

## Home Warranties

By St. Louis Post-Dispatch

### Home warranties can cover the rough spots

Policies offer peace of mind on the single biggest purchase most families make, helping them avoid unexpected repair bills for major appliances as well as heating and cooling systems.

Home warranties are gaining popularity in the real estate industry and helping propel housing sales, one of the bright spots in the U.S. economy.

But the increased demand for warranties and service agreements also has drawn more upstarts into the business, forcing consumers to more closely scrutinize their providers and policies, experts say. "There are a lot of companies trying to get into the market," said Art Ansoorian, a spokesman for the Home Warranty Association of California, the industry's biggest trade group.

The failure of Axis Home Warranty Inc. of St. Louis in February jolted customers who were counting on the company to cover them if their household electrical systems went on the fritz or air-conditioning systems failed.

Axis, which was established in 1997, sold thousands of policies in Missouri, Illinois and several other states. It left many customers in the lurch when it abruptly shut down, citing financial pressures and a dispute with its investment banker.

However, such situations are the exception rather than the rule, Ansoorian said. Home warranties appeal both to sellers and buyers, according to the National Association of Realtors. Sellers see them as an incentive in striking the best possible deal, and buyers see them as protection for what often ranks as their biggest single investment.

"Clearly, they are very, very much a part of our business today," said Judy Wideman, president of the St. Louis Association of Realtors. She estimated that upwards of 75 percent of the existing house deals in the St. Louis area include warranties. In California, the industry's top market, nearly 90 percent of existing house sales last year had warranties attached, up 2.4 percentage points from the previous year.

Protection plans typically last one year and cover the repair or replacement of major systems and appliances that break down because of normal wear and tear.

Basic packages range in price from \$300 a year to \$400 a year and are renewable annually. Policyholders also pay a service charge, usually \$30 to \$65, each time they make a claim. Still, the savings can be considerable, especially in the event of a major malfunction.

"We estimate that for every one year of usage there are two claims filed by each homeowner," Ansoorian said. Homeowners in California alone save \$100 million a year on repair costs through the use of warranties, he said.

Warranties are not a substitute for property and casualty insurance. Rather, they guard against problems not covered by most homeowners' policies.

If a pipe breaks and the leaking water damages walls, floors or furnishings, the warranty would cover plumbing repairs, and the homeowners' insurance would cover property damage.

New houses generally come with a different sort of warranty, offered by the builder or developer. With older houses, warranties amount to insurance against the unseen. Sellers are required to disclose known problems within a house, and most buyers pay for an inspection before closing the deal. But even close inspections can fail to turn up hidden troubles.

Home warranties typically cover malfunctions of major systems, such as plumbing , electrical wiring, heating and air-conditioning systems, and even major appliances , such as washers, dryers, ovens and refrigerators.

For additional fees, the warranties sometimes can be extended to include more minor appliances, such as garbage disposals, water softeners, trash compactors, built-in microwaves and even garage-door openers. When something breaks down, the policyholder calls the warranty company, which in turn dispatches a contractor.

The contractor diagnoses the problem, fixes it and collects the preset fee from the homeowner. The contractor then bills the warranty provider for the remainder of the cost.

Anyone considering a home warranty or service plan should check out each provider thoroughly and read the fine print in each contract.

Consumers shopping around for a home warranty or service contract also can check with the Better Business Bureau or their state attorney general's office to see if the company is the subject of any complaints or investigations, he said.