



Commercial Service Line Coverage Loss scenarios

HSB Canada, part of Munich Re, is a technology-driven company built on a foundation of specialty insurance, engineering, and technology, all working to drive innovation in a modern world, to keep you ahead of risk.

Commercial building owners' insurance policies may exclude the most common causes of a service line failure leaving them exposed to repairs that can easily cost thousands, damage their property and interrupt their tenant's business while repairs are made.

Costly exposure for building owners

Most building owners are not aware that they own and are responsible for the repair or replacement of service lines on their property – the pipes and wiring that bring water, electricity, natural gas, propane, data, communications and other services to their property.

Total costs for repairs that may include excavation and repair or replacement of damaged outdoor property can run into the thousands of dollars.

What is a service line failure?

A “service line failure” is physical damage, meaning a leak, break, tear, rupture, collapse or arcing of a “covered service line”.

What can go wrong?

Physical damage can be caused by external events such as the weight of vehicles or equipment, external force from a shovel or backhoe, as well as environmental factors like freezing, frost heave, and tree root invasion.

Loss examples

Law office

A law office experiences a sewage backup in their 20- year old building. The cause of the backup was tree root invasion in the sewer line, located on the property just outside of the building. Excavation is needed to access the sewer line and replace it, as well as replace the grass, flowers and shrubs disturbed as a result.

Insured losses: \$10,000

- Damage to Covered Service Line
- Excavation Costs and Outdoor Property



Motel

An underground water pipe at a motel complex bursts during a spring freeze. Guests are left without access to water. Excavation is needed to access the broken pipe and replace it as guests need access to water as soon as possible.

Insured losses: \$24,000

- Damage to Covered Service Line
- Excavation Costs and Outdoor Property
- Expediting Expenses

Barber shop

A barbershop loses power due to a break in an underground power line in front of their premises. The break occurs on Saturday - their busiest day of the week. The shop cannot conduct business for 3 days and loses \$1,500 / day in income. Replacing the line and the sidewalk costs \$7,000, and as the business interruption deductible is 48-hours, the coverage starts on day three, the Monday after.

Insured losses: \$8,500

- Damage to Covered Service Line
- Excavation Costs and Outdoor Property
- Business Interruption

Restaurant

A local restaurant experiences a power failure on a Sunday night. The restaurant is not open until Wednesday morning. The rupture in the restaurant's underground power line has caused the restaurant's refrigeration to fail, and thousands of dollars worth of meat must be disposed of. While the power line can be repaired within two days, the owner is concerned about the cost to replace the spoiled food.

Insured losses: \$15,000

- Excavation Costs and Outdoor Property
- Damage to Covered Service Line
- Spoilage

HSB Canada

390 Bay Street, Suite 2000
Toronto, ON M5H 2Y2
Tel.: (416) 363-5491

hsb.ca

These examples summarize actual and possible losses and coverage. For all terms, conditions and exclusions, consult the actual policy.

© 2022 The Boiler Inspection and Insurance Company of Canada, part of HSB Group. All rights reserved.

