



## NEWS RELEASE

Media Contact: Art Chartrand  
NHSCA  
(913) 768-4700

---

### **Home Service Contract Terminology Can Be Confusing**

Getting Terminology Correct Will Help You Get The Coverage You Need

(OLATHE, KS - December, 12, 2006 )The National Home Service Contract Association (NHSCA) represents the *home service contract industry*. The industry is focused on major, built-in household appliances and home systems. Contracts generally cover things like dishwashers, ovens, disposers, wiring and plumbing systems and most importantly, heating, ventilation and air conditioning systems (HVAC). Many home service contract providers also offer a menu of optional items such as pool pumps, spas and free standing appliances such as refrigerators and clothing washers and dryers for an additional fee. Contracts are annual and renewable.

There are other service contract industries. *Retail* service contracts on new consumer products or *automobile* services contracts are separate industries from the *home* service contract industry.

What do home service contracts provide? Service to cover the repair or replacement of the covered items as necessary. From what cause? Normal wear and tear. Contracts cover existing products. Are there limitations? Yes. One example is that contracts do not cover a product that is already broken. For more questions and answers on home service contracts visit the NHSCA website page [www.homeservicecontract.org/faq.htm](http://www.homeservicecontract.org/faq.htm)

Manufacturers, homebuilders or retail product sellers only provide “Warranty” in a strict legal sense. Manufacturers of *new retail products* commonly provide a *new product warranty* on the goods they make and sell directly to the public or through retailers. Homebuilders may provide a warranty on the entire housing structure as well as all fixtures they install in new home construction. More commonly these are deemed a *builder warranty*.

The business of warranty for new consumer products is generally regulated under a federal law known as the Magnuson-Moss Warranty Act. Want to know more about that? We found a great website that explains all about it. [Just click here.](#)

So what is an *extended warranty*? It's another term for a retail product contract that may *extend* the warranty beyond the manufacturers warranty period. Usually this is done for an additional fee and may be offered direct by the manufacturer or by the retailer or a third party. This is the item most consumers hear about every day when they buy a television, computer, Ipod or a simple toaster from retailers such as Sears, Best Buy or Wal-Mart. These contracts may provide immediate benefits such as accidental damage coverage, but commonly activate *after* the manufacturers warranty period has expired, hence the term *extended* warranty.

The terms *home warranty* and *home service contract* are generally synonymous and simply traditional and historical in the industry. Home warranty is a descriptive term and was coined because the home service contract industry evolved by providing home service contracts purchased by *homeowners* for *homebuyers* as a form of "warranty" that the appliances in their house would still be working after the sale. The term *home warranty* seemed to fit and has persisted. It's a good label, but is largely a marketing term. Because of this, most home service contract companies still widely use the term "home warranty" in their name or on their contracts. People have come to expect it.

There are many other types of service contracts that have nothing to do with homes or home appliances and there are also many commercial service contracts for businesses. Consumers often hear about *automobile service contracts* or *automobile extended warranty* programs. These are often offered direct from the major carmakers, but may also be offered by third parties.

In case you are wondering, there is NO similarity between service contracts and insurance. Insurance pays you indemnity in the form of money for risk of partial or total loss due to sudden and fortuitous events such as fire, wind, hail, theft, collision or other accidents. Insurance does not cover normal wear and tear. Service contracts cover normal wear and tear. The two products complement each other - they do not overlap.

The home service contract industry is comprised of many quality national, regional and local providers. It has a solid service and solvency history. Call it home service contract or home warranty, whichever you prefer.

The National Home Service Contract Association (NHSCA) is a non-profit 501(c) (6) industry trade organization of member companies serving home service contract providers and consumer interests throughout the United States.

###

12710 Pflumm Rd., Ste. 200 Olathe, KS 66062  
ph: 913-768-4700 Fax: 913-768-4900