

# Discovering the Value of a Home Service Contract

A National Association of Home Builders (NAHB) and  
2-10 Home Buyers Warranty® (2-10 HBW) Co-Sponsored Survey



LONG LIVE HAPPY HOMES®

2-10 Home Buyers Warranty® (2-10 HBW) and the National Association of Home Builders (NAHB) collaborated to survey consumers and NAHB builder members to evaluate the value of a home service contract, also known as a Home Warranty Service Agreement, protecting the home's major systems and appliances.

**THE GOAL** of the consumer survey was to evaluate their attitude toward home service contracts and any prior experience they had with them, while the builder member survey aimed to evaluate builders' and remodelers' level of interest in providing these types of plans to their buyers.

## CONSUMER INSIGHT

The consumer survey identified respondent's experience with service contracts, the value in using them, what consumers look for in a service contract provider and the role they play in the home buying decision.

**“There's a 68 percent chance that a home's system or appliance will fail within a year.”**

Overall, more than half of respondents who have used home service contracts (58 percent) have had a positive experience with the home service contract industry. Of those people, 82 percent were satisfied with the repair/replacement services they received. Interestingly, the majority of consumers, even those with no prior experience with home service contracts, would consider purchasing one in the future.

While noting a positive experience, consumers also see the financial value of a service contract. In fact, 72 percent of consumers said that paying out-of-pocket for a repair/replacement would have significant impact on their monthly budget. This can be true for the American population in general, as 72 percent live paycheck to paycheck<sup>1</sup> and feel that a repair costing up to \$3,000 would push them over their fiscal budget<sup>2</sup>.

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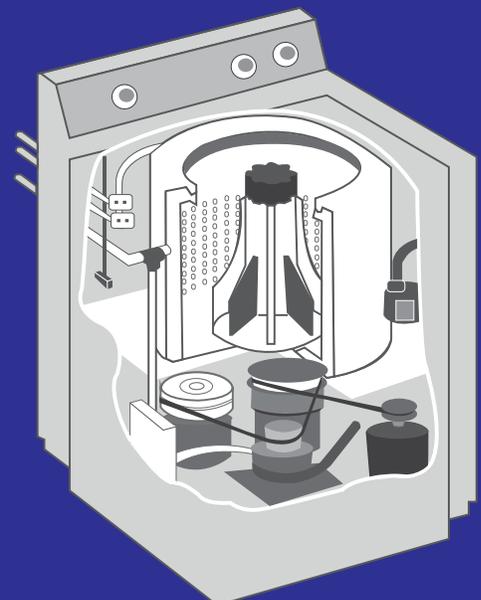


## AVERAGE REPLACEMENT COST

Water Heater	\$1,075
Oven/Cooktop	\$1,250
Refrigerator	\$1,910
Central Air Conditioning	\$2,060
Heating System	\$3,055
Dishwasher	\$1,440

Source: Marshall and Swift - Home Repair and Remodel Cost Guide 2012

The average replacement cost for a home system or appliance is **\$1,085.**



<sup>1</sup> Career Builder, 8/20/2012

<sup>2</sup> Henersonpress.com, 9/2/2011

## CONSUMER INSIGHT CONT.

With the average cost to replace a home system or appliance averaging \$1,085, and knowing that there's a 68% chance that it will fail within a year<sup>3</sup>, the cost of the service contract can be equated to a minimal cost.

In addition to cost savings, service contracts show their value by frequency of use. Seventy-two percent of respondents said that they used their service contract between 1-5 times per year. These results align with 2-10 HBW's statistics showing that the average homeowner places 1.4 claims (requests for service) per year<sup>4</sup>.

2-10 HBW Homeowner Customers place

**1.4 CLAIMS A YEAR**

The average number of claims placed each year also coincides with the fact that for seven out of ten homes, a home's system or appliance will fail during the course of one year.

### IN 2014, 2-10 HBW RECEIVED:



**74,777**  
air conditioner  
claims

**14,112**  
refrigerator claims



For all of 2014 they received a total of  
**226,992** claims all together.

<sup>3,4</sup> According to 2-10 Home Buyers Warranty data, 2014

When looking for a service contract provider, 76 percent of respondents rated that not having to fill out forms when placing a claim/request for service was the most important. Following that, consumers felt the convenience of not having to find their own service contractor (48 percent) and fast response time for repairs made (41 percent) an important consideration. Eighty-one percent of the respondents also said that the recommendation of a home service contract company by the National Association of Home Builders would influence their choice.



*of consumers said they would be more likely to buy a new home from a builder that offered a home service contract for when the manufacturers' and builder's warranties expire.*



*of the respondents also said that the recommendation of a home service contract company by the National Association of Home Builders would influence their choice.*

Service contracts also play a role in the home buying decision. Ninety percent of consumers said they would be more likely to buy a new home from a builder that offered a home service contract for when the manufacturers' and builder's warranties expire. It was also found that a structural warranty, protecting against structural failures, was also important.

**94%**



*Of prospective home buyers from the survey said they are more likely to purchase a new home from a builder that offers a structural warranty.*

## A BUILDER'S PERSPECTIVE

NAHB builder members were surveyed on their knowledge and experience with service contracts, and what they look for when choosing a service contract provider.

Almost all builder members who do not currently provide home service contracts said that they are open to learning more about available options for their home buyers.

73%

*of builder members are open to providing a **SERVICE CONTRACT** to their home buyers in the future.*



When looking for a service contract provider, 79 percent of builder members feel reasonable premiums to be the most important factor in their buying decision. The remaining respondents (66 percent) said that no hassles and fast response time for repairs are most important to them. Interestingly, these values coincide with what consumers felt were an important factor. Given this fact, builders can leverage the services of a home service contract company that provides easy-to-use coverage and a fast-response time for repairs as a competitive advantage.

“Builders can leverage the services of a **home service contract** company that provides easy-to-use coverage and a fast-response time for repairs as a **competitive advantage.**”



WHAT BUILDERS LOOK FOR IN A SERVICE CONTRACTOR PROVIDER =  
WHAT CONSUMERS LOOK FOR IN A SERVICE CONTRACTOR PROVIDER



79%

REASONABLE PREMIUMS



66%

NO HASSLES



66%

FAST RESPONSE TIME

## What's covered with a 2-10 HBW Home Warranty Service Agreement?

Air Conditioning	✓
Built-In Microwave Oven	✓
Dishwasher	✓
Electrical	✓
Garage Door Opener	✓
Heating	✓
Instant Hot Water Dispenser	✓
Plumbing	✓
Range, Oven and Cooktop	✓
Refrigerator	✓
Septic System	✓
Trash Compactor	✓
Water Heater	✓
Well Pump	✓

## CHOOSE AN INDUSTRY-LEADING SERVICE CONTRACT PROVIDER



LONG LIVE HAPPY HOMES®

As the only company to offer both a Home Warranty Service Agreement (service contract) and Structural Home Warranty, 2-10 HBW has protected over 5.5 million American homes, and partnered with thousands of the nation's finest real estate professionals, home builders and service contractors.

Consumers and builder members can benefit from our easy-to-understand coverage, large network of authorized, independent service contractors and ability to place service requests (place a claim) online, 24/7. We are also a long-standing member of the NAHB.

## 2-10 HBW's Customers Find Value in their Home Service Contract

"We have had to use our 2-10 HBW warranty twice in the last year. Last winter during the first really cold spell, our heat pump went out. We called 2-10 HBW to report the problem and within twenty-four hours we had heat again. The technician came late in the afternoon and worked until about 7:00 pm to get our heat back on. The 2nd time was this summer when our water heater went bad. Within 48 hours we had a new water heater installed."



John V., Lexington, KY, 2-10 HBW Customer Since 2002

"By having home protection with 2-10 HBW, I was able to save on repairs with my plumbing and air conditioning unit. I don't use the insurance a lot, probably once or none a year. However, it is peace of mind if there would be a big repair needed."



Miriam M., Snellville, GA, 2-10 HBW Customer Since 2008



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