



ECONOMIC SHOCK:
SOLUTIONS FOR
VULNERABLE
CONSUMERS


HomeServe

The effects of an economic shock, such as an unexpected home or car repair or a sudden loss of income, can be devastating to homeowners on a fixed income, and the [United Nations](#) estimates 40 million Americans are living in poverty. Among those, 18.5 million are living in “extreme poverty,” defined as an income of \$12,000 or less for a family of four. [Estimates range](#) from three-in-four to three-in-five Americans who, while not necessarily in poverty, are living from paycheck to paycheck. More than 40 percent face a high likelihood of material hardship.

HOMEOWNER FACES EXPENSE OF REPLACING GAS LINE



Dorothy, a customer of a HomeServe energy partner, learned her gas service line, although only 15 years old, was out of code and leaking – and it was a job that would require 50 feet of trenching and cost approximately \$3,000.

“I signed up [for gas line coverage] in July, never thinking this would happen, but it did, and I’m very glad that I had it,” she said. “When I called, the agent was very helpful, answered my questions, and reassured me that I was covered, which made me very happy. The contractor that HomeServe sent out was very helpful and ready to fix whatever it was.”

See Dorothy's story [here](#).

Many of those struggling in the day-to-day are not prepared to endure an economic shock, yet approximately 60 percent of American households endured one in a calendar year, according to the [Pew Trust](#). Among those who did experience such a shock, the most expensive median cost was \$2,000 and 55 percent of households struggled to make ends meet afterwards.

The HomeServe State of the Home Fall 2019 survey found that [more than half](#) of Americans had a home repair in the prior twelve months, while one in five has nothing set aside in a “rainy day fund.” That increases to more than 50 percent among those who have a household income of \$50,000 or less – in short, a vulnerable population already struggling.

Americans with more limited financial means are the most vulnerable to the monetary impact of a home repair.

New electrical fixtures or upgrading old ones can be pricey – and necessary. Many homeowners have no idea how old the wiring in their home is, and older wiring may need to be replaced and must be done by a professional. Rewiring an average-sized home costs from [\\$2,000 to \\$6,000](#), while increasing amperage to 100 amps would cost \$1,000 and to increase it to 200 amps would cost between \$1,200 and \$2,000 according to CostOwl.



THE BIENNIAL STATE OF THE HOME SURVEY INDICATES MANY HOMEOWNERS ARE UNPREPARED

Many homeowners are unprepared for an emergency home repair, with very little or nothing set aside for such an occasion.

- Over one-third of American homeowners (35 percent) have less than \$500 or nothing set aside for an emergency home repair.
- Over half of homeowners with an annual household income of less than \$50,000 (54 percent) have less than \$500 – or nothing – set aside for such a repair.
- Based on an age breakdown, the number of homeowners with no savings whatsoever set aside rises to 23 percent for those age 55-64 and to 22 percent for those 65 and older.
- More than half of homeowners (58 percent) have had a home repair emergency in the prior 12 months, with an HVAC repair being the most frequently cited repair needed (22 percent).
- Almost half of homeowners (47 percent) are concerned about their HVAC system breaking down or needing repair.
- A majority of homeowners (69 percent) say they would like their local utility provider to offer an optional service repair plan from an outside company for major home systems.

HomeServe provides emergency home repair coverage to more than 4 million homeowners. Visit homeserveusa.com to learn more about affordable coverage plans that can help with the costs and inconvenience of home repairs.

Source: 2019 Biennial State of the Home Survey conducted online by The Harris Poll on behalf of HomeServe from Sept. 17-19, 2019, among 2,031 U.S. adults age 18 and older of which 1,429 identified themselves as homeowners.

For complete survey methodology, including weighting variables and subgroup sample sizes, please contact homeserve@hkstrategies.com.

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2 Some Want Their Utility to Help.

69%

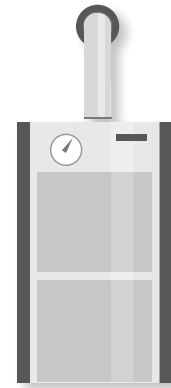
would like their local utility provider to offer an optional service repair plan from an outside company for major home systems.



3 A Lot are Worried About HVAC Maintenance and Repairs.

47%

ARE CONCERNED about their home's HVAC system **BREAKING DOWN** or **NEEDING REPAIRS**.



24%

HAD AN EMERGENCY related to their HVAC system in the **LAST 12 MONTHS**.

4 Several Prefer Service Plans, Like Those Offered by HomeServe.²

42%

Prefer to Pay Outright for Repairs



34%

Prefer a Service Plan Option³ (visit homeserve.com)



17%

Prefer an Insurance Rider Option⁴



²To pay for unexpected repairs to, for example, the water line on their property.
³For example, a \$5 monthly fee for the service plan, with no deductible to cover repairs.
⁴For example, a \$35 yearly rider on top of homeowners insurance with a \$500 deductible to cover repairs.

5 Many Would Find Aspects of a Home Maintenance App Useful.



86% would use a list of service providers.



84% would like product recall alerts.



81% would order replacement parts for home items.



79% would like access to manuals and how-to-videos.

The [Prosperity Now Scorecard](#) estimates that 40 percent of American households don't have the savings to weather an economic shock and 20 percent don't have access to mainstream credit. HomeServe partners with cooperatives to educate homeowners about potential repair emergencies and offer affordable plans for a range of home lines and systems, including HVAC systems, water heaters and gas and electric lines. Unexpected breakdowns in these systems can cost hundreds to thousands of dollars to repair, presenting a significant financial hardship for many American families.

HOMESERVE CARES FOUNDATION PROVIDES OUTREACH IN TANDEM WITH PARTNERS



Caring for
People 



Caring for
Community 



Caring for
Vets 



Caring for
Good 

Giving back is the foundation of HomeServe's culture. We are the first provider in the industry to introduce an initiative to help with hardship funding in the areas in which we serve.

HomeServe Cares leverages the company's existing service infrastructure and financial resources to assist disadvantaged homeowners who are faced with an emergency repair and don't have a service plan or funds. HomeServe extends this invaluable community service to partners' customers and works with you to identify and assess applicants and qualifying repairs.

HomeServe has incorporated its social responsibility programs under one banner – the HomeServe Cares Foundation, "Spreading Hope and Supporting Communities, One Home at a Time." The foundation has four core tenets: Caring for People, Caring for Community, Caring for Vets and Caring for Good.

Among U.S. consumers, [52 percent](#) consider whether a company's values align with their own, [87 percent](#) will make a purchase from a company that supported a cause important to them, and 65 percent research companies' CSR programs to determine whether they are sincere or "greenwashing," or putting on the appearance of social responsibility without the accompanying cultural changes.



ALFRED'S STORY

As a life-long resident of Jackson, Mississippi, Alfred is no stranger to the city's hot summers.



Unfortunately, the retiree's air conditioning system failed, and he didn't have the more than \$7,000 needed to replace it. His problems were compounded when he began providing childcare for two grandchildren – not only was he suffering, but so were they, and there was no relief on the horizon.

Brothers Tommy and Barry Dent, who operate Dent Air Conditioning Co., knew Alfred needed a new home air conditioning unit and who could help make it happen: HomeServe. The Dents nominated Alfred as a candidate for HomeServe Cares.

"I told [the Dents], OK, we'll give it a shot and see what God has in store," Alfred said.

What was in store was a full replacement of his air conditioning unit at no cost to Alfred.

See Alfred's story [here](#).

"At AEP, we are always trying to find better ways to connect more deeply with our customers and to become a 'trusted advisor' for them," said Morris. "The HomeServe program, for example, enables us to educate customers about potential problems and provide simple solutions. Our research shows that our customers appreciate the utility for providing valuable information, even if they don't participate in the programs or services we offer."

A partnership with HomeServe enables cooperatives to offer their members valuable repair plans for electric service line, water heaters, HVAC and other home systems, while ensuring their brand is well represented. HomeServe has more than 1,000 utility, association and municipal partnerships, serving over 4 million customers who hold more than 7 million service contracts.

For more information, [contact us](#).

A Nielsen survey showed [66 percent](#) of global consumers are willing to pay more for products from socially responsible companies, and [J.D. Power](#) has found a connection between customer satisfaction and a utility's commitment to the community. Among those surveyed, 75 percent of the highest-ranking utilities' customers said their utility supports local economic development and volunteers in their community.

[J.D. Power studies](#) have shown that energy consumers want information and choice – and when a utility offers programs or services in which they can choose to participate, their satisfaction increases.

How can cooperatives provide more choice and communication and build member satisfaction? Cooperatives can partner with service providers who deepen engagement with the utility, including a partnership that provides cooperative members with access to vetted home repair services.

At Coles-Moultrie Electric Cooperative, member satisfaction is a top priority. When the board ended a water heater program the cooperative had offered its members since 1992, they were concerned for their members' peace of mind.

"As expected, many members were accustomed to the cooperative taking care of this appliance with little to no cost to them, so when this program ended, many members were upset with the fact they no longer had an 'insurance' policy on their appliance," Samuel Adair, former Manager of Marketing and Member Services, said.

Kim Leftwich, former Coles-Moultrie President and Chief Executive Officer, having spearheaded similar programs during his time at investor-owned utilities, proposed the cooperative look into developing a warranty program. Just as the cooperative began considering its own program, HomeServe's service warranty programs were brought to the board's attention.

"Our goal with this program is simple," Adair said. "We want to give our members peace of mind, and we want to supply our members with a program where those who aren't participating won't worry about subsidizing other members."

American Electric Power (AEP) delivers electricity to over 5 million residential customers in 11 states across the country. Eric Morris, AEP Customer Programs Manager, saw the benefits of partnering with HomeServe.