

Chubb Homeowners' Risk Survey Executive Summary

Chubb Survey Finds Homeowners Continue
to Put Largest Investible Asset at Risk



Personal Risk Services

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According to Chubb's Third Annual Homeowners' Risk Survey, homeowners continue to put their largest investible asset—their homes—at risk by failing to take the right property protection measures.

According to the survey, 89% of homeowners report being “very” or “somewhat” confident in their ability to check for possible damage or maintenance issues around their homes. In fact, more than half (55%) claim to be vigilant about taking such home protection measures.

However, there continues to be a disconnect between homeowner beliefs and behaviors, especially when it comes to protecting against the most common source of property-related damage: water. Despite the fact that the study found that internal water damage is among the top three concerns for homeowners when it comes to perceived home threats, no more than 20% of homeowners took any single water-related risk mitigation best practice—from conducting home heating system inspections (19%), periodically checking appliance hoses (19%) and performing water heater maintenance (16%) to shutting off the water supply while on vacation (15%) and installing pipe insulation (12%).

In addition to homeowner beliefs and behaviors, Chubb's survey looked at anticipated homeowner renovation plans over the next 12 months to examine what efforts homeowners are taking to upgrade (and protect) their property and their design inspirations when doing so. The study also looked at when homeowners seek assistance from friends, family and neighbors, and when homeowners choose to act alone.

Read on to see the full results from Chubb's 2019 Homeowners' Risk Survey.

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Section 1: Nine in 10 homeowners are confident in their handyman skills, but more than four million homeowners will still submit a property claim each year.

As mentioned, roughly nine-in-10 homeowners say they are “very” or “somewhat” confident in their ability to check for possible damage or maintenance issues in their homes. This is a significant uptick from last year, when only 73% reported the same level of confidence.

But confidence doesn’t always mean action—and many homeowners don’t actually take the right property protection steps, regardless of the source of risk. According to the survey, there are several hurdles that prevent homeowners from implementing necessary actions, including cost (27%), required time investment (18%) and a lack of knowledge around which products and tools to

purchase (12%). While these same hurdles were identified as the top three barriers to implementation in 2018, some good news exists in that the percentage of respondents who identified them as roadblocks decreased across the board.

Of those who choose to take action, however, many are not taking the right steps—especially when it comes to water damage. According to the survey, less than 20% of respondents implemented any single water risk mitigation best practice. Particularly concerning is that while water is only becoming a greater threat to homeowners, for the most part, the percentage of homeowners taking the necessary risk mitigation best practices for water has decreased year-over-year.

The top concerns for homeowners.

There is a clear disconnect when it comes to their actions and their behaviors.



**Maintaining
home value**



**External weather
threats**



**Internal water
damage**



**Theft/vandalism/
crime**

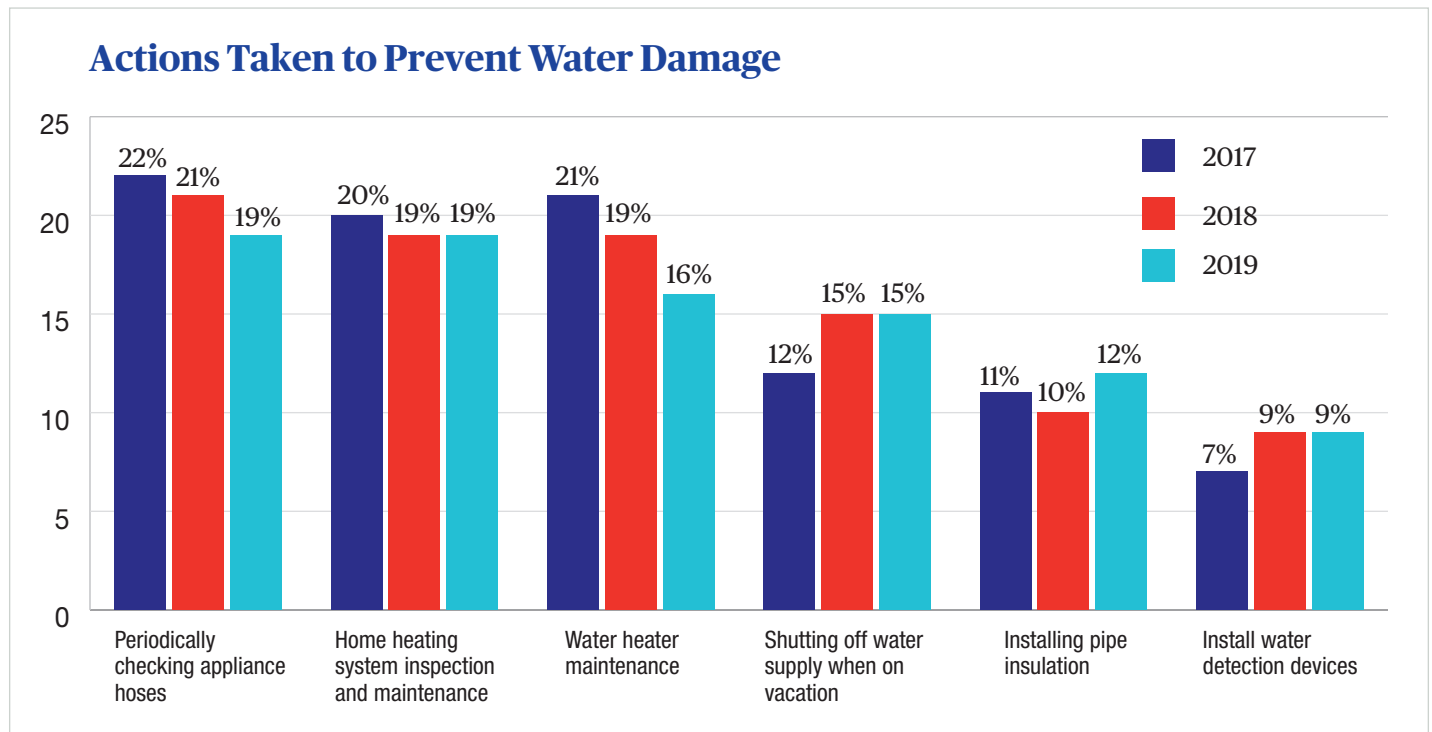


Day-to-day upkeep



Fire

Despite an increase in water-related property claims, to a large extent, homeowners are less likely to implement the necessary safeguards than prior years.



According to the survey, however, there is one universal theme that compels homeowners to act—extreme weather. In addition to ranking as the second most pressing property concern for homeowners, two-thirds of homeowners report that when reflecting back on their most recent home improvement or maintenance project, they were motivated by an approaching storm or in response to weather-related damage. For comparison, just 21% took home protection measures as part of a planned renovation (see page 8 for more information on renovation behavior), 9% when getting ready to put their home on the market, and only 7% in response to a neighbor, friend or family member doing the same.

To gather this information and determine whether to take action, homeowners rely on a number of weather sources. The

most popular are digital sources, with the majority (58%) turning to mobile apps or online weather sites first thing in the morning. Local and national broadcast weather reporters are less frequented sources, with just 29% and 10% of homeowners relying on them as their go-to weather source each morning, respectively.

Yet, regardless of where homeowners get their weather information, an increasing number of homeowners believe that weather reporters and meteorologists “regularly” or “frequently” exaggerate when it comes to the magnitude or impact of an approaching storm or weather event—rising from 45% in 2018 to 47% in 2019. Significantly, what’s most concerning is that failure to believe the weather forecast means homeowners are less likely to take the necessary home protection measures.

The average water leak cost is more than **\$55,000** for financially successful homeowners.*

Homeowners vastly underestimate the cost of property damage.

In addition to being unprepared to prevent various property damages from occurring, most homeowners are not prepared financially. According to the survey, half of all homeowners (51%) think a plumbing or appliance water leak costs less than \$5,000 in damages. However, according to the Insurance Information Institute, the average water leak costs more than \$10,000 in damages. And according to Chubb's internal claims data from 2014-2018, the average water leak cost is more than \$55,000 for financially successful homeowners, and the average water back-up loss for homeowners was almost \$45,000.

It's a similar situation for wind damage claims, which often occur in tandem to weather-related flooding incidents. The same report from the Insurance Information Institute found that the average wind/hail claim runs \$10,182. Unfortunately, 16% of homeowners believe the average corresponding damage to be under \$1,000 and a quarter think it costs between \$1,000 and \$5,000.

This misunderstanding, when it comes to the cost of common sources of property loss, can mean homeowners are underinsured. Without sufficient protection in place, homeowners can be left facing significant out-of-pocket costs in the event of damage. Consider floods, for example, which are the number one disaster in the United States, according to the Federal Emergency Management Agency (FEMA). Even if a homeowner does not live near water, protecting one's home from unexpected flooding is important. What's more, a homeowner's policy generally isn't designed to provide coverage for flooding; thus, homeowners should consider a separate flood policy to help lessen the financial impact.

Section 2: Homeowners value the opinions of the family, friends and neighbors more than celebrity designers.

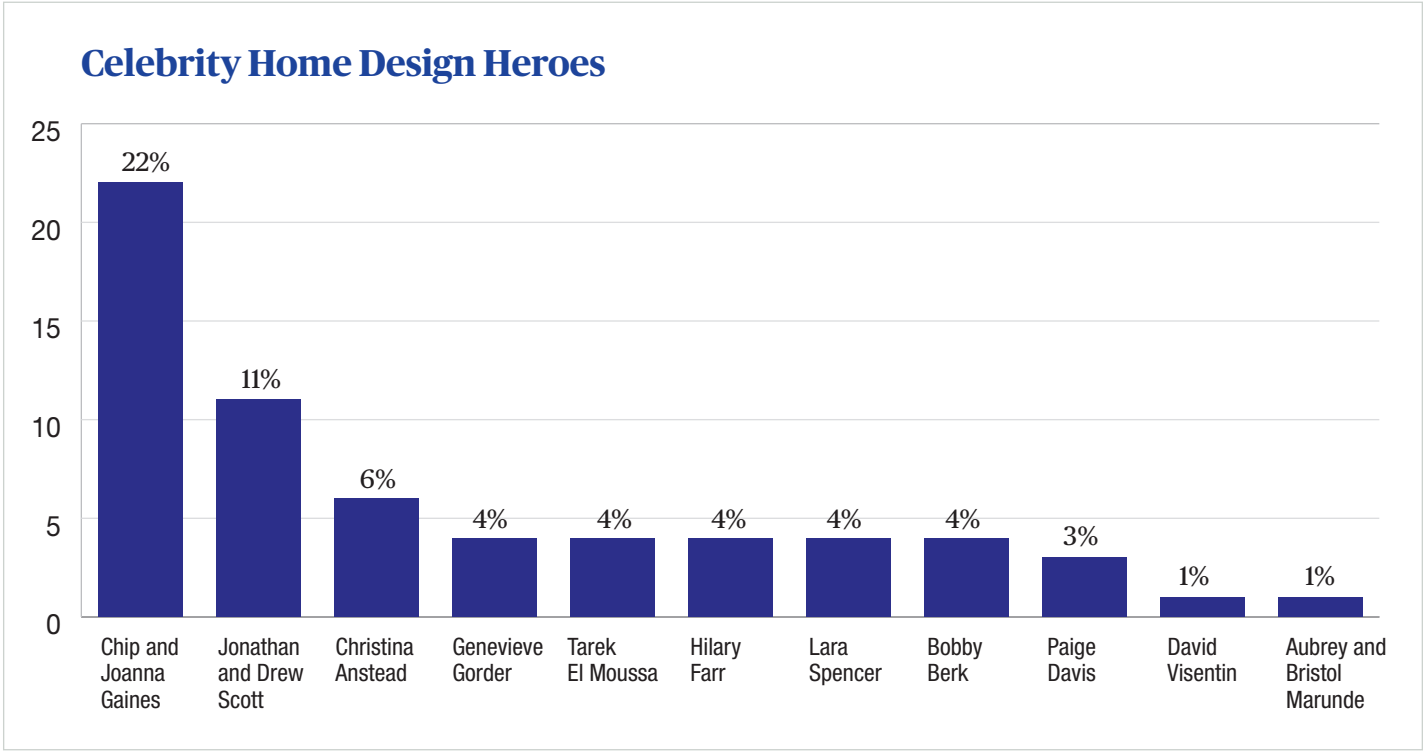
While some believe that good fences make good neighbors, many homeowners also value their neighbors' input and advice. According to the survey, knowing the difference between when a neighbor is being nosey and when they are in the know is a delicate balancing act for most homeowners.

On one hand, the report found that homeowners value their friends', families'

and neighbors' opinions above all else when it comes to home design—even more than celebrity interior designers. According to the survey, more than a third (37%) of homeowners consider a non-celebrity like their mother, father, grandmother, grandfather or friend to be their home design hero. Aside from family and friends, Chip and Joanna Gaines prevail as most homeowners' home design heroes.

* Chubb's internal claims data from 2014-2018

A close look at homeowners’ top celebrity home design heroes follows below:



Of course, that’s not to say that homeowners expect to always get an entirely honest answer from friends and family. In fact, a little less than two-thirds (62%) of homeowners say their friends and families judge their home when visiting (and we judge right back, according to 70% of respondents). However, we still value their opinion above anyone else’s opinion.

With that in mind, however, there is a clear line in terms of when a friend, family member or neighbor goes from knowing to nosey. As shown in the survey, in many cases, trust only goes so far.

The most obvious example of this is when it comes to home protection while homeowners are on vacation. According to the study, fewer than half of all homeowners provide any single piece of home protection information to

friends, family or neighbors when they are away from their primary residences. For example, just 38% of homeowners provide alarm code or neighborhood watch information to caretakers to thwart theft concerns—the most of any action taken. Additionally, only 37% provide information about water leak prevention, just 31% provide fire mitigation information and as few as 29% share what to do in the event of a power outage.

Of concern is that a quarter of all homeowners share no property protection information with caretakers at all. According to Chubb’s internal claims data, property losses end up costing more when homeowners are on vacation—as homes sit empty and risks like water leaks can flow uninterrupted. It’s therefore imperative that every homeowner shares relevant information with caretakers before heading out of town.

67% of homeowners will “definitely” or “probably” undergo a renovation or improvement project over the next 12 months.

Though there is so much on the line, the majority of successful families and individuals unfortunately fail to take the necessary vacation-related property best practices.

According to the survey, when asked about their property protection practices, successful families and individuals (household income above \$500,000) do not take the necessary measures. For instance, while 39% give alarm code and other theft-related information and 37% share water leak insight, fewer than a third give relevant fire, flood and power outage information.

This is especially surprising as many successful families and individuals employ domestic staff—from chefs and housekeepers to gardeners and nannies—who live on-site. This means that, in many cases, homeowners are failing to equip even their most trusted staff with the most basic of property protection information. In the event of an incident, staff are unable to prevent further damage and financial loss.

Section 3: In an era of constant digital connection, homeowners are looking to “build” face-to-face interactions.

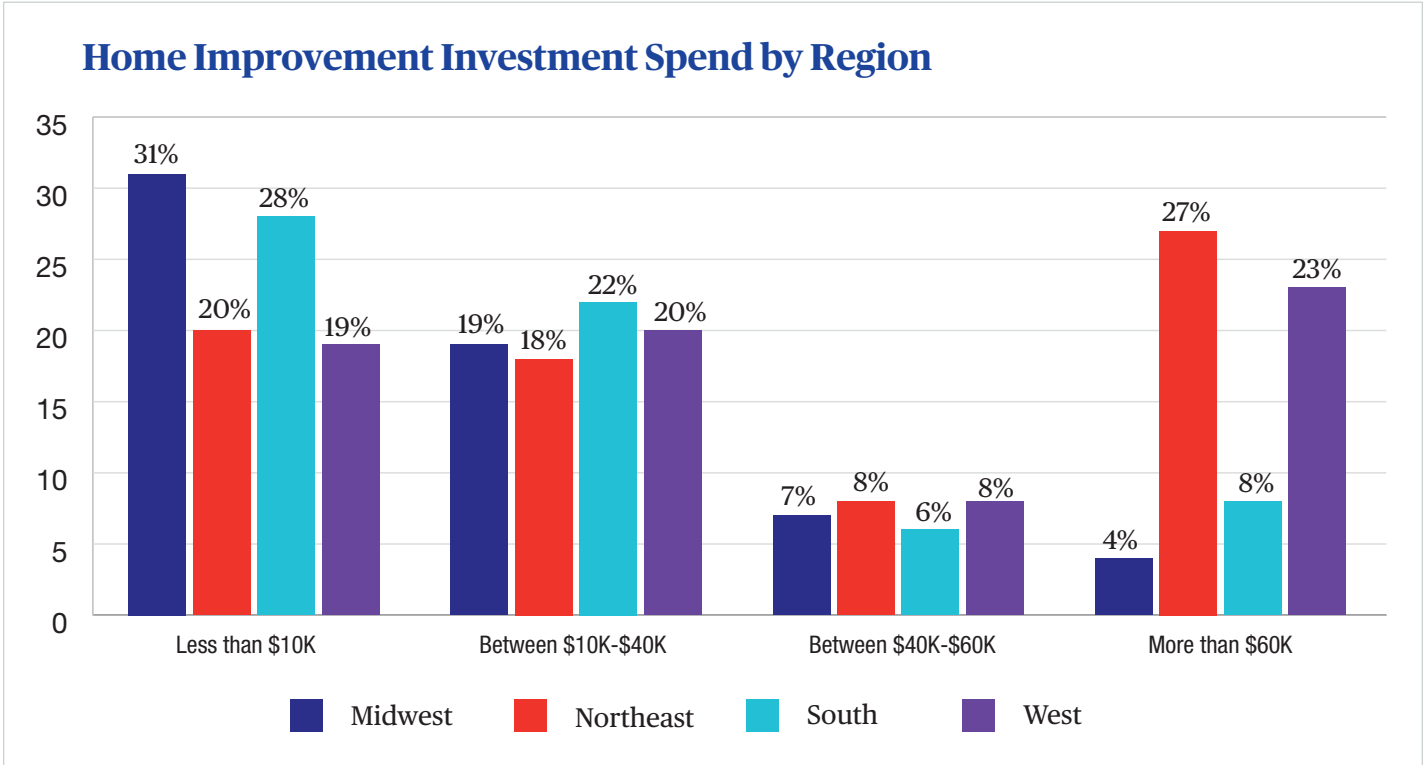
With the amount of time we spend on our phones, tablets, computers and other connected devices increasing each year, homeowners are feeling a lack of connection with their friends and family.

To help shift interactions from screen-to-screen to face-to-face, homeowners are taking efforts into their own hands—investing significantly in their homes to build a place where friends and families can come together to form connections and memories. According to the study, more than two-thirds

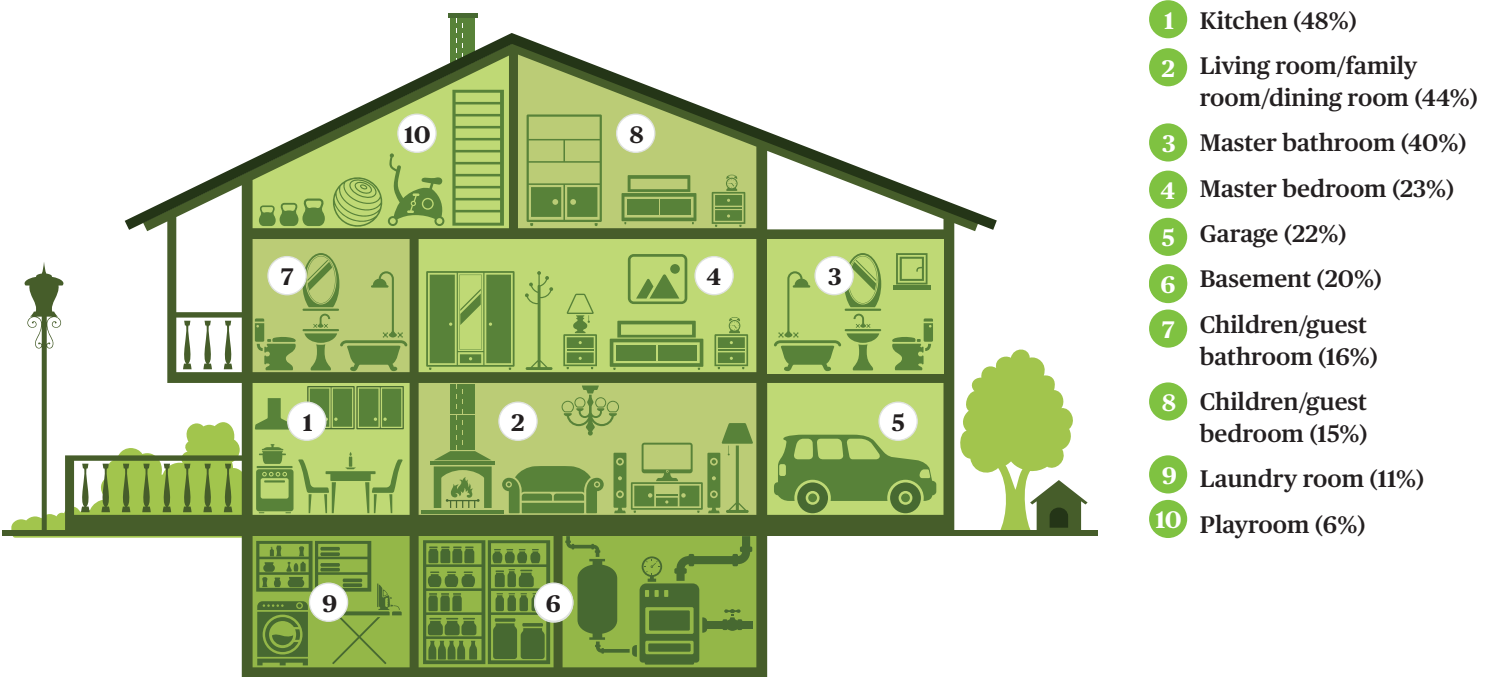
(67%) of homeowners will “definitely” or “probably” undergo a renovation or improvement project over the next 12 months, up from 58% in 2018.

Homeowners are also willing to spend to build such physical connections and memories. The study found that the plurality of respondents (23%) who say they will definitely or probably undergo a renovation plan to spend more than \$60,000, a significant shift from 2018’s planned spend of between \$5,000 and \$10,000 (21%, plurality).

Northeast homeowners plan to spend the most on home renovations, more than other regions and the national average.



If homeowners could improve any three areas of their homes, most would look for opportunities to build physical connections.



The perfect time to think about installing home protection devices, is when a homeowner is renovating an existing home.

Naturally, given that a home is often someone's largest financial asset, it makes sense that prioritizing certain rooms also positively corresponds to the resale value of one's home. When asked about which three areas of the home, if improved, would most positively impact the resale value of one's home, respondents noted the kitchen (52%) and living room, family room and dining room (40%). Tied with 40% is also the master bathroom, suggesting that while it might not facilitate connections with family and friends, it still contains financial significance.

Putting the justification for renovations aside, home improvement projects come with a host of property risks. And while each renovation project

has its own unique set of exposures, the kitchen and bathroom are literally flush with sources of loss. Consider, for instance, how many water connection points there are in the average kitchen or bathroom. Then think about all the water that is carried through pipes behind walls and cabinetry. A single renovation mistake could lead to a significant water event that won't just cause additional repair needs, but could potentially cost thousands to fix.

What's more, the perfect time to think about installing home protection devices, such as heat detection, home cameras, generators as well as loss mitigating leak detection and water shut-off systems, is when a homeowner is renovating an existing home.

Homeowners' dream homes include luxury, but also connectivity.

Even when asked to put budget and other realities aside, when it comes to dream home renovations, homeowners are consistent. Sure, they want to introduce a bit of luxury to their lives, but they still want their homes to be a place of face-to-face connectivity for family and friends.

Consider, for instance, responses from the survey. According to the results, solo spaces—places where individuals can be alone to relax or accomplish an individual task—underperformed when compared to spaces that allow people to come together. For example, a mancave (10%), sheshed (5%) and fully equipped home office (8%) each polled 10% and under. On the other hand, a chef's kitchen was the most popular response (18%). Other top choices were communal spaces like a theater room (14%) and gaming room (11%).

Section 4: Confidence in home protection ability can translate into action.

Regardless of the various threats facing homeowners, it's easier for homeowners to go from awareness to action than they might think.

Below are a few quick tips to help get homeowners started. Regardless of risk type, the most important step every homeowner can take is to talk to their independent agent or broker to ensure they have sufficient levels of homeowners insurance coverage in place. The worst time for a homeowner to find out they are underinsured and left with out-of-pocket costs is after a claim occurs.

Theft:

- Install a central station or direct alarm
- Set automatic lights to turn on/off when away from your home
- Ask a caretaker to look over your home when on vacation
- Keep fences, gates and garage doors locked

Fire:

- Regularly test smoke and carbon monoxide alarms
- Keep flammable items at least three feet away from heating equipment
- Consider installing fire sprinklers
- Inspect electrical cords

Water Damage:

- Know where your water main is and how to shut it off
- Inspect supply lines for signs of wear and tear
- Clear gutters and downspouts
- Install a water shut-off device

Planning for the above scenarios is a crucial element of home protection. But, as much as homeowners can prepare ahead of time, they can't always be there when incident strikes. When it comes to water damage, the installation of water shut-off devices can provide immediate protection against non-weather-related water loss—whether homeowners are near or far from home. Depending on need, homeowners can invest in the following types of systems:

- **Point of use system:** which prevents water damage from a specific source or appliance by sounding an alarm, completely shutting down the water supply to that particular source or appliance, or both
- **Whole house systems:** which are capable of automatically shutting off the water at the beginning of the domestic water supply line, if a leak is detected in the structure

For more information, visit <https://www.chubb.com/us-en/individuals-families.aspx>.

Section 5: About the Survey

This is the third survey by Chubb measuring homeowners' approaches and behaviors toward property protection, with a focus on water damage and renovation behaviors.

Conducted by Qualtrics, an experience management company, the online survey was fielded between July 2, 2019 - July 26, 2019. The results are based on 1,251 completed surveys. A breakdown of respondents is as follows:

- Gender: Male (41%), Female (59%)
- Age: 18-34 (36%), 35-54 (39%), 55+ (25%)
- Regions: Midwest (16%), Northeast (21%), South (39%), West (23%)
- Annual Household Income: \$50K-\$100K (25%), \$100K-\$500K (25%), \$500K-\$1M (25%), \$1M+ (25%)

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