
For Information

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

FROM: Andrew Farr, Interim Commissioner of Public Works

OBJECTIVE

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

REPORT HIGHLIGHTS

- In March 2016, 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, Inc.
 - In June 2018, via Resolution 2018-608, Council authorized the Commissioner of Public Works to extend the agreement for an additional five-year period and further, that staff report to Council on the program on an annual basis.
 - To date there are 19,288 warranty enrollments:
 - 9,303 water service line warranties
 - 7,213 sanitary sewer line warranties
 - 2,772 in-home plumbing warranties
 - There have been 2,117 claims made to date with \$795,678 in cost avoidance for residents with zero claims denied.
 - According to surveys conducted by Service Line Warranties of Canada, Inc., there is a 4.84 out of 5 customer satisfaction rating with the service.
 - Service Line Warranties of Canada, Inc. have continued to meet the outcomes and customer service metrics in the agreement ensuring the overall success of the program to date.
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DISCUSSION

1. Background

Regional Council authorized the signing of an agreement with Service Line Warranties of Canada Incorporated ("Service Line") at its meeting on March 31, 2016 and directed staff to report back to 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. Staff provided Regional Council with an interim update on the Service Line Warranty Protection Program in November 2017.

In June 28, 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

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annually on the program, including customer service metrics. The existing agreement will expire on September 30, 2022.

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.

2. Program Enrollment

The program in Peel has been in place for approximately 43 months and there are currently 19,288 warranty enrollments:

- 9,303 water service line warranties
- 7,213 sanitary sewer line warranties
- 2,722 in-home plumbing warranties

There have been 2,117 claims made by Peel residents totaling \$795,678 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 4.84 out of 5.

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

Staff remains confident that the customer service satisfaction metrics will continue to remain at 4 or higher and that all claims will be approved unless these have been denied for reasons listed under the terms and conditions of the contract.

3. Warranty Program Communications

Service Line plans program enrollment campaigns each spring, summer and fall which aligns with the nature of the business and ensures that residents are aware that warranty services remain available. To maintain the privacy of Peel's customers, the Region has not provided Service Line with any of Peel's customers mailing information; this information was 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
November 18, 2019 (water)	270,390	96	22

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The campaign letters are only mailed out to residents who have not already purchased a warranty product.

The foundation of the agreement with Service Line is the Region's endorsement of the program. This 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.

Regional staff and Service Line continue to improve the program based on Council and customer feedback. Several adjustments were made to the spring 2018 and 2019 campaign communications for warranty enrollments. These included:

- Regional Council notification at least two weeks prior to mailings.
- Clarification of agreement legitimacy by including Service Line's logo and the Region of Peel logo on correspondence.
- Highlighting key information and adding commonly asked questions and answers
- Ensuring that residents who have already signed up for a warranty service do not receive a campaign letter.
- Giving the option to purchase a warranty either by cheque, debit or credit card at the time of signing up for a warranty. Previously the customers would be billed after signing up for a warranty.
- Cancelling the follow up reminder letters to residents.
- The addition of a line in the campaign letter which urges homeowners to check with their own home insurance company prior to signing up with Service Line.

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.

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

FINANCIAL IMPLICATIONS

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

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reinvested into the program to continue to provide for lower warranty rates for Peel residents. Staff investment to support the program is minimal however the net offset in service calls due to increased customer awareness results in a minimum net zero cost for the Region.

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 which we encourage them to pursue if it is available to them.

At the conclusion of the current agreement period staff will conduct a review of alternative options and include in the yearly council update.

CONCLUSION

The program is now entering its fourth 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 Peel endorsed water and wastewater warranty protection plan. The warranty protection plan will help mitigate risks and unexpected costs of home ownership. The program increases customer awareness and responsibility for private side servicing and decreases service calls related to such.

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

For further information regarding this report, please contact Nectar Tampacopoulos, Manager Water Operations South Peel, Ext. 3141, nectar.tampacopoulos@peelregion.ca.

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Reviewed and/or approved in workflow by:

Department Commissioner, Division Director and Financial Support Unit.

Final approval is by the Chief Administrative Officer.



N. Polsinelli, Interim Chief Administrative Officer