

Consumer Information for Extended Service Contracts

1. General Information:

- Be sure to read any document before you sign it.
- When reviewing an extended service contract:
 - 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.
 - 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 with OCRP.

2. Extended Service Contracts vs. Warranties:

- Many consumer products, including cars, appliances, and electronic devices come with a **warranty**, which is included in the price of the product. If a company offers a warranty, it must be available for you to read before you buy, even when you are shopping online or via catalog. It is important to note that warranty coverage varies. When you are shopping for items, consider comparing what their warranties cover as well.
- An **extended service contract** or **service contract** is sometimes called an "extended warranty," but service contracts are not warranties. Like a warranty, an extended service contract can help you fix or maintain your product for a specific time. However, unlike a warranty, service contracts have an extra cost. Service contracts are popular among consumers as a cost-effective way to protect electronic devices, consumer goods, appliances, and new and used vehicles beyond the terms provided by the manufacturer's or seller's original warranty.
- When shopping for an item, you may want to compare specific manufacturers and products. You may find that **some service contracts give you the same coverage you get from the warranty** that was already included in the item's purchase price. Some service contracts cover only part of the product, and some make it difficult have repairs done. If the repairs are relatively inexpensive, the extra cost of an extended service contract may not be worthwhile.

3. Reading an Extended Service Contract:

- Generally, consumers may want to pay extra attention to the following contract sections:

- Coverage:

Which specific services and parts are covered by your extended service contract? Different packages offer varying services, coverage, and deductibles.

- Exclusions:

Which parts and types of damage are not covered? Many service contracts will not cover parts and services that are covered by the manufacturer's warranty.

- Insurance:

Check for "**Insured by**" or "**Guarantee.**" Extended 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, such as dates or odometer readings (for vehicles), 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.

- Transfer:

If the service contract lasts longer than you expect to own the product, ask if it can be transferred when you sell the product and whether there is a fee to do so. You may also want to inquire if a shorter contract is available.

- 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 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.

Note: If any promise made in the contract has been denied or has not been honored within 60 days after your request, you may contact the Virginia Department of Agriculture and Consumer Services, Office of Charitable and Regulatory Programs at www.vdacs.virginia.gov/food-extended-service-contractproviders.shtml to file a complaint.

4. Other Considerations:

- Promises made orally by a salesperson are not binding. It is important that you obtain a written contract and keep a copy for your records.
- Extended service contracts rarely cover intentional damage, loss, or theft.
- When purchasing an extended warranty, your contact information may be provided to a third party. Marketers may call or send mail long after you purchase an extended service contract.
- Your credit card may provide additional coverage for purchases. Your homeowner's or renter's insurance policy may also provide some level of protection. Check the terms of your credit card or insurance policy before buying an extended warranty to avoid buying duplicate coverage.