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**Date:** August 31, 2017

**To:** Mayor and Council

**Author:** Sandra Zwiers, Director of Financial Services

**RE:** Residential Service Line Coverage

**Report No.:** FS-2017-12

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## **AIM**

To highlight the shared responsibility by the town and property owners for the maintenance of water, storm and sanitary service lines, to identify the risk of financial loss for damages caused by service line failures and to provide council and the public with information about resources available to mitigate this risk.

## **BACKGROUND**

Climate change has resulted in unprecedented rainfall in recent years. Many municipalities have experienced localized flooding and residential reports of property damage due to basement flooding have increased.

The municipality is responsible for maintaining the infrastructure network on public property. That responsibility ends at the property line where it transfers to the property owner. Ensuring both the town and property owners understand their responsibilities and maintain their respective infrastructure decreases the potential for property damage and financial losses due to flooding. Working together to manage the effects of climate change is key to the town's overall success and risk management program.

## **DISCUSSION**

Property owners can do a number of things to reduce the likelihood of flooding:

1. Ensure eaves troughs and downspouts are disconnected from storm sewer connections and run them over land and away from foundations.
2. Install backwater valves.
3. Install a sump pump.
4. Install a battery or water operated back up to an existing sump pump.
5. Perform regular maintenance of private plumbing pipes and fixtures.
6. Purchase an insurance policy that specifically covers above ground, ground water and/or flooding events due to service line failures.

The Town currently offers a Basement Flooding Protection Subsidy Program to financially assist property owners to complete options #2 and #3. Please refer to Appendix A – Program Information and Application Guide.

In the event of a flooded basement or sewer/water line backup, the first point of contact is often the municipality. Municipal staff respond to the incident and investigate the cause. If the cause is found on the public side, the municipality covers the cost of the repair and the town's insurance program may be used to cover damages to a property owner as a result of the town's failed infrastructure.

If the cause is found to be on the private side, the property owner is responsible for the cost of repairs and their own insurance program would be used to cover damages. This fact sometimes comes as a surprise to homeowners who may believe all underground infrastructure is the town's responsibility.

Changes in basic homeowner policies have limited coverage for flood-related events. Option #6, insurance coverage specifically for damage caused by private service line failure, is a relatively new product in the insurance marketplace.

Information obtained at a recent training conference was provided to administration by councillor Neufeld. Local Authority Services (LAS) in cooperation with the Association of Municipalities of Ontario (AMO) endorses Service Line Warranties of Canada (SLWC); a company that markets low cost warranty coverage to homeowners. The warranty/insurance coverage aims to repair or replace critical service line infrastructure that is the responsibility of the property owner. Refer to Appendix B which provides a FAQ and fee chart.

The LAS-endorsed program would require council to enter into an agreement which would allow SLWC permission to solicit property owners to purchase coverage at their discretion. Purchase of warranty coverage/insurance would not be mandatory.

The LAS partnership with SLWC arose out of LAS' recognition that an insurance gap existed in the marketplace that was negatively affecting municipalities and their residents. Since the inception of the LAS/SLWC program, other insurance carriers have entered the marketplace to offer similar products/coverage options at equally competitive rates. Administration does not recommend endorsing one program over another. Alternatively, administration recommends focusing its efforts on informing the public of the measures they can take to reduce the risk of loss due to flooding which includes purchasing insurance coverage privately.

## **LINK TO STRATEGIC PLAN**

To promote a safe community.

Effectively manage corporate resources and maximize performance in day-to-day operations.

To become a leader in sustainable infrastructure renewal and development.

## **FINANCIAL CONSIDERATIONS**

The town carries insurance coverage to address losses caused by failures of town owned sewer and water line infrastructure.

Monies have been set aside to fund applications made under the Basement Flooding Protection Subsidy Program.

The cost of purchasing private coverage for losses caused by failure of privately owned sewer and water line infrastructure would be paid by the property owner.

Municipalities can apply to the provincial government for disaster relief grants in emergency or disaster situations. As these events become more commonplace and requests for funding potentially increase, the criteria to receive funding is likely to be more stringent. Administration believes that if a municipality and its residents can demonstrate they have taken reasonable measures to minimize their losses, it is reasonable to anticipate the remaining costs will more likely be eligible for funding.

Educating administration, council and the public of the resources available will help strengthen our risk management strategy and financial stability.

## **CONSULTATIONS**

Senior Management

Eleonore Schneider, LAS/AMO

## **RECOMMENDATION**

That council receive this report for information and direct administration to educate the public about flooding prevention resources through our various communication channels.

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