

# Consumer Information for Home Service Contracts

## 1. General Information:

- Be sure to read any document before you sign it.
- When reviewing a home service contract:
  - Note which company is responsible for the contract you are considering.
    - Contact the Virginia Department of Agriculture and Consumer Services to see if the company is a registered entity.
  - Consider the company's financial situation and reputation.
  - Note the address and phone number for potential questions or problems.
  - Search the company name online with words like "complaint" or "review" to see if there are negative reviews of the company.
- A home service contract provides service, repair or replacement due to normal wear and tear on major, built-in household appliances and systems. Most cover items such as dishwashers, ovens, wiring and plumbing systems and heating, ventilation and air conditioning systems.
- Contract providers maintain a service call line for the convenience of their customers.
- Service calls for repairs can average around \$75-\$100, which can be significantly less than replacing an appliance or household system.

## 2. Reading a Home Service Contract:

- Generally, consumers may want to pay extra attention to the following contract sections:
  - Coverage:  
Which specific items are covered by your home service contract?  
Different packages offer varying services, coverage, and deductibles.
  - Exclusions:  
Which appliances, parts, and types of damage are not covered? Many service contracts will not cover damage caused by normal wear and tear. Some contracts state that the home service contract provider is not responsible for matching appliance color or dimension when replacing an item.
  - Insurance:  
Check for "**Insured by**" or "**Guarantee.**" Home service contracts are not insurance. However, you will want to know that if the company providing the contract goes bankrupt, your contract will be insured. Look for information on where to file a claim if the company goes out of business.

- Responsibilities:

Your provider should outline what you must do in order to satisfy the terms of the agreement and receive covered services. Be sure to note the “**required maintenance**” and how you are expected to provide proof that you maintained the product covered by the contract. Will you need all receipts for routine maintenance? Is there a maintenance schedule you need to keep? What information needs to be included and what time frame should be represented? Are there specific maintenance companies you must use?

Note: Some warranty companies will refuse to cover a repair if the owner cannot provide proof that the product has been serviced in accordance with recommended guidelines.

- Cancellation:

Can you cancel the contract? If so, are you entitled to a refund? In what instances can your contract be cancelled, and what procedures do you need to follow? Your provider should outline the timeframe and steps to take in order to cancel your agreement, as well as any prorated refunds or fees that may apply.

- Disputes:

Options for dispute resolution are important in the event there are disagreements between you and your provider concerning your home service contract. Sometimes your agreement will give you specific contact information for mediation and dispute resolution in order to resolve conflicts between you and your service provider. You also have the option of filing a consumer complaint against the company with our Department.

#### 4. Insurance

- There is little similarity between home service contracts and insurance.
- Insurance protects a homeowner against partial or total damage or loss to the structure itself or possessions in the home. Insurance protects against sudden and fortuitous events such as fire, wind, hail, theft, collision or other accidents.
- Insurance does not cover breakdowns due to normal wear and tear, while service contracts do. The two products complement each other – they do not overlap.
- Homeowner’s insurance also provides liability coverage against accidents in the home or on the property.

### **5. Builder's home warranty**

- A home service contract is a renewable agreement for the service, repair or replacement of major, built-in household appliances and systems on existing homes due to normal wear and tear.
- A builder's home warranty is very different. These warranties, provided by the builder on a new home, are designed to offer coverage on the actual workmanship and materials used in the home's construction.

### **3. Other Considerations:**

- It is important that you obtain a written contract and keep a copy for your records.
- Some companies require that you use one of their approved maintenance companies when you get your appliance or system repaired or replaced. If you use your own, unapproved maintenance company, the repairs or replacements may not be covered.
- You and the home service contract provider are bound by the terms of the contract, so it is important to read and understand the coverage you are buying.