



Consumers Look to Safeguard Motor Vehicle Purchases

Uncertain economic times, longer term loans and costly vehicle repairs necessitate added protections

January 29, 2008 (Tallahassee, FL) – American consumers intent on protecting and adding value to their motor vehicle purchases during the new model year and Presidents’ Day sales periods are considering service contracts to help manage unexpected and costly repairs on their new or used cars, vans, trucks and SUVs.

A typical service contract covers essential yet costly-to-repair systems not covered by the manufacturer’s powertrain warranty, such as air conditioning, power windows, and electronic systems, including the vehicle’s navigation system.

Jason Christiano of Tampa, Florida believes strongly in the financial benefits and peace of mind that comes with the purchase of an automobile service contract:

“Recently, I picked up my vehicle from a dealership repair facility where the bill to replace a torque converter was \$1,722. My service contract provider paid the invoice with no challenges. The amount of that one repair exceeded the cost of the vehicle warranty,” Christiano said. “Last year, when we sold a vehicle, the company promptly refunded the unused portion of the warranty cost.”

“Auto loan terms can run as long as seven years now and in uncertain economic times consumers keep their cars longer and, when buying, often choose to purchase a used vehicle,” said Steve Brooks, CEO of the Phoenix American Companies and President of the Service Contract Industry Council (SCIC). “A typical manufacturer’s warranty generally runs three years or 36,000 miles. Subsequently, it can cost roughly \$4,000 to replace a vehicle’s integrated computer unit, for instance.

“It is important for consumers to protect themselves from the high cost of repair, especially after the manufacturer’s warranty ends,” Brooks said.

Approximately 5 million motor vehicle contracts are sold annually. Additional benefits can include emergency repairs/service, towing and loaner cars, and discounted maintenance plans. Motor vehicle service contracts can enhance resale value and are typically transferable to a new owner.

“To further protect consumers, a majority of states require licensure of service contract providers. Consumers who want to purchase service contracts online should confirm with their state’s insurance department that the provider is licensed in the consumer’s state, if applicable in that state,” said Timothy Meenan, SCIC executive director. “Terms and costs vary, and consumers should read the provisions of a contract carefully to understand their coverage and responsibilities.”

The Service Contract Industry Council (SCIC), a national trade association that works with lawmakers nationwide to develop fair and uniform regulation to protect consumers and the industry. Additional consumer tips and information about service contracts are available on the SCIC’s website: www.go-scic.com.

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Media Contacts:

Phyllis Laorenza Linnehan

phyllisll@verizon.net

781-275-7226

Greg Venne

gregvenne@yahoo.com

781-640-4196