MediaRoom

Farmers Insurance® Discovers Seventy-Nine Percent of Millennial Homebuyers Do Not Feel Properly Informed Before Purchasing Their First Home

The potential "hidden costs" of home ownership cited as one of the most confusing parts of buying a home

WOODLAND HILLS, Calif., Aug. 13, 2019 /PRNewswire/ -- Home ownership may be considered one of life's most rewarding financial achievements, but new data from the Farmers Insurance® Seasonal Smarts Digest suggests younger homebuyers may be met with a dizzying maze of potential confusion once they reach this achievement.

In addition to finding that almost eight in 10 (79%) millennial homeowners did not feel properly informed before purchasing a home, Farmers® data also shows more than 40% of millennial homeowners and half of millennial renters (52%) are confused by "hidden costs," like insurance and taxes associated with owning a house.

"Purchasing a home can be a significant investment and may be a daunting undertaking. These results reflect knowledge gaps among some of the youngest homebuyers entering the market today," said Jim Taylor, head of claims customer experience for Farmers. "The Seasonal Smarts Digest data identifies a real opportunity for organization's like Farmers to help educate millennials so they can better prepare for the ins-and-outs of the home-buying and homeownership processes."

Sixty percent of millennials consider their family, friends and coworkers to be the most trusted sources when it comes to the many costs and expenses associated with home buying. However, the new data suggests millennials could benefit from seeking out information from professionals involved in the buying and selling, lending and insuring of homes. Taylor offers the following information to help today's millennial consumers navigate through some of the potentially complex but essential aspects encountered along their purchasing and homeownership journeys:

Keep a roof over your head: Spring and summer — often the most common times for home purchases — typically coincide with hail season, which frequently wreaks havoc on roofs across the Midwest. Farmers historical claims data shows that between 70 and 88 percent of hail claims occur between March and August each year. Why does this matter for new homeowners? Not promptly addressing roof damage can have long lasting consequences ranging from minor leaks to potentially larger structural issues, depending on the level of damage, so Taylor suggests contacting a professional to fix any roof damage that is flagged on inspection prior to closing, and doing so before a strong storm rolls through once you move in.

Learn about liability: The personal liability coverage in your home insurance policy may provide coverage for bodily injury and property damage sustained by others for which you are legally responsible. So, if someone slips and falls in your driveway or your kid's baseball manages to find its way through your neighbor's window, you may be covered. Many home insurance policies provide a minimum of $100,000 in personal liability coverage, but it may be a good idea to contact your insurance agent and review your policy to find out your coverage limits and any exclusions that may apply, and make sure you have the coverage you want.

Know what's covered: Your home insurance policy provides coverage for one of your most important investments — your house — in the event it's damaged or destroyed by a covered event, therefore, it's important to know exactly what your home insurance policy's coverage includes. Many homeowners would be surprised to know that some structures on your property, like detached garages or a guest house that you rent may not be covered for full replacement. Review your policy and ask your insurance agent if you have questions about your coverage.

Watch out for water: A common misconception is that home insurance policies cover flood damage — which may be why more than half of homeowners are unfamiliar with flood insurance. A standard home insurance policy, when properly endorsed, may cover your new home for water damage from summertime hazards like backed up sewer pipes, which Farmers data from 2018 shows 29% of sewer-related claims happen each summer. However, flooding from natural disasters like a hurricane are generally not covered, unless you've purchased a flood insurance policy. Don't know if you need a flood policy? You can visit the FEMA website to find out if you live in a designated flood zone and learn how to purchase a policy, if necessary.

Understand the difference between replacement cost and market value: When you purchase a home insurance policy, you have options to choose whether to insure your home at replacement cost or market value. Knowing the difference between the two can help you make an informed choice about what best fits what you want. Replacement cost is the cost necessary to repair or replace your entire home. Market value is often expressed as what a buyer would pay for your home in its present condition. There are benefits and risks to each approach, so it is important to talk to your insurance agent about your unique situation.

Cut costs when you can: While the availability of discounts and the percentage reduction of premium may vary by state or insurance provider, generally, customers can reduce their home insurance premiums by making improvements to their home. For example, installing a home water leak detection system can save a Farmers customer on average 3% off of their insurance premium. Replacing plumbing and electrical systems can also help Farmers customers save an average of 6% and 2%, respectively, off their premiums.

About Farmers

"Farmers Insurance®" and "Farmers®" are tradenames for a group of insurers providing insurance for automobiles, homes and small businesses and a wide range of other insurance and financial services and products. Farmers Insurance is proud to serve more than 5 million households with over 15 million individual policies nationally, through the efforts of more than 45,000 exclusive and independent agents and approximately 20,000 employees. Farmers Insurance Exchange®, the largest of the three primary insurers that make up Farmers Insurance, is recognized as one of the largest U.S. companies on the 2019 Fortune 500 list. For more information about Farmers Insurance, visit Farmers.com, Twitter and Instagram, @WeAreFarmers, or Facebook.com/FarmersInsurance.

About the Data

The Farmers Insurance Seasonal Smarts Digest includes data from a CARAVAN survey conducted by Engine among a sample of 1,004 adults comprising 499 men and 505 women between the ages of 23 and 38, which was fielded between July 2-7, 2019. It also includes historical data from home claims filed with Farmers nationally between 2013 and 2018.

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