

# Decades of Customer Service and Value

By Lesley Geary

It's a warm day and your air conditioning suddenly starts blowing warm air. Or, you're having your entire family over for a holiday dinner, and your refrigerator stops dead. This is where the home warranty business steps in.

The business—that of insuring household appliances and other major features—has seen phenomenal growth in the last 20 years. Fort Lauderdale, Florida-based, HMS National is one of the top home warranty companies catering to the real estate industry in the United States. HMS, which was founded by franchisees of ERA in 1980 to provide products and services to help agents and brokers, also sells errors and omissions (E & O) insurance and positions itself as a “risk management and marketing services company for the real estate industry.”

The margins are razor thin, the competition fierce, and there are apparently so many moving parts to the business, a professional juggler would likely blanch at the prospect of keeping all the balls in the air. Yet for HMS, the challenge of adapting to change and meeting customer needs makes the home warranty business fun and exciting.

“It sounds trite,” says Howard Wolk, HMS’ chief executive officer, “but the constant challenge makes us better every day. And because our team has been in the business so long, we think that has made us the premier company in the space.”

And while E & O insurance is standard fare in the business today, with the exception of California where it is estimated home warranties are used 90 to 95% of the time in all residential real estate transactions, the business



of writing home warranty plans is considered to be in its infancy. Wolk estimates the nationwide penetration rate for warranties to be about 20%, more like home inspections were 15 years ago.

So while such national figures may make for opportunity, Carl Knighten, CEO of the HMS franchise in seven states from Florida to Maryland, says there is also fierce competition. "We are able to grow our market share while others are shrinking because of the service we provide to the real estate community. Our entire staff knows the importance of making sure that brokers and agents have total confidence in our product. That's the reason they continue to offer HMS to their customers." And according to Dan Strayer, regional manager of the HMS franchise in the Midwest region, "A core strength of HMS is a national presence with local service."

What's more, home warranty companies depend on contractors to

hours to have someone phone you back."

Brothers, Wolk, Knighten and Strayer all agree that HMS distinguishes itself through its contractor network but also believe what really puts HMS ahead of the pack is its relationships with real estate agents and brokers across the country.

Customers like Rick Gregory, GMAC Home Services VP for corporate development agree that HMS works very hard to keep agents happy. "HMS has teams of reps who come out and talk to our agents," and he adds, "They take the customer's experience very seriously."

Another area HMS takes very seriously is that of building top-quality back-room systems. Wolk says the company is in the process of installing a new "multi-million dollar enhanced claims system to do everything from keeping consumers apprised of claims status to managing the contractors who service the warranties."

use home warranties, in much of the country that is not the case. Take, for example, New York where it is estimated as few as 10% of home sales come complete with home warranties. That means there is a real opportunity for brokers and agents to differentiate themselves from the marketplace.

HMS support and service make a difference. In the Minneapolis, Minnesota area the numbers are apparently not much better when it comes to selling home warranties. But not everyone is taking that lying down. Henry Brandis, the senior VP for corporate services at Edina, Minnesota-based Edina Realty says, "Our market is not a market conducive to home warranties, but using HMS we pioneered the service and have gone from selling zero policies to 4,000 last year."

Brothers says the company is ever vigilant in its quest to find new agents. Whenever possible he says HMS goes to Tuesday morning agent

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service policyholders when appliances break. HMS vice president of business development, Howard Brothers says the company's service provider network is the best in the industry and one of the keys to the company's success. "We have an entire service department dedicated to our service providers and contractors are rated in terms of their performance. And our 40,000 contractors, who are available 24/7, provide HMS warranty holders with the highest level of service possible."

Brothers adds that HMS differentiates itself from other home warranty providers by giving home owners "immediate access to contractors when someone calls in for service instead of having to wait up to 48

hours to have someone phone you back." That back-end service is one of the reasons Tom Carruthers, president of Baltimore, Maryland-based Prudential Carruthers Realty says the brokerage has been with HMS since the early '90s. "When we first decided to make home warranties a priority for our agents, we worked with a number of different home warranty providers and HMS provided the best service, so for at least the last ten years we have only used HMS."

But Wolk says in order to continue growing the company, building better back-room service is not enough; the company must also continue to build its client and customer base. And that, he says, requires education. While California home buyers and sellers may understand and

meetings and explains the benefits of home warranties. "We like to meet with our agents to explain the proper ways to present home warranties to homeowners, since ultimately the agent is the one who will directly interact with them, and will be the one actually taking the order," he explains. "So agents and our relationship with them are crucial."

Brothers expects to see a gradual increase of home warranty usage nationwide as awareness grows. He says the value is certainly there, and that once home buyers and sellers across the country understand what they are getting for their money the home warranty business should be another given in most real estate transactions. □