

Frozen Pipes in the Insurance Crisis

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On December 22, 2022, St. Louis was hit by an extreme cold snap, part of Winter Storm Elliott which crippled over 1/2 of the United States with record cold and snowfall. There were 2 inches of snow on the ground, wind gusts up to 45 mph, and wind chills 20-25 degrees below zero. It was the Thursday before Christmas, and many people were out of town visiting friends and family for the Christmas weekend.

St. Louis is not used to severe winter weather and absent traveling homeowners may have failed to prepare for the possibility of frozen and burst pipes. A few days later pipes began bursting, causing water-damaged homes and plenty of insurance claims. Condominium association buildings were particularly hard hit because a burst pipe in one unit causes damage to other units, particularly those below.

At about the same time, an insurance crisis was looming. Property insurance losses were much larger than actuaries had anticipated with \$100 billion in losses each year for five (now six) years in a row. In January 2023, global catastrophe reinsurance rates increased 37%, the largest increase in more than 20 years. Insurance company tolerance for property risk fell quickly for catastrophe-prone areas. Insurance companies everywhere started pulling out of the condominium and multi-family association market. The ones that stayed in the market took steep premium increases, increased deductibles, and narrowed their underwriting "appetite" so they were interested in only associations with fewer than 10 buildings, newer buildings, newer roofs, and no claims. Most problematic of all were the "non-renewals". Many associations were not given a renewal offer, because they did not meet the narrowed appetite.

The combination of Winter Storm Elliott, and an absent unit-owner led to one suburban St. Louis condominium association non-renewal. When 11 pipes burst in one unit, the unit below was nearly destroyed. The \$189,000 claim, coupled with two other claims on their record caused the non-renewal. With the claim history, coverage in the standard market is highly unlikely



and will probably send this association to the surplus lines market at the next renewal, where premiums may double, triple, or more.

Now one year later winter is upon us and we are firmly in the midst of the insurance crisis. There has never been a time to make sure avoidable claims are, in fact, avoided. Frozen pipes are avoidable. Make sure that your communities know the tricks, which include:

1. Insulate pipes,
2. keep the heat on to over 55 degrees, even when gone,
3. seal air leaks,
4. let faucets drip,
5. disconnect garden hoses,
6. close garage doors,
7. remove hoses from outside faucets, and
8. open doors and cabinets.

If you suspect you have a frozen pipe, turn on the faucet to see if it flows. If not, inspect the pipe for leaks. If pipes have burst, immediately turn off the main water supply and call a plumber. If the pipe is intact, turn the faucet on and gently apply heat using a hair dryer or space heater. If you do not succeed in thawing the pipe, call a plumber.

