

Positioning the Coldwell Banker® Home Protection Plan administered by American Home Shield® (AHS®) to Home Buyers: Facts, Talking Points & Overcoming Objections

Overview: Teaching Buyers about the Coldwell Banker Home Protection Plan

While realtors and brokers often recognize the value of home protection plans because of their experience with them, homeowners are likely to be more skeptical. Buyers in particular may question whether a warranty is truly necessary, especially on top of the many decisions and expenses that come with every real estate transaction. Educating buyers on the facts about home protection plans is the best way to persuade them of their worth. Keep in mind the old but true cliché: their home is their castle. When something breaks, it's very personal to them. It's inconvenient, expensive and stressful. Teaching them that the **Coldwell Banker** Home Protection Plan can provide quick relief, sensible protection and affordable coverage for many components associated with major systems and appliances using our network of reliable contractors can help them think ahead to such inevitabilities. Buyers also want to know that we aren't trying to hide anything and that we actually encourage them to be familiar with the contract and coverages. Research indicates that buyers are not as interested in brand distinctions as agents and brokers are.

Topic #1: Home Protection Plans

Why a home protection plan?

Home protection plans can help offer quick relief from the hassles and expenses of unexpected covered breakdowns. Your home's systems and appliances won't last forever, and breakdowns always seem to happen at the worst possible moment for your pocketbook and for your schedule. A **Coldwell Banker** Home Protection Plan is a popular solution that can offer you sensible protection and affordable coverage that could save you hundreds of dollars and hours of frustration on covered items.

I know you are very excited about your new home! It's a big investment and responsibility. You probably don't need to be hit by unexpected high repair or replacement costs anytime soon. Taking just a moment now to plan ahead for unexpected, expensive problems is a good idea for your budget.

What is a home protection plan?

It is a service contract that covers many of the most frequently occurring breakdowns of home systems and appliances. Home protection plans cover many components of the critical major systems and appliances that are high failure and high cost items to repair or replace.

Home protection plans pay for repair or replacement of any covered items that break down due to normal wear and tear or that fail due to the fact that these items are used over and over again. A home protection plan covers many major items, but it does not cover everything. I'll be happy to walk you through the specifics of the coverage. At AHS, we want you to understand what's included in the contract before you might need the coverage.

Potential Objections to a Home Protection plan:

- **Home protection plans are not useful because they do not cover much of anything!**
It sounds like you've had or have heard of a bad experience with home protection plan coverage in the past, and I'm sorry to hear that. Let me see if I can clear up the coverage inclusions. As you probably know, many items manufactured today have a built-in obsolescence factor, meaning that they simply wear out with time. The home protection plan covers such failures if they occur during normal operation as the item was intended to be used.

Actually, the items that aren't covered, and the reasons behind not covering them, are reasonable and very easy to understand. For example, I'm sure you understand that failures due to someone stepping on an oven or dishwasher door would not be covered, as doors were not built or intended for that kind of use. Home protection plans do not cover cosmetic items, items that are manufactured and sold for commercial use, and

items that fail due to abnormal wear and tear. You'll be happy to hear that, with the more flexible **Coldwell Banker** Home Protection Plan, you have more coverage options than ever before. Please read your contract carefully and let me know if you have any questions. I think you'll be pleasantly surprised at just how many things are covered. Do you have any specific questions about coverage inclusions that I can answer?

- **There are too many loopholes in the contracts.**

I'm sorry you have that impression, because AHS is not a sell-and-hide company. The fact that we dispatched more than 2.8 million service work orders in 2008 is evidence of that! We want you to fully understand our plan on the front end. That's why we give you and your agent copies of our contract before closing, and why we have brochures available online as well as at the real estate and closing offices. We'll also send another contract copy to you after closing, and we encourage you to read and understand it before you need to use the coverage. The more flexible **Coldwell Banker** Home Protection Plan Core Coverage and ServicePlus Packages were designed to help eliminate confusion and to offer you a wide range of coverage options. Are you familiar with the more flexible **Coldwell Banker** Home Protection Plan?

- **Home protection plans only cover the little things that fail and not big ticket items.**

In 2008, AHS spent \$318 million on service to repair and maintain homes, so obviously we stand behind our contracts. If a covered item can be repaired, we will repair first. However, if a covered item needs replacement, we will replace it. The language in the more flexible **Coldwell Banker** Home Protection Plan contract is simple and specific about what's covered.

- **Lack of maintenance is used to deny claims on new contracts and contracts that have been with AHS for years.**

Product manufacturers stress that the optimal and proper functioning of systems and appliances depends on periodic, routine maintenance. Although home protection plan contracts do not provide coverage for this routine maintenance if an AHS contractor diagnoses that the malfunction of an item is only due to a need for cleaning, AHS will cover the maintenance to make the item operational again. If you are just moving into a new home, it can be frustrating to be responsible for what the previous owners did not do. That's why the more flexible **Coldwell Banker** Home Protection Plan Core Coverage Package includes coverage for Insufficiently Maintained Equipment. By the way, we'll also send you useful information about routine and seasonal maintenance so you can properly care for your home.

- **Pre-existing conditions are used to deny everything.**

If that is a concern, you can choose the more flexible **Coldwell Banker** Home Protection Plan ServicePlus package, which covers Undetectable Pre-existing Conditions.

Topic #2: American Home Shield (AHS)

Why AHS?

AHS is the right choice in case things go wrong for many good reasons. As the industry leader, we have a respected reputation and a reliable nationwide network of approved contractors. As an AHS customer, you'll receive quick relief from covered breakdowns and support service solutions.

At AHS, we want you to understand our coverage up front. That's why our contracts are written in clear and specific language. You'll receive a **Coldwell Banker** Home Protection Plan application that contains a sample contract detailing exactly what is and what is not covered. And, the back of every application has an easy-to-read, color coded chart indicating what's included with each product. We encourage you understand your coverage before you need it, and are available to answer any questions you may have.

Unlike some other companies, home protection plans are our only business. We are proud to have a 62% percent renewal rate. Our renewals testify to the quality of service provided by us and enjoyed by millions of homeowners. We are also very proud of the fact that we protected 1.3 million homes and dispatched 2.8 million work orders in 2008. You can see that we stand behind our contracts and we don't try to avoid service calls.

What kind of company is AHS?

AHS founded the home protection plan industry in 1971 and has been solely devoted to providing the best home protection plan options and services ever since. Today, AHS is proud to be America's leading choice for home protection plans. We spent an estimated \$318 million nationwide in 2008 to repair and maintain homes, and our customers use their contracts an average of 2+ times per year.

AHS has earned the trust and confidence of real estate agents and homeowners nationwide. For 38 years, we have been a stable, reputable force in the real estate industry. AHS has always been a product innovator, paving the way for product changes and challenging current thinking to create better offerings for our customers. The 2008 introduction of the more flexible **Coldwell Banker** Home Protection Plan is a recent example of our commitment to innovation and to putting the customer first.

AHS by the Numbers:

- Nationally, only 16% of homeowners budget \$900 or more per year for home repairs*
- AHS dispatched 2.8 million service work orders and spent \$318 million on service in 2008
- There are 11,000 approved and independently insured contractors in the AHS network
- There are 1.3 million active AHS warranties
- AHS has a 62% renewal rate
- In 2008, the average AHS home protection plan was used over twice
- A recent study of real estate transactions found that homes with a **Coldwell Banker** Home Protection Plan administered by American Home Shield sell:**
 - An average of 23 days faster
 - An average 4% higher at closing
 - .63% closer to the list price

**Unpublished tabulations from the 2007 National Association of REALTORS® Survey of Home Buyers and Sellers. **Study conducted in conjunction with a large national real estate firm. Results verified by Cannon & Company, a third party accounting firm. Data compiled from such firm's residential real estate listings that closed between 1/1/07 and 03/31/08 (158,197 total listings).*

Part of ServiceMaster Family of Brands, America's Service Brands for Home and Business

ServiceMaster currently serves residential and commercial customers through a network of over 5,500 company-owned locations and franchised licenses. The Company's brands include TruGreen, TruGreen LandCare, Terminix, American Home Shield, ServiceMaster Clean, Merry Maids, Furniture Medic, and AmeriSpec. The core services of the Company include lawn care and landscape maintenance, termite and pest control, home protection plans, cleaning and disaster restoration, house cleaning, furniture repair, and home inspection.

Potential Objections:

- **AHS has less coverage and charges more than other home protection plan companies.**
With the more flexible **Coldwell Banker** Home Protection Plan, there are more coverage options than ever, even for some items and services never before available in the industry. The more flexible **Coldwell Banker** Home Protection Plan gives you the freedom choose the coverage options and price levels that are exactly right for you and your home.
- **All home protection plan companies are the same.**
Not all home protection plan companies have the respected reputation, reliable network of contractors, and dedication to service excellence that AHS does. And, no other company has the innovative more flexible **Coldwell Banker** Home Protection Plan, which was designed specifically in response to

customer feedback and makes it easy to build custom home protection plans that best suit individual needs.

- **Do I really need a warranty if I'm buying a condo or newly constructed home?**

Yes, you do. Many buyers are under the false impression that home protection plans aren't necessary for condominiums. Condominium associations generally maintain only the external buildings and exterior common spaces. In most cases, you are responsible for the internal space between the walls, sometimes known as "from the sheet rock in." Condominiums have most of the same systems and appliances found in traditional homes, and usually you must pay for their maintenance, repair and replacement.

If your condo will serve as a second home, repair and replacement concerns can be even more significant than for your primary residence. When appliances or systems break, you may not be on site to handle or to supervise repairs yourself. In this case, having a contractor network to count on is invaluable. Even if you are in residence during a breakdown of a covered item, you probably don't want to spend your vacation time handling repair hassles! And, if your vacation property doubles as a rental unit, appliances and systems likely receive additional wear and tear, making a home protection plan an especially good idea.

- **What resources can AHS offer me?**

The first resource we offer you is a comprehensive contract package to help you understand your coverage and know exactly how to contact us when you need us most. We'll also send you valuable information such as maintenance and seasonal tips, home related articles and information about how to get the most out of your home protection plan. Our website, www.ahs.com also has useful information and updates.

Topic #3: Service

How does AHS service work?

You'll be happy to hear that our service process is very straight forward. You can count on reliable service from AHS – all with just one phone number that connects you with one of our three national call centers: 1-866-501-6966. Or, if it's more convenient, customers can schedule service online at www.ahs.com.

When a covered item breaks down due to normal wear and tear, call 24 hours a day, 365 days a year and we handle the rest. A contractor will contact you. It's that easy.

Are AHS contractors reliable?

We know you don't want just anybody in your home. You can rest assured that the contractors we send to your home are approved and independently insured. While in the network, contractors are evaluated via customer surveys to ensure that they maintain the top-quality standards we expect.

In fact, we monitor our entire service process to ensure that you receive the best service possible. After a repair or replacement is complete, AHS will follow up with a phone call to you. We'll contact you by e-mail if your address is on file to rate the contractor who performed the services. Your feedback is crucial to the AHS contractor measurement system. If a service contractor consistently receives poor results, they are removed from our network.

Our contractors strive to solve the problem on the first visit. Of course, some repairs and especially replacements involve special orders which may require additional visits.

How does the Trade Service Call Fee work?

You will pay a low Trade Service Call Fee when the contractor arrives. The amount of this fee is indicated on the back of the application. The various service trades are heating/air conditioning, plumbing, electrical and appliance.

Usually, only one Trade Service Call Fee is due per visit. If you have multiple items fail that fall within the same trade, only one fee is due. That means that if your dishwasher and oven are both operating incorrectly, only one

fee is due for the appliance contractor to look at both. However, if the services of two trades are needed for a repair or replacement, such as a plumber and an electrician, then two service fees will be due because two different trades are required.

What if I am not satisfied with the service?

Call 1-866-501-6966 and let us know. It is our goal to work with you to provide service excellence. If there is a question or problem with the service, AHS will work to remedy the situation and to ensure that you are satisfied with the end result. Satisfied customers are the reason why we have the highest renewal rate in the industry.

Potential Objections:

- **Home protection plan contractors are less than professional and are paid less than other service people.**

Actually, AHS contractors are more professional than most others that you would likely find in the phone book listings. In fact, we partner with our contractors because they are important to our success. AHS has a dedicated contractor relations division that recruits and evaluates our contractor network. We require all contractors to be licensed (where required) approved and independently insured with uniforms and labeled trucks. We also provide training to them on customer service and industry regulations. Additionally, AHS actively recruits large capacity contractors that can service multiple zip codes to meet homeowners' needs.

- **Home protection plan companies will just continue to repair items even if they have been to the home several times for the same item.**

At AHS, our mission is "We fix it right the first time." If it is repairable, we will repair first. If the same component fails multiple times, we will seek a different action to get to the root of the failure. Under the more flexible **Coldwell Banker** Home Protection Plan, our service work is guaranteed for 60 days to fulfill our brand promise.

- **Home protection plan companies are hard to reach and do not return calls.**

I think you'll discover that AHS is very different! Our three service centers are staffed 24/7 with many layers of supervisors to handle all types of service situations. While our service phone process is automated for your convenience, talking to a live person is easier than ever. Our online web service is also a convenient way to contact us, and our e-satisfaction survey gives you a communication line as well.

- **Home protection plan contractors make so little money working for you that they try to make money on homeowners on unnecessary items.**

I'm sorry you have that false impression. Our contractor network is monitored to make sure customers like you are satisfied and to make sure such things don't happen. Many of the items you may have questioned that might previously have been charged by the contractor are now included in the ServicePlus Package, such as permits, code evaluations, disposal of defective equipment, insufficient maintenance, and improper previous repairs. Perhaps these new coverage options will alleviate your concern.

- **Home protection plan companies continue to send the bad contractor again and again to the home even though many complaints have been filed.**

At AHS, we listen to any concerns, particularly about our contractors. In fact, our contractor relations department addresses these issues directly with the owners of the contractor companies. We don't hesitate to ask these company owners to contact the homeowner directly to handle the problem. AHS will work with you to ensure that you get the service you expect and deserve, and, if not, we will transfer service to another company.

- **The home protection plan reimbursement costs are so below market value that they are not worth anything.**

Under the more flexible **Coldwell Banker** Home Protection Plan, we have broadened our cash-in-lieu of repair for certain conditions. In addition, the cash-in-lieu amount is not set at the AHS cost level for parts and labor, but set at the cost of what the homeowner would best negotiate in the market. However, there are conditions and situations in which there are contractual limits to the coverage. For instance, the in

concrete plumbing limit is \$500 under the Core Coverage Plan, and \$1000 under the ServicePlus Package. Please read the contract and understand what limitations exist before you need coverage.

Topic #4: The more flexible Coldwell Banker Home Protection Plan

What is the more flexible Coldwell Banker Home Protection Plan Home Protection Plan and how does it work?

You chose the house that best fits your needs; why not have the same choices when it comes to a home protection plan? With the more flexible **Coldwell Banker** Home Protection Plan, you can get exactly the coverage you want and need because you can choose a price range and coverage level that's right for you. You can build a customized home protection plan with coverage options for items and services never before available in the home services industry (such as Insufficiently Maintained Equipment, mismatched systems, and Undetectable Pre-existing Conditions). You don't have to pay for coverage you don't use, but you can select the extras that fit your home.

The innovative more flexible **Coldwell Banker** Home Protection Plan is very easy to understand. The contract provides clear language about what's covered. The basic coverage that every AHS customer receives is the Core Coverage Plan. This foundation provides coverage for the repair or replacement of many frequently occurring breakdowns associated with heating and air conditioning systems, duct work, plumbing/whirlpool motor & pump, plumbing stoppages, electrical systems, water heaters, built-in microwaves, dishwashers, garbage disposals, ranges/ovens/cooktops, exhaust/vent/attic fans and trash compactors. It also includes innovative new coverages, such as 13 SEER, rust, corrosion or sediment and Insufficiently Maintained Equipment.

If you wish to customize your coverage beyond the Core Coverage Plan, you may do so with one or both of the distinct bundles of services and options offered in the ServicePlus and CoveragePlus Packages.

The ServicePlus package was designed if you want to add a level of service coverage to the Core Coverage Package. ServicePlus provides coverage for repairs or replacements with mismatched systems, Undetectable Pre-existing Conditions, code violations, permits, removal of defective equipment, refrigerant recapture, reclaim & disposal and improper installations, repairs or modifications.

The CoveragePlus Package enables you to choose enhanced coverage on key items. This product includes coverage on previously uncovered items such as garage door openers, doorbells, ceiling fans, telephone wiring, central vacuums, smoke detectors, built-in food centers and instant hot/cold water dispensers. The CoveragePlus Package also extends coverage in the Core Coverage Package by covering breakdowns associated with plumbing (faucets, shower heads and toilets) heating and air conditioning (geothermal and/or water source heat pump units, registers, grills and heat lamps) built-in microwaves (door glass and racks), ranges/ovens/cooktops (rotisseries, racks, handles, knobs and dials) and trash compactors (removable buckets).

You can further tailor a home protection plan with additional options, such as coverage for breakdowns associated with septic system pumping & septic sewage ejector pumps, swimming pool or spa equipment, swimming pool and spa (shared equipment), additional spa, kitchen refrigerator with ice maker and water dispenser, second refrigerator with ice maker, washer/dryer, washer/dryer/refrigerator with ice maker and water dispenser, free-standing ice maker, water softener and well pump.

The more flexible **Coldwell Banker** Home Protection Plan makes understanding and selecting coverages easier than ever, and gives you the freedom to choose the right warranty for your home and your budget. You know exactly what you are getting, because you choose it!

For more information, visit www.ahs.com or call 1-866-797-4788.