
For Information

REPORT TITLE: Residential Water and Sewer Line Warranty Protection Program Update 2021

FROM: Kealy Dedman, Commissioner of Public Works

OBJECTIVE

To provide an update on the status and success of the Region of Peel's Residential Water and Sewer Line Warranty Protection Program.

REPORT HIGHLIGHTS

- In March 2016, Regional Council authorized the Commissioner of Public Works to enter into an agreement for residential water or wastewater warranty protection plans with Service Line Warranties of Canada Incorporated
 - In June 2018, via Resolution 2018-608, Regional Council authorized the Commissioner of Public Works to extend the agreement for an additional five-year period and further, that staff report to Regional Council on the program on an annual basis
 - To date, there are 18,666 enrollments
 - There have been 3,592 claims made to date with \$1,283,305 in cost avoidance for residents with zero claims denied
 - According to surveys conducted by Service Line Warranties of Canada Incorporated, there is a 4.77 out of 5 customer satisfaction rating with the service
 - Service Line Warranties of Canada, Inc. has continued to meet the outcomes and customer service metrics identified in the agreement ensuring the overall success of the program to date
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DISCUSSION

1. Background

The Region of Peel owns and operates the water treatment, water distribution, wastewater collection and treatment system. This system includes over 4,619 km of water pipelines and over 3,687 km of wastewater pipelines. As shown on Figure 1, the Region's ownership for operation and asset management ends at the property line of private property. Individual property owners own the service lines and plumbing from the property line to their residence and/or business. This ownership includes responsibility to address leaks, root intrusion and/or breakage. Region Operations assists in all service calls and establishes whether the Region and/or the owner is responsible for addressing operational matters. Most property owners are unaware of their responsibility and are often burdened with costly repair bills when service problems are found. Region Water and Wastewater Operations invest significant time in addressing private service matters. Staff have developed communications materials available for the public to understand their responsibility.

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To support private ownership obligations, staff investigated alternative options for residents. Staff also consulted with adjacent municipalities who had similar limits of ownership. A private insurance and/or warranty program was recommended as the best alternative to provide support for addressing service line repairs.

Service Line Warranties of Canada Incorporated (Service Line) provides scheduled and emergency repairs to private, property side water service lines and sanitary sewer lines, thawing of frozen water service lines, and rodding of sanitary sewer lines to clear root infiltration. In addition, the program provides basic restoration back to original grade.

Repairs to water services lines and sanitary sewer lines are often expensive and the cost depends on the degree of failure. Age, material type, and depth of installation can increase service line repair costs for the homeowner. Service Line is not an insurance program but a program that ensures that service to repair pipes is provided in a timely manner and that the individuals doing the work are professionals.

Figure 1 below outlines the homeowner responsibility for service line and the limits of Regional responsibility.

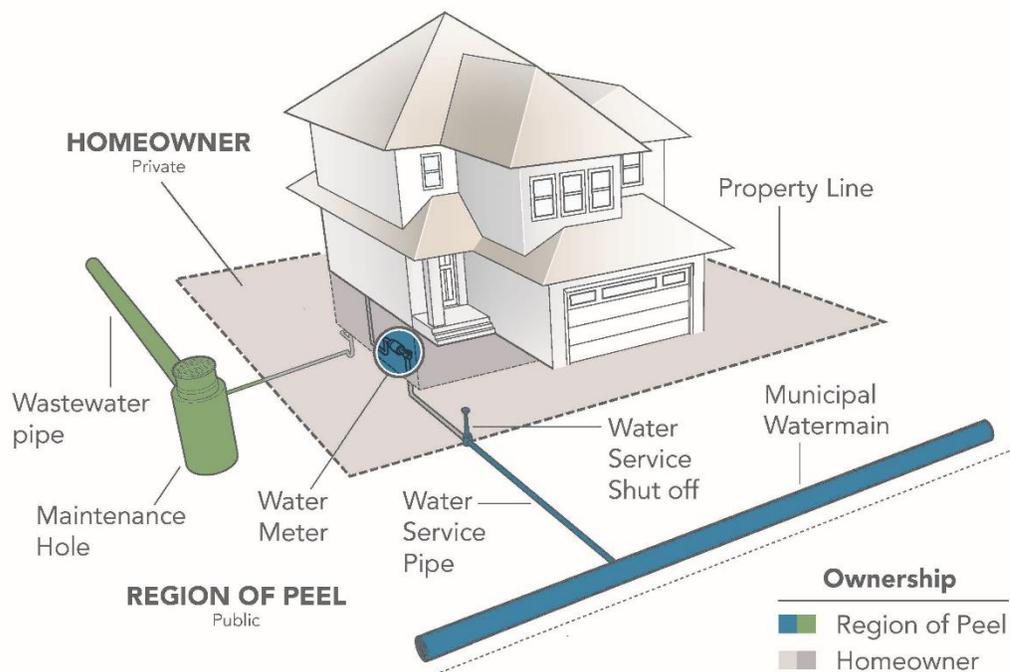


Figure 1 – Service Line Ownership summary

Reference: <https://peelregion.ca/water/your-home/service-line-warranties.asp>

Regional Council authorized the signing of an agreement with Service Line at its meeting on March 31, 2016 and directed staff to report back to Regional Council prior to the end of the initial term of the Agreement on the program performance and customer service measures as outlined in the Agreement. The Agreement with Service Line took effect October 1, 2016.

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Staff provided Regional Council with an interim update on the Service Line Warranty Protection Program in November 2017.

In June 2018, Regional Council authorized the Commissioner of Public Works to extend the program for an additional five-year period on the same terms and further that staff report annually on the program, including customer service metrics. The existing agreement will expire on September 30, 2022.

There are over 60 municipalities, including Peel, Hamilton, Ottawa and Windsor that offer a similar program to residents.

2. Program Enrollment

The Service Line Warranty Protection Program (the program) has been in place for approximately 53 months and there are currently 18,666 warranty enrollments:

- 9,787 water service line warranties
- 6,038 sanitary sewer line warranties
- 2,841 in-home plumbing warranties

In the past year, there has been an increase in 538 new enrolments for the Service Line program.

There have been 3,592 claims made by Peel residents totaling \$1,283,305 in cost avoidance with zero claims being denied. Once a claim has been completed, Service Line provides the homeowner with a customer survey. Service Line has maintained a customer satisfaction rating of 4.77 out of 5.

Service Line provides the Region with various performance reports and regularly meets with Region staff to ensure that the program continues to meet customer service and performance expectations of the Region. This reporting includes reviewing the customer satisfaction scores, numbers of approved and denied claims, and legitimacy of claim denials.

3. Warranty Program Communications

Service Line plans seasonal program enrollment campaigns ensuring that residents are aware that warranty services remain available. To maintain the privacy of the Region's customers, the Region does not provide Service Line with any of the Region's customers mailing information; this information is purchased by Service Line through a private third-party vendor.

The table below summarizes the results of the enrollment campaigns to date including the number of inquiries and information requests received by Region staff.

Enrollment Campaign	No. of Letters Mailed	No. of Inquiries	Requests for More Information
July 2017 (water)	281,000	1,379	1,130
March 2018 (sewer)	281,000	323	103
February 2019 (water)	274,632	167	150

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Enrollment Campaign	No. of Letters Mailed	No. of Inquiries	Requests for More Information
November 2019 (water)	270,390	96	22
November 2020 (water)	98,975	160	23
May 2021 (Water)	99,286	225	45

The decrease in the number of mailings in 2020 and 2021 was due to the pandemic.

The foundation of the agreement with Service Line is the Region's endorsement of the program. This endorsement is demonstrated through marketing materials which the Region reviews and approves prior to distribution. Service Line is responsible for all costs of the marketing material production, postage and program administration.

The Service Line Warranty program also serves to educate and provide an increased awareness for residents on their home-owner responsibilities, resulting in an added benefit to the Region by reducing service challenges and emergency repairs.

The Region plans to work with SLWC to increase program awareness. The Region will use its standard communication channels to remind residents of the benefits of the program. This communication is in addition to the annual one to two mailings that are sent to homeowners from SLWC. Residents can continue to find program information at <https://peelregion.ca/water/your-home/service-line-warranties.asp>.

Staff will continue to meet with Councillors' administrative assistants and executive assistants from each municipality once a year, or as requested, to review the program and answer commonly asked questions.

4. Agreement

The Agreement with Service Line can be extended by the Region for two additional five-year terms, subject to Regional Council approval.

Either party can terminate the agreement at any time without cause and without liability, cost or penalty upon providing the other party with the prior written notice required.

As part of the agreement, there is typically a five per cent royalty which Service Line provides back to the municipality for every warranty sold. This money is intended to cover program administration costs by the Region. The Region negotiated higher warranty coverage for Peel residents in lieu of accepting the royalty. As of May 2020, the royalty of \$151,203 has been reinvested into the program to continue to provide for lower warranty rates for the Region's residents. Staff investment to support the program is minimal, and the net offset in service calls due to increased customer awareness results in a long-term benefit for the Region

Staff will continue to provide annual updates regarding the program including identifying any challenges and/or recommendation for extension of the agreement.

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Non-Exclusivity Provision of Service Line Agreement

As previously reported to Council, the agreement with Service Line contains a non-exclusivity provision which allows the Region the opportunity to contract with other parties for the same or similar services as those provided by Service Line. To date, no companies with the capacity to undertake a similar type of warranty programs Region-wide have approached the Region.

However, staff is aware that some home insurance companies do offer coverage for private water and sewer lateral services. Using home insurance is an option for residents and the Region encourages them to pursue if it is available to them.

Prior to the conclusion of the current agreement term (September 30, 2022) staff will conduct a review of alternative options available in the marketplace, including a market scan to gauge interest from any other potential qualified parties. The information gathered from the market review will be included in the next annual council update.

CONCLUSION

The program is now entering its fifth year and is meeting the desired outcomes. The agreement with Service Line provides Peel residents with the opportunity to benefit from economies of scale of a Region endorsed water and wastewater warranty protection plan. The warranty protection plan helps mitigate risks and unexpected costs of home ownership. The program increases customer awareness and responsibility for private side servicing and decreases service calls to the Region related to such.

Communication about the program will continue to evolve and improve to ensure that residents better understand the warranty programs and the benefits of enrollment.

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