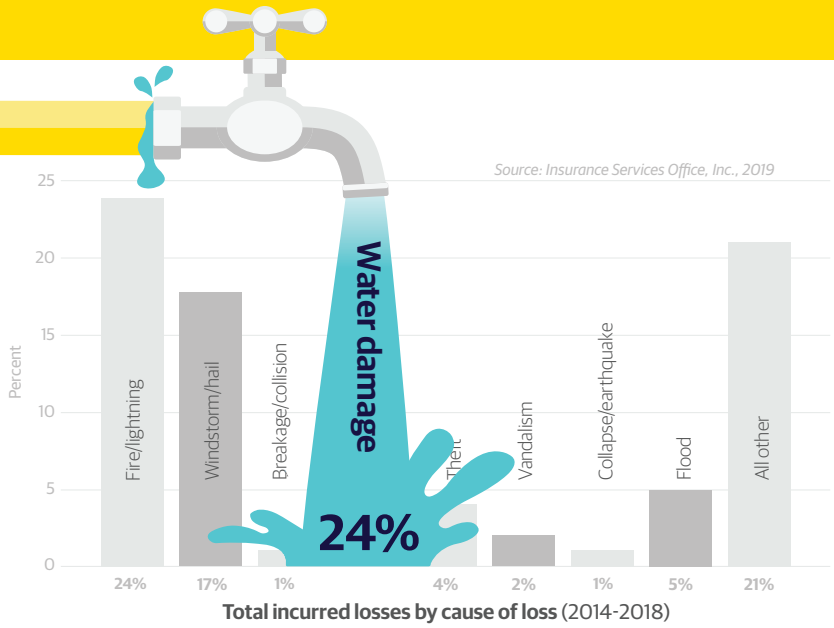
Water, the new fire in commercial construction

Liberty Mutual INSURANCE

Water damage has become a key driver of builder's risk claims

Water damage is now one of the most frequent and costly claims affecting the construction industry. Though fire still presents the highest-severity exposure, about a third of builder's risk losses come from water damage[1].

Learn more about these losses and how you can help prevent them.



Total incurred losses by cause of loss (2014-2018)

What causes water losses?

Defective fixtures and poor workmanship

Defective fixtures and poor workmanship are the **primary causes of water loss** during construction.

Labor shortages

The U.S. Bureau of Labor Statistics forecasts a need for **747,000 more employees** in the construction industry by 2026[2].

80% **of construction firms have a hard time filling open hourly craft positions**

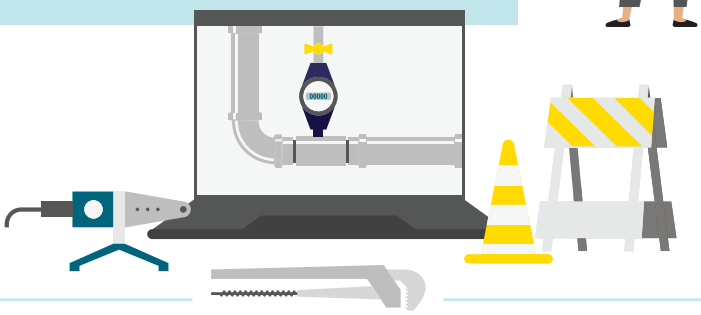
according to a recent survey from Autodesk and the Associated General Contractors of America (AGC)[3].

39% **In 2010, baby boomers represented 39% of the construction workforce**

the youngest of which are now 55 years old, with many already having retired[4].

Aging workforce nearing retirement

The U.S. Bureau of Labor Statistics reports that the median age of a construction worker in 2019 was 43[5]. **An aging workforce nearing retirement exacerbates skilled labor shortages.**



Inexperience with new systems and techniques

Much of the labor force is inexperienced with new systems and techniques. Improper water line soldering and PVC joint gluing are the **leading causes of water damage** during construction.

Water escape can cause more than just a loss of physical property

With accelerated project schedules and penalties for delays built into contracts, even a small incident can have a significant financial and reputational impact on a contractor. What's more, water losses typically occur during water systems testing, toward the end of a project when most of the build's value is exposed, potentially increasing the severity of the loss.

Note that, generally speaking, the more stories a building has, the higher the loss potential.

Develop a wet work program to help reduce and prevent losses

A wet work program can help you prevent leakage – and quickly identify and mitigate water damage when it occurs.

- **Post maps showing the location of water valves on the job site.**
- **Develop clear procedures for addressing water leaks and provide them to all subcontractors.**
- **Install water flow alarms.**
- **Put water cleanup/mitigation plans in place.**
- **Hire a watchman to monitor for issues during non-working hours.**
- **Pressure test water lines before turning on the water.**
- **Perform quality control inspections of water lines.**
- **Prepare for rain storms by developing ways to divert water from the building throughout all phases of construction.**
- **Implement formal sprinkler shut-down/start-up procedures.**
- **Shut off water valves when working in proximity of live sprinkler heads.**
- **Cage all sprinkler heads.**

Get help

Our Risk Control Consulting Center can answer your questions, provide advanced technical guidance and help you prevent and control losses with a flexible array of solutions, including additional information on creating wet work programs.

Call 866-757-7324 or email **RCConsultingCenter@LibertyMutual.com** from 8 a.m. – 8 p.m. Eastern Standard Time.

We also encourage you to explore **Liberty Mutual SafetyNet**™, a web-based tool designed to help risk and safety managers improve workplace safety, reduce the cost of risk and follow nationally recognized safety standards.

1 businessinsurance.com/article/20190604/NEWS06/912328845/Construction-market-hammered-by-rising-fire,-water-damage-claims
2 foxbusiness.com/economy/construction-worker-shortage-worsening
3 agc.org/news/2019/08/27/eighty-percent-contractors-report-difficulty-finding-qualified-craft-workers-hire
4 cpwr.com/sites/default/files/publications/CB%20page%2015.pdf
5 bls.gov/cps/cpsaat18b.htm

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