

# Extended Service Plans/Extended Warranties

## Consumers' Guidelines to ESPs

**A**s a consumer, you realize that unexpected automotive repairs can have a significant impact on your budget. With high fuel costs, more complex vehicles and economic uncertainty, you want to be prepared to face situations in a proactive rather than reactive manner.

Protecting your automotive investment is important because mechanical repairs can be costly. To curb the impact of unexpected vehicle repairs, you may be considering purchasing an extended service plan (ESP) for your vehicle. An ESP acts as a sort of health insurance plan for your vehicle, which can help provide protection and peace of mind after the original vehicle warranty has expired.

Before making a decision, you need to do some homework. A good place to start is to understand the difference between a warranty and an extended warranty. Generally, a **warranty** is included in the price of a product. For example, when you purchase a new vehicle, you receive the manufacturer's warranty with the vehicle. An extended warranty, called an **extended service plan (ESP)**, is considered a service contract because it generally entails an extra cost, is sold separately and can be purchased at any time. ESPs go into effect when a manufacturer's warranty expires.

There are numerous ESP companies, and it's important that you select the one that is right for you and your vehicle. While you're looking for the right ESP, it's a good idea to think about where you will take your car when it needs service or

repair. Just as important as selecting the right ESP is selecting the right repair facility. If you do not already have a relationship with a local repair facility, it may be beneficial for you to check out some shops in your area. The **Automotive Service Association (ASA)** represents thousands of independent automotive repair professionals nationwide who



agree to follow ASA's Code of Ethics. ASA's Code of Ethics is the automotive service industry's standard for professional business practices, and it was created with consumers in mind.

Motorists can identify ASA members by their red, white and blue ASA sign. Members may also be found by using ASA's popular online shop locator available at **www.ASAshop.org**. This convenient tool includes maps and directions, and motorists may search for ASA locations using ZIP code, city, state, shop name, shop type or any combination of these options. Motorists may also call **(800) ASA-SHOP**, ext. 361, to find the nearest ASA shop.

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As you begin to research your options, it may be helpful to talk with the professionals at your repair shop about purchasing an ESP. Let them know which ones you are considering. They may be able to make some recommendations about which one to choose based on their experiences with different companies, and they may have some suggestions about the type of coverage that would be best for your vehicle.

The following **Frequently Asked Questions** will provide additional information to help you choose the right ESP for your vehicle.

### **How do I determine whether my vehicle is already under warranty?**

Normally, the warranty expires when the vehicle has reached the mileage and/or time limits given in the original purchase agreement; however, some emission control system components have a longer warranty due to federal mandates.

If you're purchasing a pre-owned vehicle, be sure to ask about warranty coverage. On some late-model used vehicles — depending on mileage and age — the original factory warranty may still be in effect. Some manufacturers also offer “certified used” programs that extend original factory warranty terms on pre-owned vehicles.

It is important that you know about the warranty coverage on your vehicle. You can refer to your owner's manual for complete information, and if you still have questions, take your owner's manual and vehicle to your repair shop.

### **When should I purchase an extended warranty?**

You do have a choice about when you purchase coverage, but the cost of the coverage increases as the vehicle ages and

accrues mileage. Basically, you're purchasing tomorrow's coverage at today's rate, and if your vehicle is newer, you'll usually be offered a lower price and longer term than if you wait.

If the manufacturer's warranty for your vehicle has expired, you should be able to obtain extended coverage. Typically, the vehicle must be less than 10 years old with less than 100,000 miles on the odometer.

You also may choose to buy an ESP near the end of your original coverage, before it expires. Whatever plan you purchase, be sure you know when the coverage begins and ends.

### **Will an inspection be required if my vehicle is out of warranty?**

Some ESP providers may require that an independent inspection of your vehicle be conducted before coverage is initiated. This inspection protects both the consumer and the warranty company and helps keep coverage costs down. There may be an additional charge for this inspection.

The inspection process is designed to protect you from having a claim denied due to a pre-existing condition. A high percentage of the claims that are denied cite pre-existing conditions as the reason.

### **What types of coverage are available?**

- A **bumper-to-bumper** plan is usually the most **comprehensive** plan. It provides a list of the parts and/or components of your vehicle that are **not covered** under the policy.



**The professionals at your repair shop can help you pick the right ESP for you and your vehicle.**

**Your vehicle's odometer must be operational and show the actual mileage of the vehicle.**

Only the manufacturer can offer true bumper-to-bumper coverage, which covers every electrical and mechanical part on your car, including cosmetics, vinyl, leather, upholstery, rust, paint, paint oxidation, corrosion, emissions and the exhaust system.

- A **stated or “named” component** plan covers most of the **major parts** and components on your vehicle, and lists all parts and/or components that **are covered**.
- A **powertrain extended** plan covers a vehicle’s **main powertrain components**, which typically include all of the internally lubricated parts of the engine, transmission, drive axle assembly (front or rear) and transaxle assembly. Other items such as seals and gaskets may sometimes be covered at an additional cost.

A powertrain policy provides coverage for the expensive major repairs. This type of plan is usually an excellent value if you have an older, high-mileage vehicle or if you only want coverage for major repairs.

- A **wrap** is a special type of ESP designed for newer vehicles with extended powertrain coverage. These policies cover **non-powertrain** items, such as A/C and electrical components.
- Under **wear-and-tear** coverage, a part or component does not have to break for it to be covered. The part or component is covered when it has worn beyond the manufacturer’s factory tolerances allowed for a particular vehicle for the mileage at which the problem occurred.

For example, if a ball joint breaks and the vehicle is towed to the

repair shop, the plan would pay for towing, parts and labor on the repair. If the other ball joint is diagnosed as out of tolerance but not broken, its replacement would also be covered. With wear-and-tear coverage, the out-of-tolerance item can be replaced at the same time as the broken item at no charge (other than the deductible, if applicable).

Normal maintenance parts **not covered** under a wear-and-tear option include brake pads, shoes, drums or rotors, and manual clutches.

- **Breakdown** coverage is extended only to parts that break. It does **not** cover parts that are worn.

### **What about deductibles, diagnostic fees and parts?**

Before signing on the dotted line, be sure you fully understand the policy’s deductibles. Some deductibles are per visit, and some are per covered item. Customers may be responsible for multiple deductibles.

Often customers will have to authorize diagnostic fees up front. If a discovered defect is a covered repair, then the ESP may cover the diagnostic fees, but if the defect is not covered or if the ESP doesn’t cover diagnostic time, the customer will be responsible for the diagnostic fees. In addition to deductibles,

**Most warranties have provisions for overheating that are addressed in the contract. Be sure you fully understand that provision. For example, if overheating occurred due to radiator problems, you may be responsible for the repair bill.**



**Keep in mind that if your ESP does not cover diagnostic fees, you will be responsible for them.**

diagnostic fees and varying repair coverage, there are potential costs for shop supplies, fluid and gaskets, as coverage of these items also varies.

Your repair shop will talk to an ESP administrator about the parts that will be needed to repair your vehicle. There may be situations when the ESP administrator will require the shop to use certain types of parts in the repair of your vehicle. The administrator has the option to choose among new original equipment manufacturer (OEM) parts, aftermarket parts, rebuilt/remanufactured parts or salvage parts.

The administrator's goal is to repair your vehicle and get through the period covered by the ESP without incurring any further cost for the same repair. For example, on a high-mileage vehicle, a used part may be recommended, but for a low-mileage vehicle, the administrator may elect to upgrade to a lifetime warranty part to avoid future cost.

You may decide you want to follow the recommendation of your repair technician and upgrade to a better part than the administrator has authorized. You can do this, but be aware that any differences in the price of parts are your responsibility.

### ***How does the ESP administrator determine appropriate prices for parts and labor rates?***

Most ESP companies will not accept time estimates based on a technician's personal experience, and sometimes they won't even accept the manufacturer's labor guides, so most repair facilities estimate labor times using a third-party information provider. Another consideration is whether your shop's labor rates are higher than the



ESP will pay. Be prepared to pay any differences in rates that are not covered by your policy.

### ***What if I change my mind after purchasing an ESP?***

Most ESPs can be cancelled at any time, even if you have financed it as part of your monthly car payment. It is not advisable to buy an ESP that does not let you cancel and receive a refund. Most providers will refund your money provided that you have not made a claim and the written request and the contract are received back within 30 days of the purchase date of the contract. There may be a fee to cancel the policy.

### ***What type of vehicle maintenance does an ESP require?***

Sometimes the maintenance required by an ESP may be different than what is recommended by the vehicle owner's manual. Typically, the ESP does not override the manufacturer's recommendations with lower maintenance standards. Usually, the ESP will require fewer miles for maintenance services than the mileage specified by the manufacturer. For example, the ESP may require an oil change every 3,000 miles, even if the owner's manual specifies every 5,000 miles.

**The ESP administrator may require the shop to use certain types of parts in the repair of your vehicle. The administrator may choose new original equipment manufacturer parts, aftermarket parts, rebuilt/remanufactured parts or salvage parts.**

Abiding by the ESP service recommendations could help prevent the denial of a claim later. Be sure to save the receipts for all maintenance performed. Failure to have proper documentation could result in the termination of your policy.

### **Where can I take my vehicle for repairs?**

A plan that dictates where to take your vehicle for service and/or repair may not be in your best interest; you want the freedom to choose where to take your vehicle. Look for a plan that lets you choose the dealership, national chain or local repair facility that you want to use.

When looking for a repair facility, ask if the facility's technicians are ASE certified. The non-profit group National Institute for Automotive Service Excellence (ASE) certifies the technical competence of individual technicians by offering voluntary testing. For more information, visit the ASE Web site at [www.ase.com](http://www.ase.com).

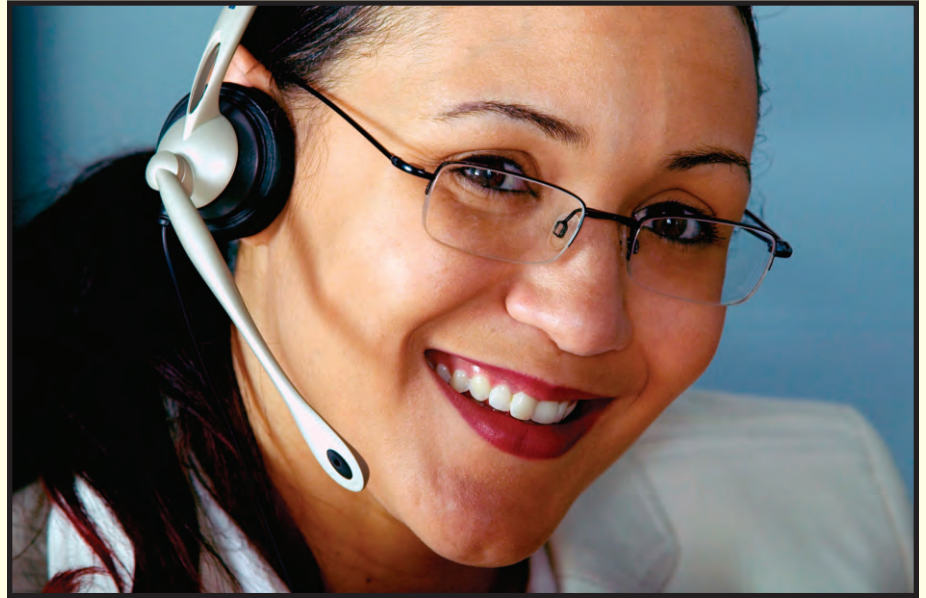
Review the policy and make sure you understand your coverage, including towing and car rental benefits. Keep a copy of your policy and the phone number and address of your local repair facility in your vehicle for easy access and quick reference.

### **How does the claim process work?**

Generally it works like this: When your vehicle needs service or repair, take it or have it towed to your local ASA member shop or other reputable repair facility and present a copy of your ESP to the service writer/manager.

After reviewing the ESP contract, the service writer may contact the ESP administrator to verify coverage and expiration dates and get authorization to

perform the repair. The ESP administrator is responsible for determining if the reported problem is covered by the specific agreement purchased; authorizing (via credit card) payment to the service repair facility; scheduling inspections; handling contract transfers to new owners; and making cancellations, should the vehicle be traded or stolen.



On major claims, the administrator may send out an inspector to inspect your vehicle. Sometimes this can lengthen repair time. Be aware that most providers will not pay for diagnosis, shop supplies or sales tax.

Most ESPs will pay your claim directly to the repair facility via credit card with no paperwork or billing hassles for you. Beware of companies that require you to handle the claims process yourself.

### **What happens if I sell or trade in my vehicle?**

Most extended service plans are transferable to the new owner when you sell your vehicle, but they may require a small fee for handling the paperwork. Beware of a policy that is not transferable.

**For most ESPs, the administrator will pay your claim directly to the repair facility with no billing hassles for you. Beware of companies that require you to handle the claims process yourself.**

# At-a-Glance

## ASA's Quick Tips for Purchasing Extended Service Plans

- **Check the status of the company with your local Better Business Bureau (BBB).** The BBB is a private, non-profit organization that offers services to its member businesses and to consumers. The main service they provide to consumers is a rating on member businesses that reflects the number of customer complaints received (if any) and how the complaints were settled.
- **Investigate the financial stability of the ESP provider.** Find out if the contract insurer and re-insurer have been rated by A.M. Best ([www.ambest.com](http://www.ambest.com)), Standard and Poor's ([www.standardandpoors.com](http://www.standardandpoors.com)) and/or Duff & Phelps ([www.duffandphelps.com](http://www.duffandphelps.com)) insurance rating services. This will give you some information about the provider's ability to pay your claim. Be cautious of any company that doesn't disclose this rating.
- **Shop Around.** Compare coverage and price.
- **Read the policy before you buy.**
- **Understand the relationship between the cost of the premium and the amount of coverage.** A low premium may not provide as much coverage as a policy with a higher premium. Be sure you don't sacrifice necessary coverage to save money on your premium.
- **Check the contract to see if there is a waiting period before you can use the ESP.** Some companies have waiting periods of 30 days or up to 60 days.
- **Ask about policy renewal terms.**
- **Avoid ESP providers that do not pay claims directly to the shop.**
- **Confused? Get a second opinion.** If you are uncertain or confused, set some time aside to review the ESP contract with your ASA repair shop before buying it. Because your repair professional is familiar with your vehicle and will be working with your ESP provider to get your vehicle repaired, his or her input should be considered before reaching a final decision.



**Having a clear understanding of your options when purchasing an ESP will help you get the best protection for your vehicle and the most value for your money.**

*The information contained in this document is general in nature and in no way is intended to supersede any local and/or state regulations in regard to automotive repair facilities, writing repair orders/estimates, or extended warranties or service plans. This material was prepared by the Automotive Service Association® (ASA) and its Mechanical Division Operations Committee.*

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