



# MEMORANDUM

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## LEGISLATIVE REFERENCE BUREAU

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**To:** Ald Bohl  
**From:** Kathleen Brengosz – Fiscal Planning Specialist  
**Date:** March 10, 2011  
**Subject:** Private Sewer Lateral Insurance

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In response to your request for information regarding private sewer lateral insurance, I was able to identify at least four firms that provide utility insurance for municipalities and water utilities on a fairly large scale. There also appears to be brokerage services available that match municipalities to firms offering appropriate services.

- Utility Service Partners – endorsed by the National League of Cities
- TWG Home Warranty Services, Inc. - serving Piedmont Water Utility
- Utility Line Security Inc. – serving Pittsburgh
- The Manchester Group – serving communities in OH, MI, PA, IN, and IL.

The basic products these companies provide are similar. Citizens contract with the company, and for a set monthly fee, receive a fixed level of coverage for work required to repair their failed sewer lateral or other utility line. (see table below). Depending on how the contract is structured, revenues are received by the municipality as a royalty for endorsement of the company or as a fee for the administration costs associated with billing. Claim procedures vary, but generally, the insurance company provides 24/7 customer service to expedite the examination and repair of failed laterals.

Municipalities I spoke with had varying reasons for participating; some were approached by a company offering services, others sought out services at the request of their customers. Hard data was not available but it appears overall participation in voluntary programs was low, even when customer request was the reason for seeking insurance services. An estimate received from a service provider confirms that it is not likely that a significant number of Milwaukee homeowners would purchase sewer lateral policies.

Customer satisfaction data was not available, but all the municipalities I spoke with represented that overall, homeowners were satisfied with the services they received.

It is important to note that none of the standard products offered address the inflow and infiltration issues Milwaukee is experiencing. Most policies are designed to cover costs related to catastrophic failure of a utility line. A leaky lateral which allows excessive clear water to enter the sewer system would generally not be considered a failure. If the City chose to mandate the repair of private laterals to address flooding issues, it is likely that those repairs would not be covered under the terms of most

standard policies. However, there appears to be a willingness within the industry to design products which address the particular needs or goals of a municipality. The cost of custom products cannot be determined at this time.

Costs to the City to participate may include the review and approval of mailings and other information sent to homeowners and efforts required to include the charge on quarterly utility bills. These costs can be recovered by agreement with the insurance provider. The City receives the benefit of an insurance plan that is easy to implement and maintain without the risks associated with a self- insured program.

In order to maximize value for the City and its residents, the City must clearly define its goals and desired outcomes before moving ahead with any type of insurance program.

	<b>Utility Service Partners</b>	<b>TWG</b>	<b>Utility Line Security Inc.</b>	<b>The Manchester Group</b>
Eligibility	Residential Properties	Residential Properties	Residential and commercial with Water Service <2" Sewer Lateral < 10"	Owners of single family homes (OH, MI, PA, IN, IL)
Approx Cost				Unavailable
Sewer	\$4.25 - \$4.70	\$7.95		
Water	\$5.50 - \$5.95	\$5.95		
Sewer & Water		\$9.95	\$5.00	
Deductible	No	No		
Billing Method	Invoice	On utility bill	On utility bill	
Participation	Opt In	Opt In	Opt out	Opt In
Rebate	10% of revenue	Negotiated to cover admin costs		Unknown
Coverage Limits	\$4,000 per claim	Sewer \$5,000 per claim Water \$2,500 per claim	Unlimited Complete repair and restoration including sidewalks, driveways and pavement	Varies with policy
Repeat Coverage	Full benefit coverage on every repair	\$5,000 limit per utility per year		
Prior/Existing Damage	Known conditions not covered	Known conditions not covered	Not Covered	Not Covered
Municipal Endorsement Req'd	Yes		Yes	No
Misc		Excludes residential properties used for commercial purposes	Coverage can be cancelled without notice if customer is 90 days delinquent on utility bill	Does not cover insurable events