

# San Francisco deal offers water and sewer insurance: What homeowners need to know

[Kathleen Pender](#) Jan. 25, 2020 Updated: Jan. 25, 2020 10:39 a.m.

San Francisco homeowner Carmen Hermida was suspicious when she got a postcard in the mail this month bearing the logo of the San Francisco Public Utilities Commission from a private company selling “protection programs” for water and sewer lines on their property.

The mailer from American Water Resources Insurance Services said: “The city has selected a provider to offer low-cost protection programs to San Francisco homeowners to assist with water and sewer line repairs.”

“As a homeowner who is also a low-income senior, I am wondering if this is really a good idea for me to do or not,” Hermida said in an email. “They specifically mention tree roots in sewer lines and as the city planted a tree in front of my house a few feet uphill from the sewer, that is a possibility. My money is tight and I don't want to be hornswoggled into another bright idea from the SFPUC.”

American Water Resources covers the portion of water and sewer lines that are the homeowner's responsibility.

The deal between the utilities commission, which provides water and sewer service in San Francisco, and American Water Resources is real. The two entities signed a four-year contract in 2019 that gives the company the right to use the city utility's name and logo on all marketing, including direct mail, email and telemarketing.

The city gets a significant fee for every homeowner who buys the optional coverage, which will repair or replace the portion of water and sewer lines that are outside the home on the owner's property. This portion, often called the lateral, is usually not covered by homeowner's insurance, but it always pays to read your policy.

For a typical San Francisco house in the Sunset District, the cost to replace a full sewer lateral might be around \$7,000 to \$8,000, plus the cost of repairing the driveway and sidewalk, said George Salet, owner of George Salet Plumbing. The cost goes up if the home is more than 20 feet from the curb, or the sewer is more than 4 feet deep. Most plumbers will give a free estimate, he said. Not all leaks and blockages require a full replacement.

The fee for the San Francisco program is \$4.49 a month for water line only, \$8.99 for sewer line only or \$12.99 for both. No matter which plan the homeowner chooses, the city will get \$3.61 a month for each participating customer as a “licensing and administrative fee.” Customers will be billed separately from their water and sewer bill and can cancel at any time.

Those commissions sound “awfully high compared to commissions in normal insurance market which are rarely more than 10%,” said Robert Hunter, director of insurance with the Consumer Federation of America.

The PUC hasn’t determined what it will do with the money it collects from the program. “We are talking about low-income assistance,” said Will Reisman, press secretary for the commission, but whatever it decides “will be heavily vetted by the city attorney’s office.”

The city says it has negotiated better terms than homeowners could get on their own. There is no deductible or service fee and no limit on the coverage. For customers who are not part of a city program, “we generally have a \$50 service fee,” and the limit is “a few thousand dollars,” said Lauren Slepian, a spokeswoman for American Water Resources.

As with any insurance or warranty plan, Hunter said people should ask themselves whether this is a risk they could cover out of pocket. If it would create a financial hardship, they should make sure they understand what is and is not covered and who is backing the plan.

American Water Resources is a subsidiary of American Water Works, a publicly traded company that operates regulated water utilities in about 1,600 communities in 16 states, including California. The firm is not a regulated utility. In California, it operates as American Water Resources Insurance Services. The company is licensed by the California Department of Insurance, and its “home protection contract” is regulated under the Home Protection Act, Slepian said.

This is the first time San Francisco has contracted with a company for this type of program. It put out a request for proposals and got two, from American Water Resources and HomeServe. American Water Resources’ was deemed the best, Reisman said.

The company has similar programs in other cities, including New York and Philadelphia. It also sells plans to customers outside of city programs.

The San Francisco program is open to residential properties with one to four units. Slepian estimates there are about 100,000 such properties in the city. The first postcard sent to homeowners this month had few details about the program. Enrollment forms will be mailed next month. In the meantime, homeowners can learn more, including applicable terms and conditions, at [awrusa.com/sanfrancisco](http://awrusa.com/sanfrancisco).

The terms say that “in the event of a covered breakdown,” American Water Resources will arrange for the repair or replacement of the customer-owned water or sewer line. A breakdown includes a leak in the water line or a clog, break or blockage in the sewer line caused by normal wear and tear, tree roots, defects in materials and earth movement

caused by normal settlement and not caused by natural disasters — including earthquakes and floods.

According to Reisman, there is no exclusion for “preexisting conditions,” but no claims will be paid within the first 30 days of enrollment. In the terms and conditions, however, it says, “damage incurred or existing prior to the Agreement Effective Date” is excluded.

Asked to explain, Slepian said, “Only preexisting conditions that did not display any evidence of a problem prior to enrolling are covered. These are generally problems that must be urgently taken care of and the 30 day effective window is intended to address this.”

For water lines, the company will pay to repair or replace the portion from the shut-off valve at the house to the meter.

Sewer lines have an “upper” and “lower” lateral, Slepian said. The upper portion is from the foundation to either the cleanout vent or the property line, which is often the curb. The lower portion is from that point to the main line. If there’s a blockage, the program will clear out the entire portion, but “if a repair or replacement is needed, we will cover the upper” portion, she added.

The city covers the portion from the curb line to the sewer main “if there is a structural defect, such as a collapsed pipe,” Reisman said in an email.

The program will pay for repairs to driveways, public sidewalks and normal (but not extravagant) landscaping, Reisman said.

The program does not cover pipes inside the home, nor any damage inside a home caused by a water or sewer line backup, such as ruined carpets. Homeowners insurance might cover these problems.

The contract requires American Water Resources to maintain a 24/7 customer service line in several languages, and to hire licensed plumbing contractors to perform all work.

Many Bay Area cities require homeowners to have their sewer lateral inspected, and repaired or replaced if necessary, when they sell a home. San Francisco does not, but is considering such a policy, Reisman said.

If a leak was discovered during a point-of-sale inspection, any necessary repairs would be covered if the owner was enrolled and paid up, Slepian said.

The program will pay for damage caused by root invasion, regardless of who owns the tree causing the damage. Although homeowners could try to get the city to pay for damage caused by city-owned trees, it's an uphill battle.

“Starting in December 2011, the Department of Public Works began transferring responsibility for thousands of street trees to property owners in stages. Effective July 1, 2017, street tree responsibility was transferred back to the city under Proposition E, passed by voters in November 2016,” John Coté, a spokesman for the city attorney’s office, said in an email.

“The city’s general position since 2012 has been to not pay claims for city tree root intrusion into sewer pipes. The city’s position is that tree roots do not harm undamaged sewer pipes. We accept the opinion of experts who say tree roots intrude into sewer pipes because the pipe is already damaged or defective, creating a leak that allows the roots access,” he added.

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