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Chubb Homeowners' Water Risk Survey: Executive Summary

*Homeowners' attitudes toward home protection,
and what they're overlooking*



Chubb Survey Identifies Overlooked Home Risks

Homeowners have plenty of risks to worry about—fire, theft, weather damage and floods, among others. It's easy for them to overlook a quieter threat lurking inside their home: Water leaks.

Supplying everything from water heaters and washers to toilets and refrigerator icemakers, water flows throughout the home. And while it may seem like a low-risk hazard, it isn't. In fact, data from the [Insurance Information Institute](#) shows that water damage and freezing claims were the second most frequent cause of homeowner insurance losses between 2010 and 2014, with each claim costing, on average, just under \$8,000 (more costly than vandalism and theft-related losses). What's more, the frequency of such leaks is on the rise. In 2011, water damage accounted for about a quarter of all property damage claims. By 2015, they accounted for nearly half of all similar losses. Each year, [more than 2.5 million homeowners](#) experience water damage.

Despite the risk, and as reported in Chubb's 2017 Water Risk Survey, homeowners across the United States significantly underestimate their exposure to internal water leaks:



91%

of homeowners say they are vigilant or do an okay job of conducting preventative maintenance around the home



45%

Close to half (45%) of homeowners have or know someone who has experienced a water leak in the past two years



35%

Despite this, only 35% of homeowners rank internal water leaks as their first or second greatest threat of home damage

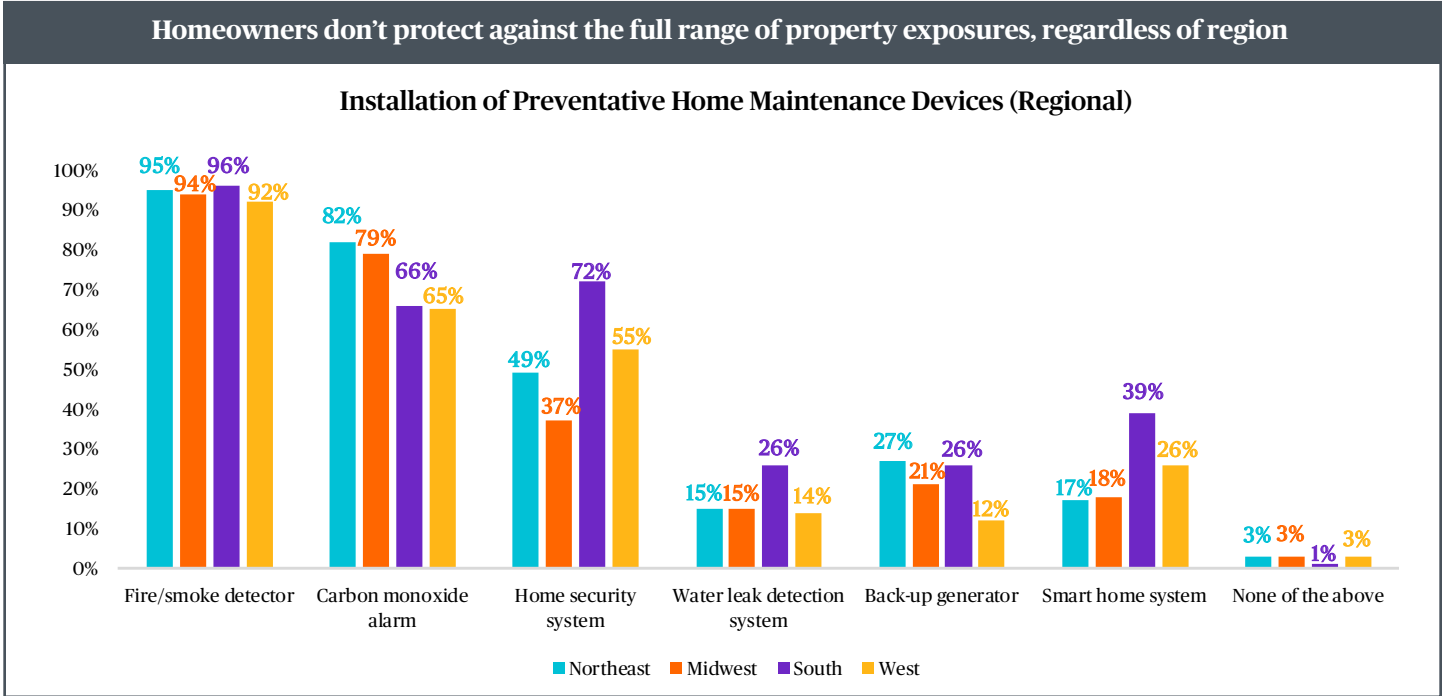
Additionally, most homeowners not only discount the risk of internal water damage, they don't know when they are most vulnerable. For instance, while the survey found that the majority of homeowners believe their risk of water damage is greatest during the winter months of January and February, damage from internal water leaks is most common during the summer months when many homeowners are on vacation, peaking in August. Yet, fewer than one in 10 homeowners (8%) identified August as the month with the most water leak events.

How can homeowners best protect their property and gain peace of mind, no matter the time of year? By having their plumbing and water-related appliances inspected regularly and making the installation of water leak detection devices—currently only used by 18% of homeowners—as standard as the adoption of fire and smoke (94%), carbon monoxide (73%) and home security alarms (54%). Experience shows that in the event of a leak, such devices can significantly limit damage to homes and belongings.

Read on for a complete account of the survey findings.

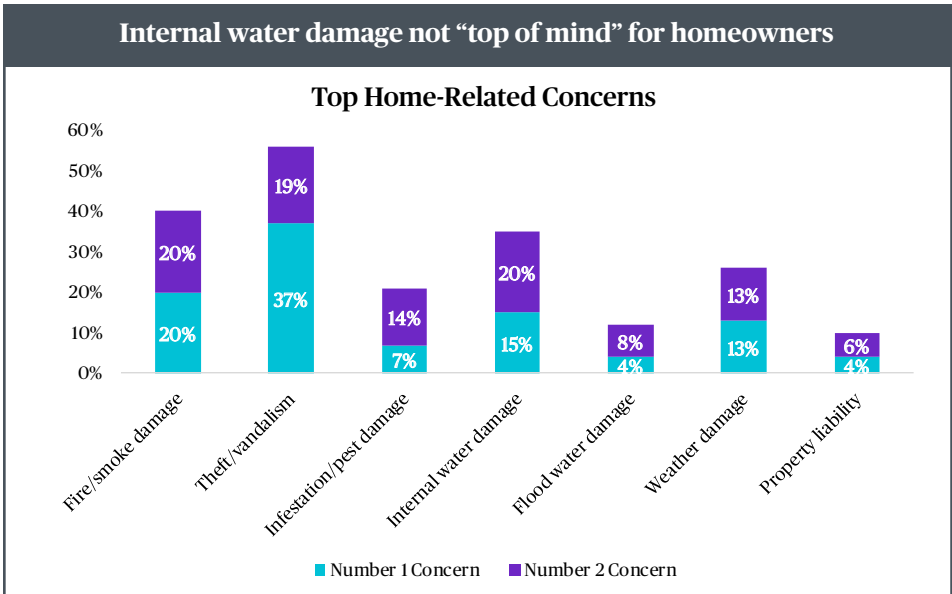
Most Homeowners Aren't as Protected as They Think

More than nine out of 10 homeowners (91%) give themselves high marks for preventative home maintenance, with 46% saying they are “vigilant” and another 45% reporting they “do an okay job.” When asked specifically about the type of preventative home maintenance devices installed to protect their home, nearly all (94%) had installed fire and smoke alarms and more than half (54%) had installed home security systems. Just one in five (18%), however, had installed a water leak detection device. This underestimation of water as a significant property exposure is consistent across regions.



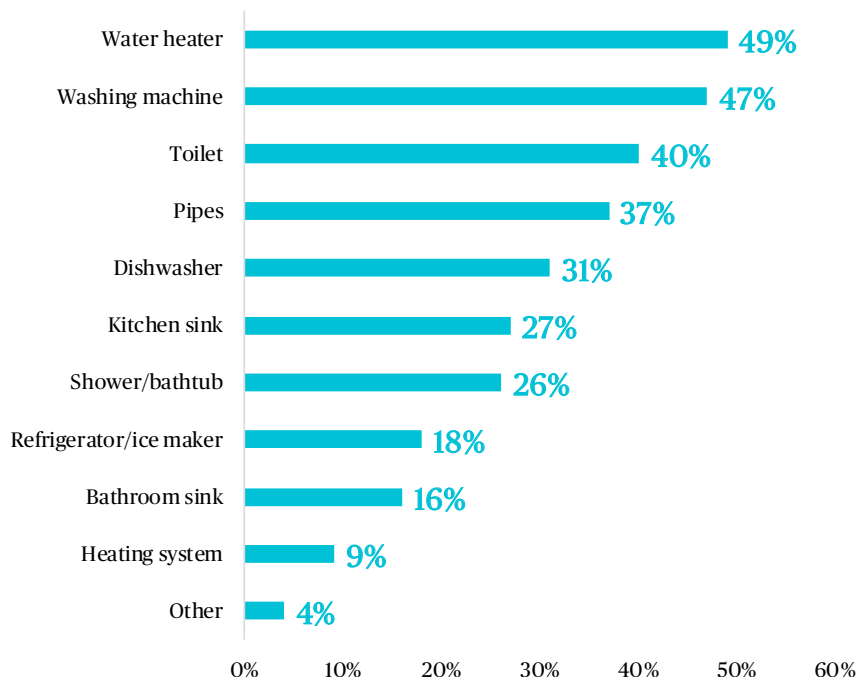
The lack of action to prevent against an internal water leak is surprising, particularly because, according to the [Insurance Information Institute](#), water damage and freezing claims are the second most frequent cause of property loss. Additionally, independent analyses, including the same report from the Insurance Information Institute, show that when compared against “top of mind” home concerns, particularly theft, internal water leaks don't just occur more frequently, they also result in more costly damage.

What's more? Nearly half of all homeowners(45%) have had personal or second-hand exposure to an internal water leak in the past two years, either in their own home or through someone they know. That's the highest level of familiarity as compared to all of the home exposures ranked in the survey, including fire and smoke damage (21%), theft and vandalism (34%), infestation and pest damage (30%), flood water damage (28%), weather-related damage (40%), and property-related liability (14%).



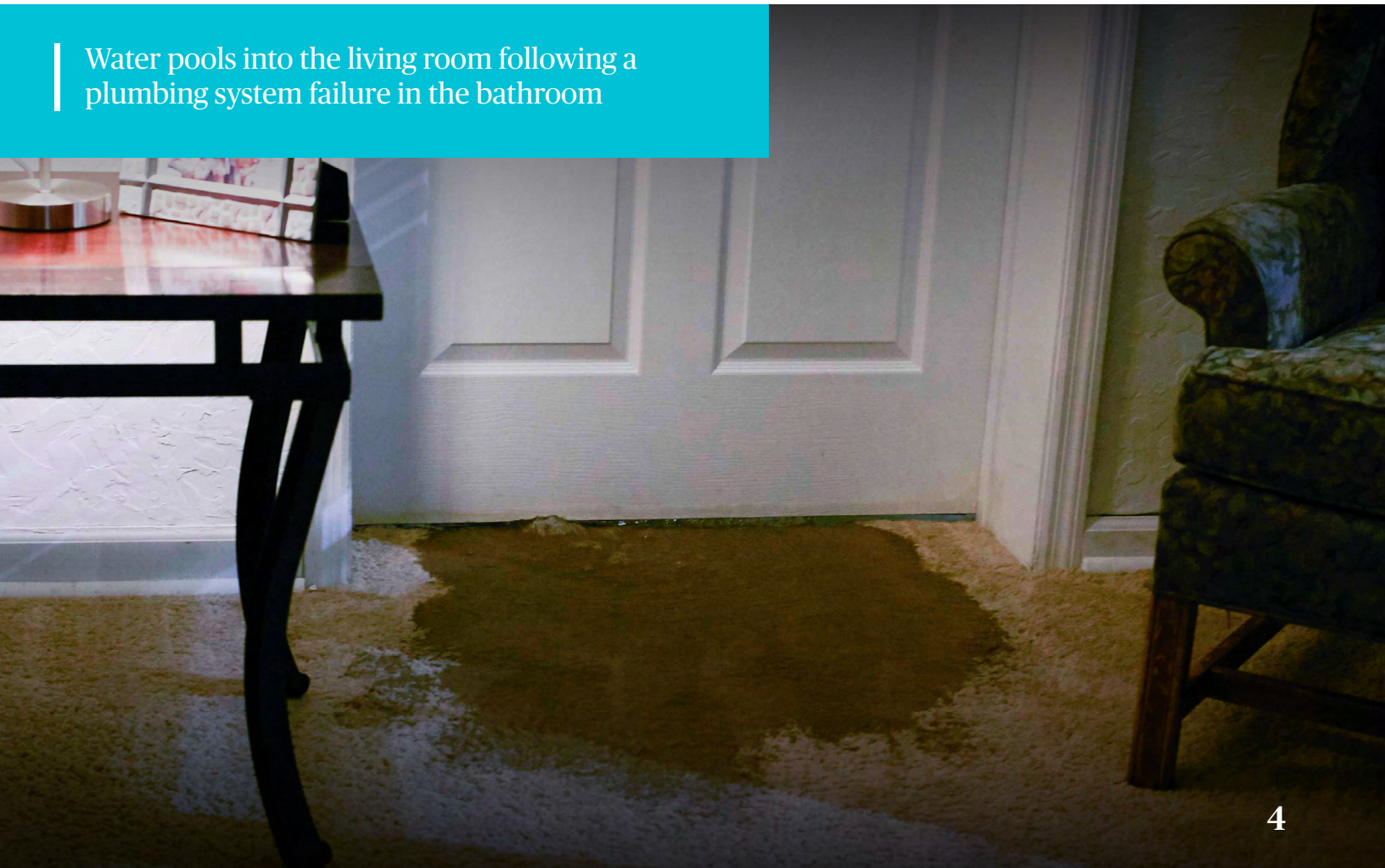
Homeowners don't accurately understand their most likely sources of internal water damage

Most Likely Sources of Internal Water Damage



Despite their experiences with water leaks, many homeowners don't accurately understand where the risks of water damage originates. The majority of homeowners believe that water heaters (49%) are the most likely source. While water heater-related leaks are among the top five causes, data from the [Insurance Institute for Business & Home Safety](#) shows that plumbing supply system failures are the leading source of residential water loss, with a 48% greater loss (in terms of total payouts) than the second-leading source, toilet failure (identified by only 40% of respondents as the most likely source of internal water damage), and an average cost of \$5,092 per incident after the deductible was paid.

Water pools into the living room following a plumbing system failure in the bathroom



Water, Water Everywhere (Especially When You Least Expect It)

When homeowners think of internal water damage, they usually picture frozen pipes bursting. While this is a significant cause of water damage, water leaks are not exclusive to the winter months and can happen at any time.

In fact, the summer, particularly the month of August, is “peak season” for water leaks, yet only 8% of homeowners accurately cite August as the month with the most internal water damage events. What causes this literal burst of activity? Summer travel.

According to [AAA](#), 42% of Americans will take a vacation in 2017, with many choosing the summer school holidays to get away. Unfortunately, as the time between a leak and discovery directly impacts the severity of water damage, this makes homeowners who are away from their residences exceptionally vulnerable. Within just 72 hours of a leak, for example, the window for home restoration begins to close, with health and safety becoming a major concern. Additionally, information from the [Insurance Institute for Business & Home Safety](#) suggests that water heater failures that occur in unoccupied homes result in 49% higher claims, and washing machine failures are two-and-a-half times more severe when they occur in unoccupied homes.

Yet, despite the severity, just 19% of homeowners identify internal water damage as the home risk they are most concerned about when they are on summer vacation.

The Not-So-Sweet Spot for Water Damage Claims

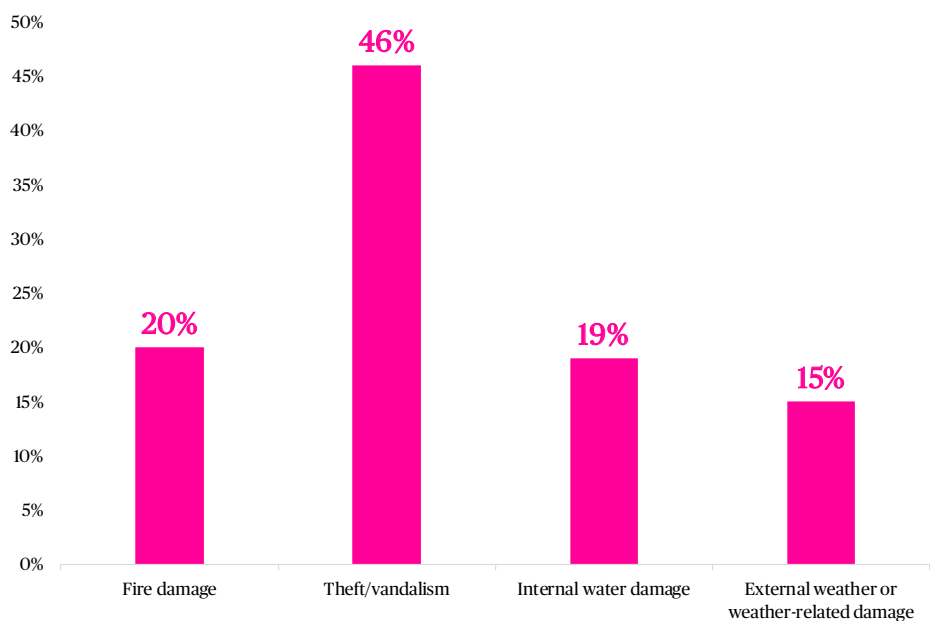
Over the past decade, the frequency of claims related to sudden pipe bursts has nearly doubled, according to Chubb data. What explains such a dramatic increase? One key reason is the lifecycle of appliances and related plumbing components. Appliances tend to perform at their best during the first five years. As they age, however, appliances, hoses and related components become less reliable. The sweet spot for these components to fail begins at year eight. Today, America's housing stock is a decade beyond the multi-year home-building boom that preceeded the financial crisis. That means that the number of U.S. homes in the sweet spot for failing appliances, hoses and the like is cresting.

Given the risk, particularly for families who live in homes built or renovated in the years leading up to the financial crisis, the need to periodically inspect appliances, hoses and other plumbing components is acute. Yet survey results show that only one in four homeowners (26%) has conducted an inspection to avoid potential leaks within the past year. An additional 25% say they have never inspected appliances for potential leaks. Interestingly, the survey found that middle class homeowners were the group most likely to periodically check appliance hoses (61%). The group least likely to do such inspections are those with the most to lose: owners of high-end homes (33%).

Water cascades down a homeowner's steps while on vacation

Only 19% consider internal water damage as their top home-related concern while on vacation

Top Concerns While on Summer Vacation



Inaction Abounds

As mentioned, homeowners are diligent about installing “standard” protection devices in their homes, including smoke detectors, carbon monoxide alarms and home security systems, yet the majority fail to take similar steps when it comes to water leak detection.

Consider the fact that just half of all homeowners check appliance hoses (52%) and conduct water heater maintenance (51%). Even more concerning is that when it comes to hiring someone to inspect appliances, a quarter of all homeowners have never had their appliances inspected and 21% have not done so in more than three years. When these appliances and their related plumbing and hoses fail, claims range from 50% to 80% higher than a typical water damage loss.

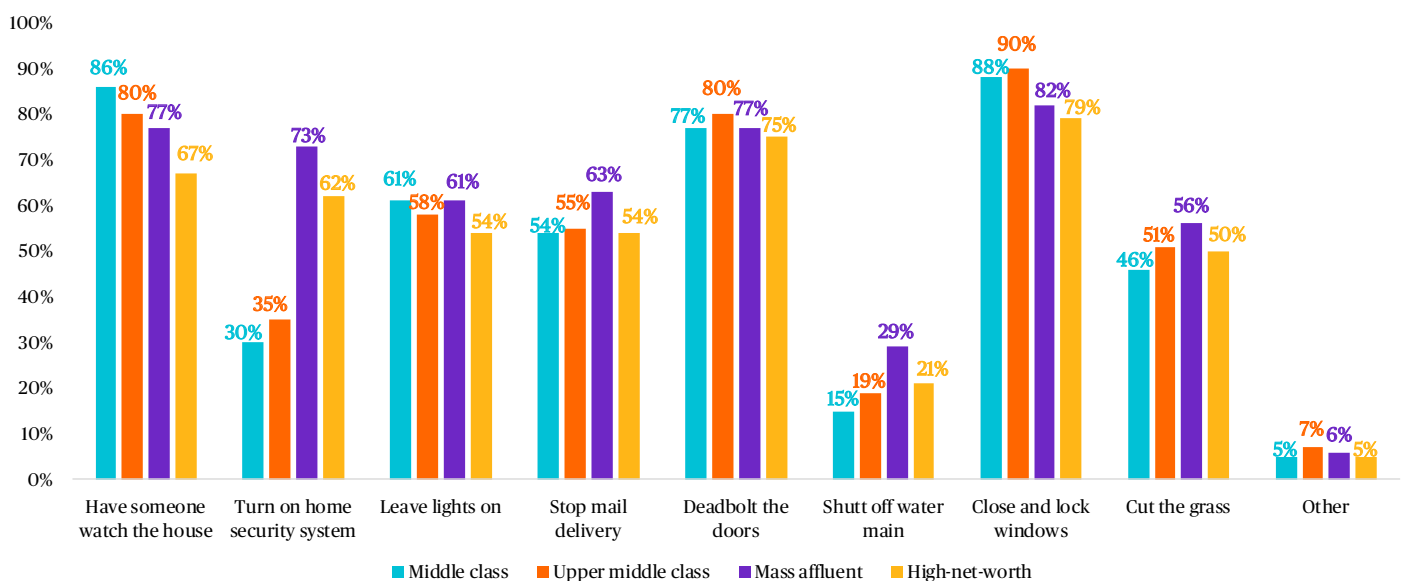
Of all homeowners, individuals and families with high-end properties are particularly at risk. When compared against other income segments, high-net-worth individuals are the most likely (55%) to report being “vigilant” about conducting preventative maintenance, yet are the least likely (26%) to rank internal water damage as their top home-related concern. High-net-worth homeowners are also the income group least likely (33%) to periodically inspect appliance hoses (compared to 61% of middle class, 54% of upper middle class and 52% of mass affluent homeowners), despite this action being the best way to prevent a leak.

The most startling failure when it comes to home protection occurs when homeowners go away on vacation. While 85% of homeowners close and lock their windows, 79% have a friend or neighbor keep an eye on their home, and 77% deadbolt their door, just 22% shut off the water main. This is despite the fact that 88% of homeowners know where the water main is located within their home. Fortunately, survey results indicate that homeowners are slightly better protected when taking vacation in the winter months—28% report installing pipe insulation—yet the majority remain at risk during the summer holiday.

At the end of the day, despite Chubb seeing more than 40,000 sudden pipe burst claims in the past 10 years, [identifying](#) water damage and freezing claims as the second most frequent cause of property loss, and water leaks occurring approximately four times more frequently than theft claims, one-in-six (16%) of homeowners do not take any action to avoid or minimize their exposure to internal water leaks.

Homeowners aren't fully prepared when heading out on vacation

Preventative Actions Taken When on Vacation (Economic Status)

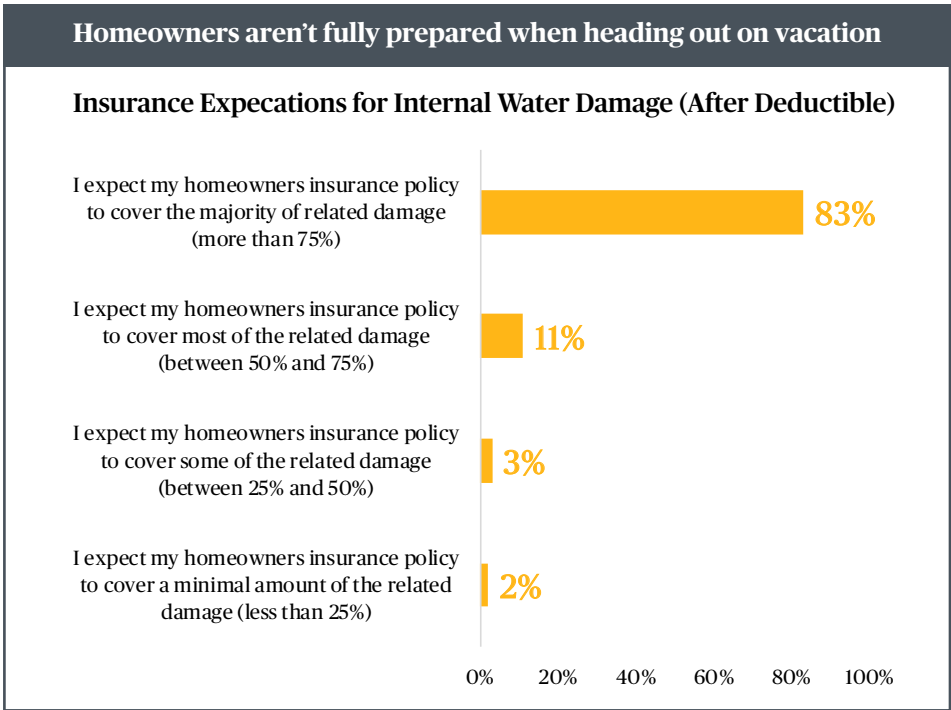


Water Takes its Toll

No matter when or where a leak happens, internal water damage can be both a financially and emotionally distressing event.

According to the Chubb survey, more than half (57%) of homeowners who experienced water damage in the past two years report repair and clean-up costs exceeding \$5,000, with 15% spending \$20,000 or more. This is consistent with [third-party analyses](#) which suggest that the average water damage and freezing claim runs just under \$8,000.

Additional financial concerns involve the threat of moving and required structural repairs. According to the survey, just under half (47%) of homeowners cite the possibility of relocating for an extended period of time—one month to a year—as the greatest source of concern in the event of a water leak (an additional 16% cite it as their second greatest source of potential concern) and 46% reference required structural repairs as their first or second greatest potential concern.



The threat of a flood also presents homeowners with non-financial, or emotional, concerns. Fifty-nine percent of homeowners, for instance, cite the loss of irreplaceable items as the first or second most potentially concerning water-damage related event. The replacement and repair of valuable articles, be it fine art, jewelry or other collectables, also elicits concern from homeowners, with 39% citing it as the first or second most pressing potential concern in the event of a leak.



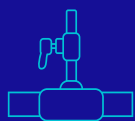
A family is forced to move out following extensive flooding in their kitchen

The Best Protection is Detection

With **one in 50 homes** experiencing a claim caused by water damage or freezing each year, homeowners can't afford to overlook their exposure. While services are available to help in the immediate aftermath of a leak, the surest way to protect your home and the valuables within it is to talk with your agent and broker about your homeowners insurance policy to ensure you have adequate coverage.

For more information on Chubb's homeowners policy and additional water leak resources, visit <https://www2.chubb.com/us-en/individuals-families/home.aspx>

There are a number of steps homeowners can take to mitigate internal water damage risks, particularly while away from their home or traveling for an extended period of time



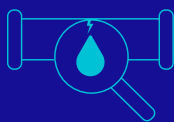
Turn off your main water supply before traveling for an extended period of time



Ask a trusted neighbor or individual to stay or check on your home while you are away



Check for leaks throughout the home prior to departure



Inspect all water supply lines on a regular basis, replacing those that show signs of wear or have not been replaced in the last 5 years



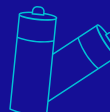
Clear your gutters to limit the likelihood of overflow



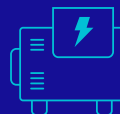
Inspect your roof, and repair/replace any dislodged or damaged shingles



Ensure the sump pump is in working order, scheduling annual maintenance prior to departure



Inspect and replace all batteries in a sensor-based water leak detection device prior to departure



Make sure the back-up generator is in working order, and schedule annual maintenance, prior to departure



Set the flow-based water shut-off device to "away" mode before leaving your home for vacation

About the Survey

This is the first survey by Chubb measuring homeowners' approach and behavior toward internal water leak detection and prevention. Conducted by ResearchNow, an online market research company, the online survey was fielded between July 24, 2017 and July 29, 2017. The results are based on 1,202 completed surveys. A breakdown of respondents is as follows:



About Chubb

Chubb is the world's largest publicly traded property and casualty insurance company, and is the premier provider of insurance for successful individuals. With operations in 54 countries, Chubb provides commercial and personal property and casualty insurance, personal accident and supplemental health insurance, reinsurance and life insurance to a diverse group of clients.

Chubb offers industry-leading underwriting, claims and risk engineering solutions, including consultations with experts in residential architecture, interior design, historic home preservation, security, fire protection and collections management. Chubb also provides coverage for high-value automobile, homeowners, recreational marine/aviation, valuables and umbrella liability coverage.

As an underwriting company, Chubb assesses, assumes and manages risk with insight and discipline. Chubb combine the precision of craftsmanship with decades of experience to conceive, craft and deliver the best insurance coverage and services to individuals, families and business of all size. Chubb services and pays its claims fairly and promptly

Chubb has exceptional financial strength. The firm has more than \$160 billion in assets and \$35 billion of gross premiums written in 2016. The company's core operating insurance companies maintain financial strength ratings of AA from Standard & Poor's and A++ from A.M. Best.