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Media Contact: Nancy Besa, Besa PR
816.674.4775

CONSUMERS ADVISED TO DO THEIR OWN RESEARCH WHEN PURCHASING A HOME SERVICE CONTRACT

NHSCA and Angie's List Offer Similar Advice

(May 31, 2011) Olathe, KS - - - In 2010, over three million home service contracts (often referred to as “home warranties”) were purchased nationwide—the greatest number in the history of the industry. While a growing number are marketed directly to consumers, the majority of contracts are purchased as part of a real estate transaction or subsequent renewal.

There is little doubt that these numbers reflect the fact that consumers are seeking security and financial protection due to the current economic environment. Home service contracts provide the peace of mind that helps alleviate potential concerns of both home sellers and buyers during the resale transaction and for one year following the close of sale. In addition, renewal customers have continued protection from aging home systems, appliances and utilities.

Internet based *Angie's List* often publishes reports advising consumers to be smart when buying a home service contract. *We could not agree more.* We support both a consumer's *need* and *right* to understand all consumer contracts they purchase.

Home service contracts will vary in the details of benefits provided. The market is very competitive and consumers have many choices when it comes to benefits, service and pricing. NHSCA member contracts are typically only a few pages and outline the complete terms and conditions of coverage. Consumers should compare contracts and consider the systems, appliances and utilities unique to their home property. This will help consumers better understand their needs. If you live in a rural area, you may wish to consider adding well pump or septic tank protection. Do you have a pool or a spa? Do you wish to cover a freestanding appliance such as a refrigerator in your garage?

While the price of the product and optional coverage available is important, so are many other factors. Consumers should consider a number of questions in order to ensure they are making a wise purchase. Is the contract written in simple, easy to read and understandable language? Does the company clearly identify what services are not

covered? Is the trade fee for each service call clearly disclosed? Is there an aggregate limit per system or appliance, per service call or per contract? Can a service call be placed 24/7 every day of the year? Is emergency service available when necessary? Is there a clear process that can be followed if the services rendered are not satisfactory?

It is also important for consumers to acknowledge that “everything” cannot be covered by a contract that typically costs less than \$500 a year. While contracts cover many breakdowns, there must be reasonable limitations. NHSCA members paid out well over one-half billion dollars to local contractors in 2010 to service customer’s homes. Even so, NHSCA members are always working to make contracts easier to read and understand as the industry strives to close any potential gap between available benefits and customer’s expectations.

Consumers should also know that their home service contract provider has a solid reputation for serving its customers. References from real estate professionals and friends and a rating from the Better Business Bureau can be extremely helpful in the selection process. Either the state attorney general or insurance commissioner regulates all providers. (In Texas it is the *Texas Real Estate Commission*). Contact the appropriate state agency to inquire on a provider's standing.

“If a consumer doesn’t take the time to perform their own ‘due diligence’, they may well end up as another ‘statistic’,” Gwen Gallagher, President of Old Republic Home Protection, said. “What is important to consider is that out of the three million contracts sold, and four million service calls provided by the home service contract industry last year, only a very small fraction of consumers were not satisfied with either the coverage or service they received.”

Some consumers may lodge a complaint on Internet sites such as Angie’s List where they may often be viewed with disproportionate attention. The fact is the overwhelming majority of consumers value their home warranty protection and remain quite happy with both coverage and service.

The NHSCA offers additional consumer-friendly information on their website, homeservicecontract.org