited areas in the house; sensors linked with appliance shutoffs that shut the water to the particular appliance that is leaking (hot water heaters, dishwashers, air handlers); and full house shutoffs, which detect a leak anywhere in the home's plumbing system and shut off the water to the entire house. This last type of loss prevention measure has proven to be the most effective.

Claims Journal indicates that whole house shutoffs can reduce water losses by up to 93%.¹⁰ AIG's internal data also shows significant reduction of water losses by having automatic water shutoff devices. Many of these shutoff devices are now "app-enabled" and can be controlled by a mobile phone, increasing their user friendliness. These devices are also responding to the current need for serious water conservation and consumption tracking, such as in California and Canada where there are fines imposed for excessive water consumption. Some of these apps provide the user with daily information on the amount of water used in the home, in addition to providing water damage loss prevention ability. New devices are coming out that can provide whole house sensor ability, and some of the shutoff devices are able to fingerprint each appliance to let you know which appliances are being used when and their water consumption.

Between the sharp increases in frequency and severity of water damage and the punitive California water pricing and mandatory conservation efforts, we are on the brink of an increased wide-scale consciousness of how important household water monitoring has become.

¹⁰ <https://www.claimsjournal.com/news/national/2011/04/08/184301.htm>

Automatic Water Shutoff Devices

FloLogic

- Flow based system
- 1", 1.5" and 2" valves available
- Battery back up included
- Mobile app available



Leak Defense

- Flow based system
- Larger sized valves
- Wireless or Wi-Fi controls and web app available



AquaTrip

- Flow based system, with sensor add-on ability
- Wired or portable controls
- Can display continuous water usage
- System battery included



Water Cop

- Sensor only based system
- Large homes typically require 15+ sensors (one at each water point in the house)



Other Device Options: Some mitigation devices are not as effective as whole-house shutoffs, but they do offer some protection and may be the only option for some condominiums and cooperatives.

Additional Protective Devices: Individual Appliance Shutoffs

FloodStop

- Sinks
- Toilets
- Dishwasher
- Washing machines
- Ice makers
- Filters/softener
- Water heaters

Additional Protective Devices: Water Bug Sensors

Water Bug Sensors

- Installed Under:
- Sinks
 - Toilets
 - Dishwasher
 - Washing machines
 - Ice makers
 - Filters/softener
 - Water heaters

AIG Private Client Group partners with Water Security Solutions, a company with technical expertise in water shutoff devices and installation in custom homes, to provide guidance to policyholders. For more information on any of these devices please visit www.wssus.com.

ABOUT AIG PRIVATE CLIENT GROUP

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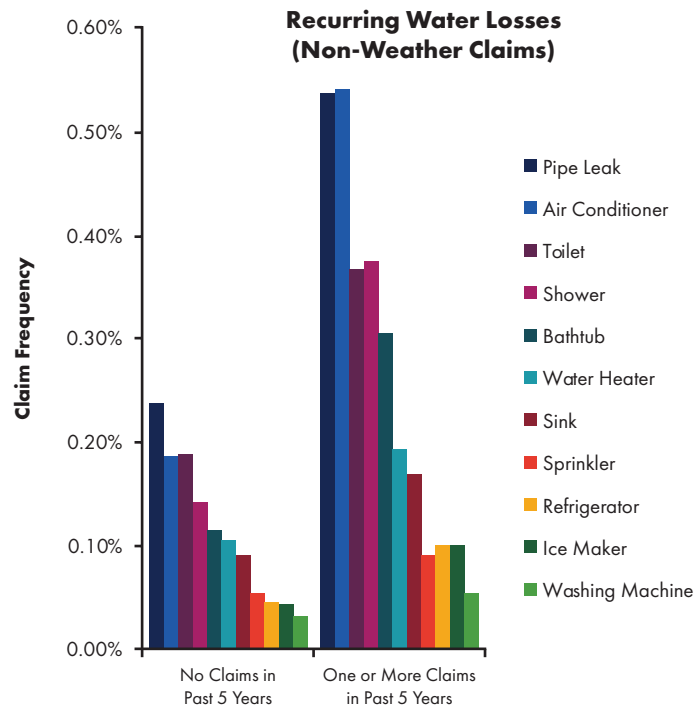
AIG Private Client Group is leading the high net worth insurance space by piloting and providing access to innovative water damage mitigation devices and researching cutting-edge technology to prevent water damage.

We partner with multiple technology start-ups as well as established companies from all over the world who are developing a variety of Internet of Thing (IoT) enabled shutoffs and sensor devices to bring our clients the newest ways to protect their homes and integrate with whole-house technology. In addition, we partnered with Columbia University’s Mechanical Engineering School to provide rigorous testing and evaluation of multiple new IoT devices.

AIG Private Client Group has been proactively assisting clients in preventing water losses with protective water shutoff devices for more than ten years. We recently surveyed AIG clients who had water shutoff systems installed in their home within the last nine years through our loss prevention vendor partner Water Security Solutions (WSS). The results show that the shutoff systems, with WSS’s assistance, are significantly valued by our clients:¹¹

- 92% of respondents would install a shutoff device in their homes again
- 91% are satisfied with their devices
- 32% said the devices had caught leaks in their home
- 77% said WSS made the entire process of installing either very easy or easy

Various comments from respondents who had these devices ranged from, “provided peace of mind” (noted multiple times) to “it should be mandatory for all of your clients.” Although these loss prevention devices are not as well-known as other home protection devices such as fire or burglar alarms, once installed, clients are overwhelmingly appreciative of the protection they provide from the number one type of home loss for high net worth homeowners.



¹¹ 12/2017 WSS/PCG Client survey through SurveyMonkey- installations 2009-2017

CONCLUSION

In addition to protecting one's home from internal plumbing system water losses, there are other ways in which water can infiltrate and damage a home; loss prevention measures can be used to prevent or mitigate most of these as well. Water into basement from foundation seepage, high water tables or ground water infiltration can be mitigated with adequately sized sump pumps or dual sump pumps, always with a backup battery for best protection. Ice dams often can be mitigated with adequate attic insulation and/or ice shield membrane, and our loss prevention department can offer personalized advice on other common water loss causes and their preventions.

CONCLUSION

Working toward proactive loss prevention is the responsibility of everyone involved in the insurance relationship: the homeowner, broker/agent and carrier. The carrier compiles data from insuring thousands of homes and handling related claims. The broker/agent, armed with claims data from multiple carriers, should advise the client of the high risk of having home water losses, how to best mitigate, and the results of having multiple water claims on their insurability. The homeowner is responsible for maintaining their home in adequate condition and protecting their home from water losses where possible.

The major risk of homeowners water damage has only recently gotten more exposure in the property and casualty industry, when the problem became epidemic. Trying to convince homeowners of the imminent threat of having a water damage claim is still a struggle, but with concerted and targeted educational efforts, our hope is that homeowner behavior will change and water loss prevention measures will become more common place, like seat belts and recycling.

Most carriers are trying to address the significant problems of water losses through underwriting efforts. Some carriers are requiring water shutoffs on secondary homes in cold climates, or after water losses, or not writing a home with several water losses at all. Once a homeowner has had a water loss, the broker/agent can add value by advising about the risks to insurability if not installing a water shutoff device.





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