



## *Industry Overview*

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### **OVERVIEW OF HOME SERVICE CONTRACT INDUSTRY** Thirty-Seven Year-Old Industry Originated on West Coast

**(OLATHE, KS – May 15, 2008)** - The home service contract industry was established in California in 1971 in response to the risk management needs of homebuyers and sellers. The industry has grown and strengthened over the past 37 years.

The home service contract industry provides for the service, repair or replacement of major home systems and household appliances. Contracts generally cover items such as home heating, ventilation and air conditioning systems (HVAC), the plumbing and electrical system, as well as standard kitchen appliances including dishwashers, disposers, microwave ovens, and range/cook tops. Contracts cover breakdowns or malfunctions due to normal wear and tear.

Many home service contract providers also offer a menu of optional items such as swimming pool or spa equipment and other free standing appliances such as kitchen refrigerators and clothing washers and dryers for an additional fee. Contract terms are normally annual and renewable.

The majority of home service contracts are offered through real estate professionals to the sellers and buyers of resale homes. An estimated 1,596,000 home service contracts were sold in 2007 as part of real estate transactions. An average of 26% of real estate transactions nationwide included a home warranty in 2007. In California, where the home warranty industry began, currently 92% of all home sales include a home warranty.

“In these more difficult economic times, a home service contract can really protect a budget against the high cost of home repair, while providing valuable peace of mind at a time when it’s needed most,” Lorna Mello, vice president of Old Republic Home Protection, said.

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All parties to a real estate transaction benefit from a home warranty. The benefits of home service contracts to real estate agents include risk management after the close of the sale; the ability to focus on repeat and referral business, not home repairs for clients; and increased customer satisfaction as both buyers and sellers view home service contracts as a benefit and value the protection they offer.

Although the term “home warranty” has been used historically throughout the industry, the correct term is “home service contract”. Home warranty is a descriptive term that was coined because the home service contract industry evolved by providing home service contracts purchased by home sellers for homebuyers as a form of “warranty” to protect the new buyer should a mechanical problem develop during the first year of ownership. Because many builders now offer “home warranties” on newly constructed homes, the two are often confused by consumers. Therefore, while home service contract companies still widely use the term “home warranty” the industry movement is to use “home service contract” to avoid confusion in the future.

The National Home Service Contract Association (NHSCA) is a non-profit 501(c) (6) industry trade organization comprised of member companies serving home service contract providers and consumer interests throughout the United States. Members of the NHSCA are reputable, licensed home service contract providers in good standing, domiciled in various states across the nation. All members agree to adhere to a Code of Ethics, which promotes sound and ethical business practices.

Member firms include American Home Shield Corporation, Fidelity National Home Warranty Company, First American Home Buyers Protection Corporation, Home Buyers Resale Warranty Corporation, LandAmerica Home Warranty, Old Republic Home Protection Co., Inc., RepairUSA and The Warranty Group.

Additional information is available at the NHSCA web site, at [www.homeservicecontract.org](http://www.homeservicecontract.org)

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