



Service Contract Industry Council Responds to Consumer Reports Survey on Extended Auto Warranties

March 17, 2008 (Tallahassee, FL) – In response to a *Consumer Reports* survey on “extended auto warranties,” as reported in the April 2008 issue, the Service Contract Industry Council (SCIC) believes the magazine did a disservice to its readers by omitting key information that would help consumers make an objective decision about motor vehicle service contracts.

In a letter to the editor of *Consumer Reports*, SCIC Executive Director Timothy J. Meenan said auto buyers and owners can be better equipped to evaluate extended service contracts with information that addresses “the regulatory and consumer protections in place, value and benefits, contextual details providing relevance in today’s market, and additional tips for maximizing value after purchase.”

Mr. Meenan further stated:

“Extended service contracts for today’s sophisticated cars, trucks, vans and SUVs – whether new or used – are an efficient way for consumers to protect their investment and ensure that their vehicles perform in topnotch condition and remain reliable day after day, year after year. Offering two-prong protection, extended service contracts can fill in gaps in the manufacturer’s warranty and take over when it expires, providing vehicle owners with many benefits.

“In today’s economy, millions of people are keeping their vehicles longer, carrying longer-term loans, and seeking the protections offered by extended service contracts. These protections can help consumers manage unexpected and costly repairs and add value and longevity to a vehicle by helping them resolve problems quickly without budgetary concerns or delays.

“As the April issue noted, motor vehicles offer varying performance expectations. A typical service contract can help close the performance gap by covering costly-to-repair systems not covered by the manufacturer’s power-train warranty, such as air conditioning, power windows, and electronic systems, including the vehicle’s navigation system. As a result, extended service contracts can often pay for themselves after only one claim.

“In addition, extended service contracts often are transferable at the time of sale. All providers must refund the owner any unearned portion of the retail service contract cost when it is cancelled at any time prior to the contract expiration.

“The Service Contract Industry Council is hard at work urging lawmakers to mandate consumer protections. Thus far 37 states have enacted specific laws governing motor vehicle extended service contracts. In these states, companies offering extended service contracts typically are required to fulfill their financial responsibility to the consumer in one of the following ways: (1) insuring the program through a contractual liability or reimbursement insurance policy, (2) maintaining reserves and placing a deposit on file with the state, or (3) maintaining a minimum net worth of \$100M.

"In many states, extended service contracts come with a 'Free Look,' usually 30 days. If a consumer believes he or she acted impetuously or changes his or her mind for any reason, the contract can be cancelled during this period for a full refund.

"As with most laws, there may be exemptions from certain requirements. It is important for consumers to research the company or provider as well as any insurer backing it. Consumers who purchase extended service contracts are urged to thoroughly read and understand the terms and fully adhere to the manufacturer's recommendations for routine maintenance to ensure they gain the most value and benefit when utilizing or activating their extended service contract. Also, it's important for consumers to keep detailed records, including receipts, to prove that the vehicle was properly maintained.

"The Service Contract Industry Council encourages consumers to fully understand the benefits and value of auto extended service contracts and seek out the protections they offer based on their individual needs. We also urge consumers to file claims against their contracts to maximize their value and to protect and enhance their motor vehicles. To help consumers learn more about extended service contracts, we invite them to visit our website, www.go-scic.com."

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