

A GUIDE TO NAVIGATING VEHICLE SERVICE CONTRACTS

A Consumer Resource for Purchasing
an Aftermarket Vehicle Service Contract



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Overview

Purchasing a pre-owned vehicle can be a calculated, financially sound decision. However, with any big purchase comes a certain level of stress and anxiety. An Aftermarket Vehicle Service Contract, frequently referred to as an “extended warranty,” can help reduce stress by providing consumers with peace of mind. In general, Aftermarket Vehicle Service Contracts provide assistance with the cost of certain repairs and issues after the car’s original factory warranty expires. This helps cut down on unexpected costly repairs by allowing consumers to pay an upfront contract fee that will in turn help offset particular mechanical issues.

If you do not have the right information, choosing an Aftermarket Vehicle Service Contract for your new purchase can be an intimidating task. In this eBook, we provide an introduction to the two major types of Vehicle Service Contracts: manufacturer and aftermarket contracts.

You will also find:

- ▶ A look into how most Vehicle Service Contracts work
- ▶ How to read your Aftermarket Vehicle Service Contract
- ▶ Crucial questions to ask your contract provider **BEFORE** signing
- ▶ Tips for easy claim processing
- ▶ Things to be aware of to help avoid unethical companies

In an effort to provide a clear resource for consumers to learn about reviewing and purchasing Aftermarket Vehicle Service Contracts, CARS Protection Plus has created this valuable consumer resource.

If you have any questions about the information provided in this document, feel free to contact our team at:

carsprotectionplus.com

888-335-6838

CustomerService@carspp.com

4431 William Penn Hwy, Suite 1

Murrysville, PA 15668

What is an Aftermarket Vehicle Service Contract?

You may know Vehicle Service Contracts by their more common names, such as “extended car warranties” or even “used car warranties”. However, legally only the manufacturer can refer to such a policy as a warranty. Third party providers therefore present it as a service contract. Aftermarket Vehicle Service Contracts are purchased by consumers to help offset the costs associated with repairs and replacements in the future. Contracts likely cost less than most major repairs.



Two Types of Contracts

Manufacturer Warranties

Manufacturer warranties normally provide a wide range of repairs and service costs. These repairs must be done at an authorized dealership. Manufacturer warranties are significantly more expensive than Aftermarket Vehicle Service Contracts.

Aftermarket Vehicle Service Contracts

Aftermarket Vehicle Service Contracts are sold by independent companies, often through car dealerships. These policies usually cost significantly less than the manufacturer warranties.

Aftermarket Vehicle Service Contracts Provide:

- ◆ Assistance with the cost of repairs for non-maintenance mechanical issues
- ◆ Relief for mechanical breakdowns or failures addressed in the contract
- ◆ Provision of financial security against unexpected costly fixes
- ◆ Protection against fluctuations in the market (ie: increasing prices of parts and supplies)
- ◆ Protection of your pre-owned vehicle investment

Aftermarket Vehicle Service Contracts Do NOT Provide:

- ◆ Coverage for EVERY or ALL costs associated with maintenance and repair

How Aftermarket Vehicle Service Contracts Work

Coverage will vary depending on the plan you select. Additionally, claim procedures may vary from company to company. Generally, a technician at the repair facility, of your choice, will contact the provider's claims department to report the claim. This is done before any repairs are made to the vehicle. If the repair is listed under your specific contract, the provider's claims adjuster will then work with the repair facility to expedite your claim. The mechanic can then make the necessary repairs and return your vehicle in proper working order.



When and If You Need Added Protection

Although purchasing an Aftermarket Vehicle Service Contract can be a great benefit, there are some circumstances where doing so may not be in your best interest.

The Best Time to Purchase an Aftermarket Vehicle Service Contract:

- When purchasing a pre-owned vehicle
- When your vehicle exceeds the coverage of a factory warranty

Do Not Purchase an Aftermarket Vehicle Service Contract if:

- There is remaining time on the manufacturer's warranty
- The service contract extends beyond the time you foresee owning the car
- You are purchasing the policy to address a known mechanical failure
(This is considered to be insurance fraud)

Navigating Contract Companies and Options

Although there are hundreds of companies offering Aftermarket Vehicle Service Contracts, your choice may be limited to one or two by the seller. It is important to remember not all companies are equal. Here are some points to note when you are presented with the option to purchase an Aftermarket Vehicle Service Contract.

Questions to Ask the Provider

1. Is this company in good standing with the Better Business Bureau?

The Better Business Bureau rating will give you a good indication on the company's commitment to customers and their overall business ethics. Ratings factor complaint and response volumes, history, licensing and government actions, advertising issues and more.

2. Is the company insured by a 3rd party provider?

It is important the carrier of the contract be insured by a 3rd party provider. If the carrier were to go out of business during the length of your service contract, you would still remain covered.

3. Are there credible reviews online?

When it comes to Aftermarket Vehicle Service Contracts, you will find bad - sometimes terrible - reviews on many providers. Unfortunately, most of the reviews online occur only when the customer is dissatisfied. The key to navigating these reviews is to determine if they are credible. **Many complaints could be avoided if the consumer would read the terms and coverages of the contract they purchased. It is crucial to read your entire policy and ask any questions before purchasing.** Many consumers make the mistake of assuming every Aftermarket Vehicle Service Contract is comprehensive and blame the provider when their own expectations exceed the level of coverage they elected to purchase.

You are entitled to every coverage listed on your contract but the company will not be able to offer assistance beyond what you have chosen.

4. What contract options are available?

Even when dealing with the same service contract provider, a dealer will typically be able to present many different options. Make sure you review all of the available choices. In some circumstances, dealers receive incentive for selling specific contracts, which may lead to misrepresentation and not be in your best interest. Read each contract option independently to ensure your full understanding of limitations.

5. What is covered?

This is one of the most important questions you have to ask yourself before signing a contract. Even if the contract is labeled something like “Bumper-to-Bumper”, it is important to understand virtually no contract is going to cover every part of your vehicle. Make sure you understand which repairs are covered and which are excluded. Is the contract limited to mechanical failures or does it include wear-and-tear? Some policies will even include roadside assistance and rental car reimbursement. Define your needs and find a contract that most closely matches. Note most contracts will not cover items such as safety air bags, batteries, light bulbs, glass, shocks, and tires. Avoid contracts setting a cap on your benefits allowing the company to not pay for covered items once this cap has been reached.

6. What is the time or mileage limit?

These can vary greatly. Some contracts end when a car reaches 100,000 miles. Ensure the timeline or mileage limit isn't less than your lifestyle and driving habits.

7. Is there a deductible? If so, how much?

If your contract has a deductible, check to see if you must pay the deductible per item replaced or per repair visit. If you must pay the deductible per item replaced, one single visit can become expensive.

8. Which mechanics are permitted to perform my repairs?

For a manufacturer-backed extended warranty, you will likely be limited to any of their own dealerships across the country. A more defined “dealer-backed” warranty may require all repairs to be done at the location where you purchased the contract. This can be incredibly limiting. An aftermarket third party contract will usually enable you to go to the repair facility of your choice.

9. What is my covered labor rate?

Although you may have the option to take your vehicle to any licensed repair facility, most Extended Vehicle Service Contracts will only cover a set labor rate. Any difference between your covered rate and your shop's rate will be your responsibility. Be sure your service contract gives a specific rate and doesn't hide behind vague phrases such as “industry average” or “average flat rate”. Taking your vehicle to a shop charging beyond your covered labor rate may result in significant, and unexpected, out-of-pocket expenses.

10. How does the authorization process work?

Always ask the contract representative how long it takes to get authorization for a repair. Does the company have a toll-free number for obtaining authorization? These are questions you should have answered before you commit to purchasing any service contract.

How to Read Your Aftermarket Vehicle Service Contract

In most cases, individuals who report difficulties having their claim processed have neglected to read their service contract. The following tips and points will help you be an informed contract consumer.



Covered Components

As a rule of thumb, it is best to choose a contract that is easy to read and straight-forward when it comes to coverage details. The contract should explicitly state every covered component. There should be no surprises when you get to the repair facility.

If an item is not listed, assume it is not covered.

Costs, even beyond a deductible, can add up. Does the contract cover taxes, supplies, diagnostic time, or fluids? Most do not. Remember – the point of the contract is to help offset the cost of repairs.

Special Cases

You should consider:

- If a covered part is damaged by a non-covered part, the company may not be able to offer assistance with the repair.
- If the contract is limited to mechanical breakdowns, normal wear and tear may not be approved, even on a covered item. If a part, such as an engine, needs to be torn down to properly diagnose a problem, and a mechanic finds other non-covered parts in need of replacement, the vehicle owner will be responsible for those fixes not listed on the service contract. In some cases, a vehicle owner will also be responsible for the labor costs accrued with the tear-down.
- Service contracts may offer towing and rental benefits. There are usually requirements in order to qualify. Find the details in the contract you select.

Maintenance

With Aftermarket Vehicle Service Contracts, a consumer is still responsible for proper vehicle maintenance. Consumers should follow factory guidelines for oil changes, inspections, timing belt changes, etc. Keep every maintenance receipt in case the claims adjuster needs proof of maintenance.

Brochures vs. Contracts

Never sign a contract after only reviewing the brochure. Brochures highlight coverages but will not go into detail about procedures, processes, non-covered parts, and other terms and conditions. Ensure you have read the contract in its entirety and you have a copy for your own records.

Tips for Processing a Claim

The steps you must take in order to process a claim should be explicitly outlined in the contract. However, here are some important things to note:

- If a mechanical issue arises, take the vehicle to your repair facility, (or dealership), immediately. Do not continue to drive the vehicle. Continued operation will cause additional damage and may prevent the company from offering assistance with the repair.
- Make sure you understand the required claim procedure BEFORE you have a problem. Most companies require a claim to be opened before repair work is started. Do not rely on the repair garage to know this. At the beginning of your transaction, ensure you explicitly explain your contract requires prior approval, and the mechanic should stop at the diagnosis step before moving forward.
- Many complaints arise from customers not understanding their contract's claim procedures or having claims denied because the repair facility did not follow the required steps. YOU are responsible for your shop's adherence to the procedures outlined in your contract.

Beware! Tips for Avoiding a Scam

To sell their product, some companies will use pressure or “gimmick” techniques to persuade you to buy. The following is a list of tell-tale signs of a “risky” business:

1. Phone or Mail

Avoid companies that contact you via phone or mail. If a representative is attempting to get you to agree to something without ever seeing the contract, it is a major red flag.

2. Act Now

Some companies will pose as your manufacturer in an attempt to deceive you into thinking your vehicle’s manufacturer coverage has just expired. Be wary of the “Act Now!” message.

3. Bumper-to-Bumper

Dealers tend to receive incentives for selling a service contract and they may be misrepresenting the product as bumper-to-bumper to get you to sign.

4. Test-Drive

If you are test driving a vehicle and notice some issues, do not let a dealer talk you into purchasing the vehicle with the promise a service contract company will pay for repairs. Most service contract providers will not cover pre-existing issues.

5. Garage Limitations

Some companies will limit where you have your vehicle repaired. Be sure the terms in the contract offers options with which you are comfortable.



Conclusion

There are many Aftermarket Vehicle Service Contracts that can fit your budget and the specific needs of you and your vehicle. We hope this eBook has provided you with the knowledge necessary to navigate Aftermarket Vehicle Service Contract options. If you have any questions or comments based on what you have read, don't hesitate to give the CARS Protection Plus team a call. Our complete contact information is on the next page.



CARS Protection Plus

CARS Protection Plus offers service contracts with a wide range of coverages to meet the specific needs of your vehicle and budget. With an industry leading 200,000 mile acceptance limitation, our products are designed to cover most vehicles on the road. If you do experience a mechanical issue with your vehicle, CARS will be there to assist with covered failures at the repair facility of your choice. If the concern is identified as a covered component under your specific plan, you can rest assured CARS will arrange for prompt, hassle-free payment on authorized repairs directly to your repair facility. We provide the fastest payment in the business! Added security, added protection, and added confidence. These are the differences a CARS service contract will make in your vehicle ownership experience.

“It feels good to know there are people that really take pride and concern with their job and don't try to scam others (that is always my fear as a female). But CARS was very professional and assured me things would be okay. It's like I told the mechanic. It's hard to build a trust in a service... like finding a good barber or hair stylist you always want to go back to! Thank you. I appreciate the warmth and kindness.”

~ Diane (TX)

carsprotectionplus.com

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4431 William Penn Hwy, Suite 1
Murrysville, PA 15668

