



Managing the rising cost of water damage claims for local authorities and affordable housing providers

In an era of increasing financial constraints, local authorities and affordable housing providers are facing significant challenges in managing their budgets effectively. One of the emerging financial burdens on these organisations is the rising cost of water damage claims. These claims, which include both escape of water and flood-related damages, can lead to substantial financial losses. In this article, we will explore the reasons behind the escalating costs of these claims, in addition to steps that local authorities and housing associations can take to mitigate these risks and manage the impact on their budgets.

What's the issue?

The financial landscape for public sector organisations has become increasingly challenging. Factors such as sustained inflation and cuts in local government funding have put immense pressure on budgets. In response, many organisations have made the decision to increase their insurance policy excesses/ deductibles as a means of reducing premium costs. However, at the same time, the insurance industry has witnessed a notable increase in the costs associated with water damage claims.

Escape of Water claims, for instance, have become one of the most common property damage claims, with insurers paying out nearly £2.7 million every day, [according to the Association of British Insurers \(ABI\)](#).

Water damage claims typically fall into two categories, escape of water and flood damage, but can also include related issues such as mould. These losses can result in significant property damage and financial strain for local authorities and housing associations.

How local authorities can respond

Whether the claim falls above or below the policy deductible, local authorities and housing associations

must take a proactive approach to address the rising cost of water damage claims. These can include:

- **Early involvement of their insurers/ loss adjusters**
To prevent escalating costs related to material damage and alternative accommodation, it is essential to notify insurers/ loss adjusters promptly. Early intervention can help mitigate further damage and reduce costs.
- **Utilise mitigation specialists**
Engaging mitigation specialists (e.g. McLarens offers an in-house risk mitigation team, led by Alan Smith) who can streamline the drying and reinstatement process for water-damaged properties. This approach helps control costs and ensures that properties are restored efficiently.
- **Establish a detailed repair timeline**
A well-defined timeline for completing repair works is crucial for all stakeholders involved. Coordinating repair work completion and the end of alternative accommodation arrangements can help minimise disruption and costs.

Alternative accommodation challenges

The increasing cost of repairing water-damaged properties is not the only concern. Local authorities and housing

associations face challenges related to alternative accommodation. In the Southeast of England, for example, a shortage of vacant housing stock, coupled with a lack of affordable rental options in the private sector, has led to increased costs for alternative accommodation.

To address this issue, organisations can explore more economic alternatives, such as refurbishing vacant housing stock or implementing accelerated repair programs. These can help reduce costs and minimise disruptions for affected individuals.

Emerging issues in new developments

Water damage claims are not limited to older properties. New developments also face their share of challenges, including plumbing issues due to poor installation practices. Problems such as sub-standard copper pipework, push-fit joint failures, and improper insulation can lead to frequent and costly claims. Modern methods of construction, i.e. timber framed v traditional build can also lead to higher costs.

In these instances, it is crucial to involve forensic scientists early to investigate potential recoveries against manufacturers, developers, or plumbing contractors. Adjusters should also examine contractual relationships and policy warranties to determine liability and reduce claim costs.

Weather events and drainage systems

Weather events, including flooding, have become increasingly common throughout various parts of the UK. These incidents can result in the widespread damage of multiple properties, putting additional strain on local authorities and housing associations. Similarly, issues can arise due to the backup of drainage systems, often caused by over development exceeding the capacity of existing infrastructure.

For new housing developments, especially those with timber-framed structures, prompt decisions must be made regarding the stripping out and drying process, especially when walls are built off saturated floor screeds.

Sustainable and resilient repairs

As we explore more efficient and effective ways to dry and reinstate properties following significant water claims, it is essential to consider integrating sustainable and resilient repair solutions. The concept of “Build Back Better” should be explored when practical and economically feasible in the long term.

Case studies: Real-life examples

To illustrate the impact of water damage claims and the effectiveness of proactive measures, it is useful to look at some real-life case studies involving local authorities and housing associations:

Case study 1: Sub-floor connection leak

In this case, a substantial escape of water incident affected 13 flats. The source of the leak was traced to a failed sub-floor connection within the bathroom of one flat. The damage was so severe that water escaped under pressure beneath the flooring system of all the flats, necessitating the complete removal of floors, walls, and fittings. The building repair costs alone exceeded £1 million for this claim. Timely intervention and effective project management were critical in minimising costs and ensuring the rehousing of tenants.

Case study 2: Multiple leaks from soil pipe

In another scenario, multiple leaks occurred from a central soil pipe serving several flats occupied by both tenants and leaseholders. Initially, the incidents were reported separately to the housing association and their insurers. However, upon further investigation, it was revealed that all the damage stemmed from the same cause. Several tenants had already been moved into alternative accommodation by this point. Through coordinated stripping out and drying, the repair timeline was expedited, allowing the flats to be reoccupied ahead of schedule.

Summary

The rising cost of water damage claims presents a significant challenge for local authorities and affordable housing providers. By proactively addressing water damage risks, involving mitigation specialists, establishing timely repair timelines, and exploring economic alternatives for alternative accommodation, these organisations can control costs and minimise the financial impact of water-related damage.



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