Chubb Homeowners' Water Risk Survey:

Executive Summary



Personal Risk Services

Chubb Survey Finds Homeowners Not Taking the Right Steps When It Comes to Home Protection

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A new study from Chubb finds that when it comes to property protection, homeowners are saying one thing but doing another.

According to Chubb's 2018 Homeowners' Water Risk Survey, three quarters (73%) of homeowners are "very" or "somewhat" concerned about property damage from environmental or maintenance issues. Possibly as a result, almost all are unanimous (90%) in saying they are "vigilant" or do an "okay job" when it comes to preventative home maintenance. Additionally, 81% report being confident in their ability to check for damage or possible maintenance needs in their homes.

Here's the catch. At all times, water is flowing throughout a home or around its perimeter, so homeowners must take the right preventative measures. When thinking about protecting against internal leaks, such as burst and leaky pipes, just 47% and 41% of homeowners, respectively, report periodically checking their appliance hoses or conducting water heater maintenance—two important leak protection measures. More concerning is the fact that these same numbers are down from last year, where 52% and 51% of homeowners, respectively, reported taking these actions. Additionally, there has been no year-over-year improvement in the installation of water shut-off devices, withjust 19% reporting adoption in 2018 and 18% in 2017.

Homeowners fare no better when protecting against external water threats, including those stemming from extreme weather. Despite just witnessing one of the worst hurricane seasons on record, the study found that 64% of homeowners have not changed their home protection strategies in the past 12 months.

Why does this all matter? Think about your home. No matter where you live, your home has dozens of water connection sources, including in the bathroom, kitchen and laundry room. In some cases, there are multiple water connections in the same room. Beyond the obvious ones, your home also has a network of connecting pipes hidden behind interior walls, routed through the attic and possibly even buried underground. In the event of a leak, there's a good chance you won't be able to see it at first (and as explored below, the longer a leak runs, the costlier it becomes). That's just inside your home, and does not account for the weather-related events your home is exposed to 365 days a year.

Simply put, with all this water running inside and around a home, there is a good chance homeowners will experience a water-related loss. According to Chubb's claims data, water is the number one property-related homeowners claim and the Insurance Information Institute found that one in 50 homeowners will experience a related claim each year. When they do, it will cost close to $10,000 per leak.

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Fortunately, water-related losses are highly preventable. The first step to doing so is understanding exactly how water impacts the home year-round, including how homeowners often exacerbate their own exposure. Read more to find out how homeowner behavior drives water risk and how they perceive and approach property protection.

Section 1: "Soaking Up" Summer Fun

With school out and warm weather to enjoy, summer is the most popular time for travel. In fact, according to the AAA, more than 42 million people kicked off the 2018 summer holiday with a vacation.

While homeowners can still enjoy vacations that might come with a bit of unplanned rain, they can't turn a blind eye to water as it relates to their homes. Unfortunately, too many homeowners ignore this summer home threat, despite August being the most common month for water leaks, according to Chubb claims data.

Regardless of the water's source, time is of the essence when it comes to a leak. With millions of homeowners away from their homes and enjoying vacation, summer water losses can be particularly damaging. Consider data from Paul Davis, a home remediation company, that found something as simple as a tear in an ice maker line can result in 2,520 gallons of spilled water in just one day and more than 17,000 gallons in six days–enough to fill a swimming pool.

In terms of cost, the above scenario can be devastating. The Insurance Institute for Business & Home Safety, for instance, found that water heater failures that occurred in unoccupied homes resulted in 49% higher claims, and washing machine failures are two-and-a half times more severe when they occur in unoccupied homes.

The Leak Exposure No One Wants to Talk About

It's no secret that as home appliances age, they are more likely to malfunction. The toilet is no exception. Yet, with many people hesitant to talk about the bathroom, related water exposures are often cast aside.

A cracked toilet is just one of the many bathroom-related water vulnerabilities. In fact, the Insurance Institute for Business & Home Safety reports that plumbing supply system failures and toilet failures are the two most common sources of residential water loss. If either of these vulnerabilities drip for days, the results can be devastating, both in terms of property and financial damage. Turning off the water before heading out on vacation–something just 32% of homeowners report doing–is the best way to protect your home.

Despite what is at stake, Chubb's survey found that homeowners are unlikely to proactively address this risk. When asked about the information they leave with family, friends or care takers watching their home while away, less than one third (30%) of homeowners leave relevant water leak information and only 17% leave information about what to do in the event of a weather-related flood. If either scenario were to occur, homeowners could be in for serious damages as just 19% leave any sort of insurance-specific information with their family, friends or care takers.

When it comes to protecting a home from water while away, it's very simple–equip those watching over it with the information they need to safeguard the property. Otherwise, what started out as something small and manageable can

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easily end up costing more than a vacation. Better yet, turn off the water before heading out on vacation, the best course of action to take that only 32% of homeowners report doing, per Chubb's study.

If You Build It, Water Risk Will Come

In addition to vacation, the warm, dry summer months are also the perfect time for homeowners to conduct renovations.

According to Chubb's study, the majority of homeowners (58%) will "definitely" or "probably" undergo a renovation this year. The desire to maintain their home value—the top home-related concern identified by homeowners in the survey—is certainly a key driver behind the high-rate of renovations.

When asked about the areas in their homes they would be most likely to improve, homeowners identified the kitchen (52%), master bathroom (51%) and living room (32%), likely because most homeowners report these same three areas as most positively influencing the resale value of their home. Homeowners are not wrong about improvements to these areas being closely tied to home value as, according to Remodeling's 2018 Cost v. Value report, a major kitchen remodel can add between $37,000 and $67,000 to a home's value if sold within 12 months of the project's completion. Similarly, a bathroom remodel can drive between $13,000 and $34,000 in additional value if sold during the same time period.

Regardless of the specific project, these kinds of home improvement projects involve two types of renovations. The first, "required renovations," are more complicated projects, the likes of which involve re-routing internal plumbing systems and require access to the home's exterior. The complexity of these projects mean they generally require a contractor.

Unfortunately, not all contractors are equally qualified and, according to Chubb's survey, the plurality of homeowners may be inviting water risk into their home by choosing under-qualified contractors. Per the study, 42% of homeowners indicate that referrals from family and friends are the most important qualifying factor when looking to hire a contractor. Also 32%, favor someone who is certified, licensed and insured. Regardless of where a contractor comes from, it is important to check their credentials.

Choosing a candidate based on references from friends and family alone, without checking certifications and licensing, brings unnecessary risk. Take the example of wanting to freshen up a bathroom. In many cases, homeowners will look to achieve this by adding a frosted window to an exterior facing wall, allowing in more light. During the renovation, the contractor leaves for the weekend, but because they lack the proper training, they didn't ensure that the installation was water tight. A summer storm hits overnight. Since it is summer, the homeowners are away and left their home in the care of someone who is only on-site during the weekdays. We know what the outcome is (and don't forget the fact that the contractor might not be insured, which means the homeowners are now on the hook for damages).

The second type of renovations, "cosmetic changes," presents equal water risk. Aesthetic in nature, these elective changes are designed to spruce up a home and are generally smaller endeavors.

In an effort to maintain the value of their home, many homeowners will take on these smaller projects themselves, often looking to home improvement television shows for inspiration. According to Chubb's study, 37% of homeowners have embarked on a do-it-yourself (DIY) project after watching such a show.

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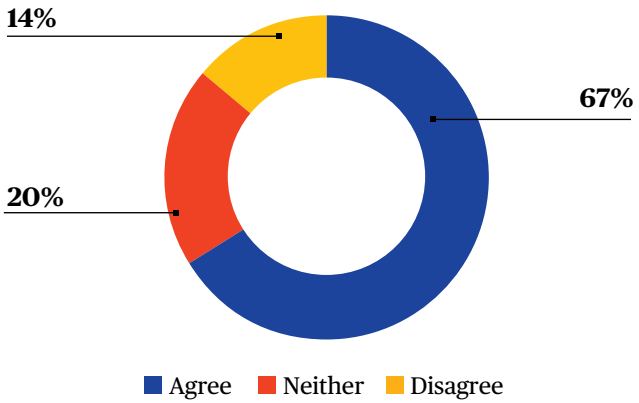
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Unfortunately, when it comes to DIY projects, they are often easier said than done. In many cases, what looked like a simple project or fix to the average homeowner is actually much more complicated. Imagine looking to install a new backsplash in the kitchen, only to discover that upon removing the existing tiles, mold has grown as a result of water seeping in through the kitchen window and through the sink pipes. Perhaps that is why, according to those who reported having conducted a DIY home improvement project in the study, one-in-five projects turned out less than ideal.

No matter whether a required or cosmetic change, homeowners are willing to invest significantly in renovations to boost the curbside value of their homes, with 24% of those who plan to undergo a renovation in the next year saying they will invest more than $20,000 (an additional 17% said they would be hypothetically willing to invest more than $60,000 in a home renovation project). With a single water loss costing about half of homeowners' planned budgets, homeowners need to be thoughtful about their renovation behaviors.

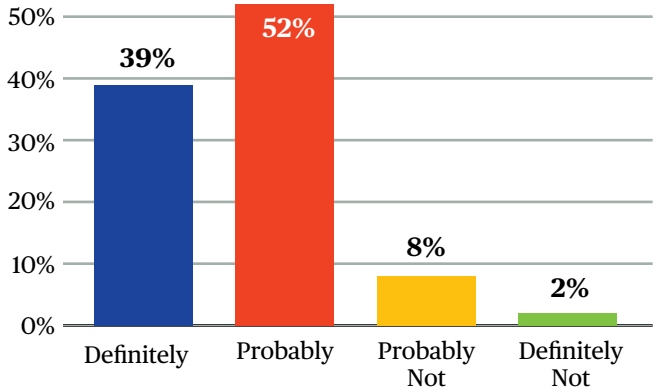
Friends and Family Judge my Home when Visiting



Homeowners believe that their guests judge their home when visiting, potentially another reason for the high rate of renovations.

Source: Chubb 2018 Homeowners Water Risk Survey.

Likelihood to Upgrade Appliances and Materials During Renovation



Homeowners use renovations as an opportunity to drive up the value of their home.

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Section 2: Falling into Water Traps

When summer turns to fall, the cooler and moister air makes it the ideal time for landscaping projects.

Similar to renovations, homeowners look to landscaping projects to help drive home value. According to the study, 30% of homeowners perceive home improvements to the outdoor areas of their home as having the best impact on resale value.

But whether adding a backyard patio–which can add up to $25,000 to a home's value, according to Remodeling's report–or embarking on a garden beautification project, this introduces additional water to the backyard, which can easily result in damage.

Take the installation of a sprinkler system, a basic requirement for homeowners looking to ensure their back and front yards are well-maintained. Such systems can easily be installed incorrectly (including installing it with sprinkler heads spraying toward the home, rather than away), or the systems can malfunction. If left unaddressed for an extended period of time it can result in damage to the home's exterior. In some rare cases, it can even cause structural damage to the home.

Exterior drainage is also a particular concern, especially for homes with basements and older foundations. As more work is done outdoors, be in the installation of a swimming pool, patio, outdoor kitchen or cabana, it is important that homeowners and their landscape architect consider the slope of the garden to ensure water drains away from the home. Failure to do so means that water could continuously seep into the foundation or a home's basement, potentially resulting in significant damage.

Section 3: Winterizing Your Home

According to Chubb claims data, homeowners are 40% more likely to experience a water loss during the cold winter months.

Despite this, homeowners are not taking the proper home protection measures required to safeguard their property. The study found that just 21% of homeowners install pipe insulation, even though it is an incredibly low-cost and simple home protection best practice. Of particular concern is that, as compared to responses from Chubb's 2017 home protection survey, this number is down from the 28% of homeowners who reported taking this action last year.

Avoiding Holiday Water Woes

According to Chubb's homeowner water risk survey, more than 50% of homeowners host a winter holiday party in their home. While holiday parties are a time for spreading joy and merriment, not to mention enjoying good food and drinks, such in-person celebrations have another added value: they are a valuable source of information for homeowners when it comes to property protection.

Per the study's findings, 21% of homeowners rely on their family and friends for home protection information, behind only their insurance company, agent or broker (26%). Additionally, when asked about when they are most likely to think about home protection measures, a quarter (23%) of homeowners cite hearing about an issue from a friend, family or neighbor as the most likely trigger (and the number two trigger overall).

Clearly, in the age where most interactions take place online and over the internet, personal relationships with neighbors and the broader community are still of value to homeowners, both socially and financially.

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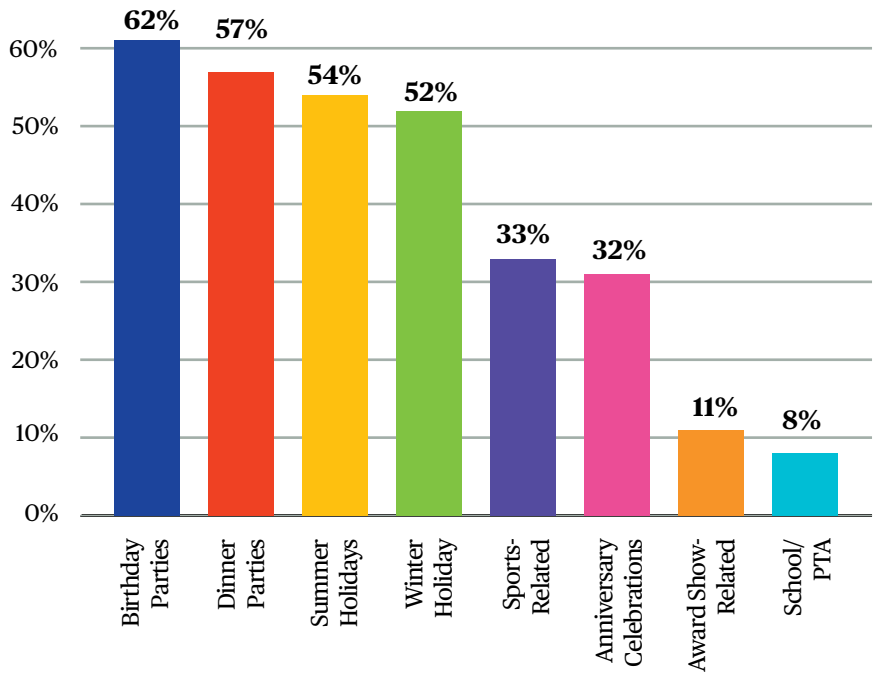
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Surprisingly, many homeowners don't understand the source of their winter weather water exposure, a contributing factor to the heighted seasonal risk. According to Chubb's 2017 water risk survey, most homeowners (49%) think water heaters are the most likely source of internal water damage. With water heaters usually located in colder areas of the home, including the basement and garage, that makes sense. However, according to the Insurance Institute for Business & Home Safety, plumbing supply system failures are the leading source of residential water loss, with a 48% greater loss (in terms of total payout) than the second-leading source (toilet failure). Not fully understanding the source of their winter water exposure makes it hard for homeowners to protect against it, which could result in costly damages.

Celebrations Hosted in the Home



Homeowners invite friends and family into their home for celebratory occasions throughout the year.

Section 4: Out with the Old, in with the New Spring Water Risks

Spring has long been associated with de-cluttering and new beginnings, so it is natural that homeowners often use it as a time to provide their home with much needed TLC.

But, despite the best intentions to fix and improve their homes, by the time spring has sprung, homeowners have often waited too long to act. In other words, what started as something that might have just required a small fix over the winter has, left unattended, grown into a larger, more complicated (and costly) issue.

What does this look like in action? Think back to the Paul Davis study which found that a small tear in an ice maker line can lead to more than 2,520 gallons of water spilling in a single day. That tear formed over time–meaning that if a homeowner had regularly checked their supply lines as opposed to waiting

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for an annual inspection, they could have avoided the leak in the first place. There are additional sources of water risk in the home that could benefit from ongoing, or at least more regular, inspection and repair, including leaky faucets (the EPA reports that at a rate of one drip per second, a faucet can spill up to 3,000 gallons of water in a year). Generally speaking, no matter the source, the EPA also found that 10% of homeowners have leaks that waste at least 90 gallons of water a day.

Yet the need for urgency when it comes to home maintenance isn't resonating with homeowners. According to Chubb's study, close to 30% of homeowners take more than a week to fix an issue in their home, with 7% taking more than four weeks. Imagine what waiting a year could mean for your home and finances!

As far as spring cleaning goes, homeowners would be well advised to spend some time in their attics as this is often an overlooked source of water damage. Take the case of one recent Chubb homeowner who failed to regularly inspect the pipes running through his partially finished attic, which included hardwood floors. After a pipe burst, water leaked all the way into his basement, where it impacted the drywall and carpet. On the way down, it also seeped into the flooring, hallway trim, master bathroom and foyer ceiling on the second floor and custom cabinetry on the first floor. All told, the single leak in the attic resulted in $300,000 in damages.

How can homeowners avoid this nightmare scenario? Particularly in northern climates where snow melt is common, in between going through old boxes and dusting off childhood photos, homeowners should look for any staining around chimney intersections through the roof or valley areas. Additionally, water staining along eaves can also be indicative of poor gutter systems or potential ice damming. For homeowners in the South, interior attic staining can be a sign of wind-driven rain leakage, coming in from the chimney intersections or under roof coverings and tilings.

No matter where homeowners live, they should be cognizant of whether there are any water-using devices, including water heaters or air conditioning units, stored in the attic. If so, ensure they have drainage pans and ensure they are not clogged. If a clog does form, condensation can overflow the drainage pan and leak into the floor below the attic. In many cases, air conditioners can produce 5-20 gallons of condensation a day, all of which has to flow somewhere.

Section 5: Water Safety Year-Round

There is one water-related risk that homeowners need to understand and think about all year long: the weather!

According to Chubb claims data, weather-related claims are another source of property-related losses. But despite the link between weather and water damage, homeowners too often fail to take the right precautions.

The single biggest roadblock to homeowners implementing appropriate property protections is simple: They don't believe the weather reporting. Per Chubb's survey, 45% of homeowners believe weather reporting is "regularly" or "frequently" exaggerated. Another third (36%) think it is "sometimes" exaggerated.

Needless to say, if homeowners don't believe the weather reporting, they are unlikely to take the necessary home protection steps. Unfortunately, the effects of perceived

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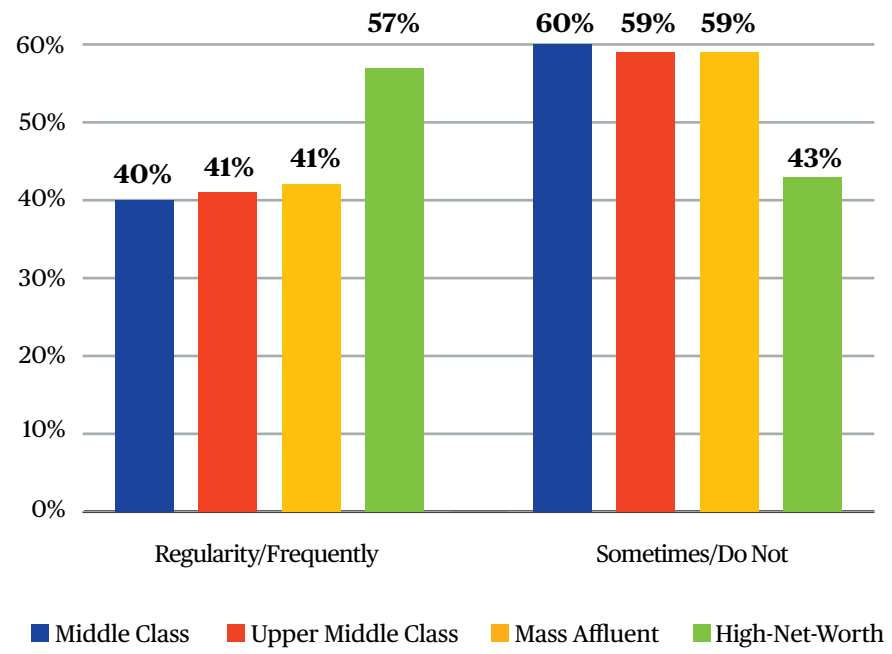
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weather reporting exaggeration are already evident, with two thirds (64%) of homeowners not changing their home protection behaviors over the past 12 months, despite recently living through a record-setting hurricane season and bone-chilling winter cold snaps. With storms becoming stronger, homeowners are putting their property and finances at risk.

Perception of Weather Report Exaggeration by Income



High-net-worth individuals, who have the most to lose, are the most likely to disregard the weather report.

Section 6: Home Protection for Every Season

While it is encouraging that the plurality (31%) of homeowners report no hurdle to implementing home protection measures in the survey, too much misinformation about home protection exists. This, in turn, prevents homeowners from taking the necessary measures to safeguard their property from water damage:

- Twenty-four percent, the most of any hurdle identified, say the implementation of home protection measures is cost prohibitive, yet the Insurance Information Institute reports that the average water damage or freezing claim runs close to $10,000.
- Sixteen percent report home protection measures are too time intensive to implement. Yet, with the Insurance Information Institute indicating that one in 50 homeowners experience a property claim caused by water damage or freezing each year, there is a strong chance homeowners will end up dedicating time to cleaning up such damage.

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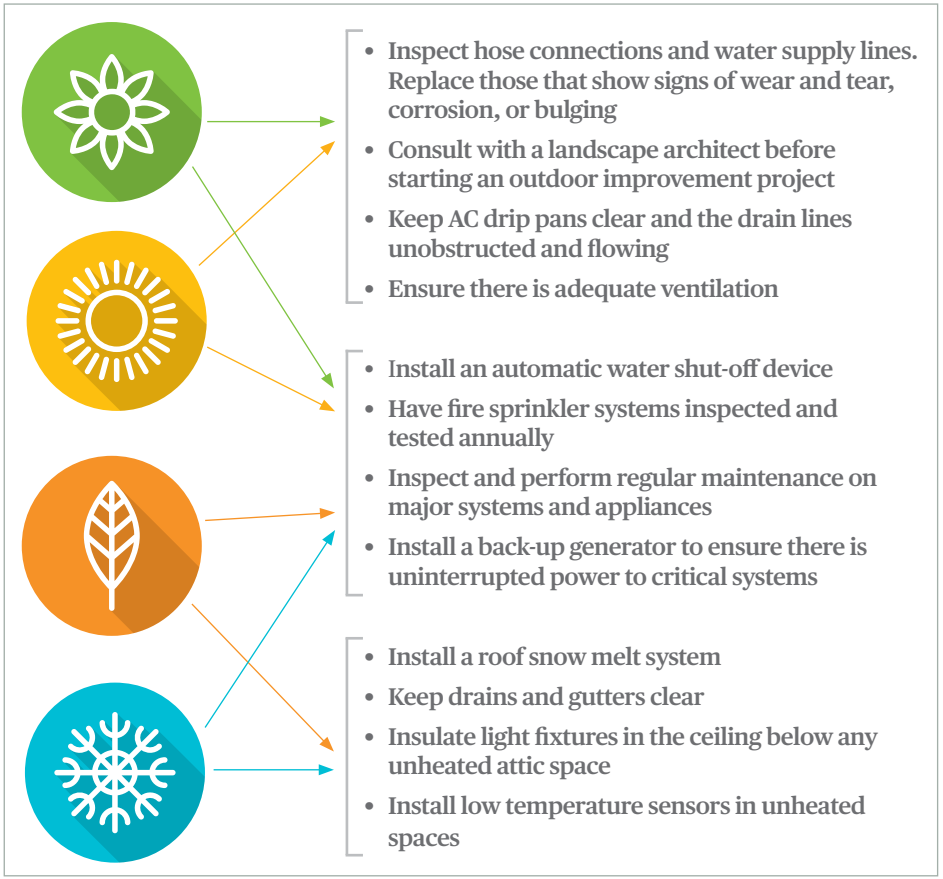
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- Thirteen percent indicate that the biggest hurdle to implementing home protection measures is that they don't know where to get advice. Fortunately, finding information is easy, and the below tips have information for all seasons. Additionally, homeowners can check Chubb's Water Damage Resource Page and should talk to their independent agent or broker.



About the Survey

This is the second survey by Chubb measuring homeowners' approaches and behaviors toward internal water leak detection and the first survey focusing on external water threats. Conducted by Research Now SSI, a leading global provider of first-party consumer and professional data, the online survey was fielded between May 4-16, 2018. The results are based on 1,204 completed surveys. A breakdown of respondents is as follows:

- Gender: Male (51%), Female (49%)
- Age: 18-34 (15%), 35-54 (36%), 55+ (49%)
- Regions: Midwest (21%), Northeast (23%), West (23%), South (34%)
- Socioeconomic Status: Middle Class (25%), Upper Middle Class (25%), Mass Affluent (25%), High-Net-Worth (25%)
- Residence Type: Free-Standing Home (81%), Apartment/Condo/Co-Op (10%), Townhouse (6%), Multifamily (2%), Other (1%)

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