

# Home systems protection vs warranties and service contracts



Heating, electrical, air conditioning, refrigeration, hot water, communications and entertainment equipment are becoming more complex, costly, and prone to break down. You may be familiar with a manufacturer's or extended warranty, but did you know that equipment breakdown insurance provides more comprehensive protection at a fraction of the cost? We examine homeowners' options.

## Manufacturer's Warranty

This is a manufacturer's/seller's promise to stand behind a product, and is included free in a product's purchase price. A warranty provides repair and/or maintenance for a specified time period. It will expire, and is typically not renewable.

A "full" warranty is intended to fix or replace a defective product, cover parts and labour, is usually transferable and does not require the consumer to do anything unreasonable to get service – such as pay for shipping.

### *It is commonly used for:*

#### Products

An extended warranty covers an individual product and is sold at the time the product is purchased (commonly sold with electronics and appliances). It is excess over the manufacturer's warranty. Like a warranty it provides repair and/or maintenance for a specific time period (i.e. 1, 3, 5 years). It is renewable for multiple years, generally with material rate increases.

#### Homes

A Home Warranty / Home Service Contract is offered with a home purchase by builders, realtors and mortgagors.

A "limited" warranty covers anything less than the full warranty requirements. It may cover only parts, not labour, may allow only a pro-rata refund or credit. It usually requires the consumer to cover shipping and may only cover the original owner.

## Service Contract / Home Warranty / Extended Warranty

A service contract, like a warranty, provides repair and/or maintenance for a specific time period. The separate and additional cost distinguishes this from a manufacturer's warranty.

The consumer can select from a list of structural and non-structural equipment such as central systems, appliances, roof, etc. to be included that will be specifically identified in the contract. It is typically issued for a one year term and is renewable.



# Home systems protection vs warranties and service contracts



## Home Systems Protection



Home Systems Protection covers systems, appliances and electronics homeowners rely on for everything from heating and cooling, water and power, to communications, security and entertainment.

It addresses today's breakdown risks, provides broader coverage, and gives the policyholder better incentives to upgrade to more energy or water efficient systems.

*There is no other program available that protects the homeowner as well, with so much added value.*

Home Systems Protection can be configured to provide broad coverage for a wide range of interior and exterior home systems

### Coverage may include:

**Systems** – electrical generation and distribution, heating and cooling, air and water filtration, central vacuum, alarm systems, swimming pool equipment, sauna systems, and more.

**Appliances** – refrigerators, freezers, cooktops, ovens, dishwashers, clothes washers, dryers, and more.

**Electronics** – computers, televisions, sound systems, game consoles, and more.

The next page provides an easy reference guide comparing home systems protection to manufacturer's warranty and extended warranty.

# Home systems protection vs warranties and service contracts



Product Type	Manufacturer's Warranty	Extended Warranty / Service Contract / Home Warranty	Home Systems Protection
<b>Price</b>	Included in product cost	Up to \$500 per year.	Low flat rate per residence per year.
<b>Coverage</b>	Repair or replacement of defective product or part.	Repair or replacement of damaged part or product (discretionary) for covered equipment.	Repair or replacement of damaged covered equipment.
<b>Covered Peril</b>	Manufacturer's defects.	Breakdown due to wear and tear.	Mechanical or electrical breakdown due to an accident.
<b>Covered Equipment</b>	The single item the warranty was purchased to cover.	The consumer selects from a predefined list of base and optional structural and non-structural items found in a home.	Equipment that is part of the dwelling, private structures and personal property.
<b>Consequential Damages</b>	Not covered.	Not covered.	Coverage is provided for loss of use and spoilage.
<b>Restrictions &amp; Limits</b>	<ul style="list-style-type: none"> <li>- Does not have to be a full warranty. May be limited.</li> <li>- Does not guarantee a refund if product is defective. The manufacturer may be entitled to try to fix it first.</li> </ul>	<ul style="list-style-type: none"> <li>- Excludes elemental perils;</li> <li>- Maximum aggregate contract limit we have seen is \$25,000;</li> <li>- Sub-limits imposed ranging from \$400 to \$2,500 on heating, air conditioning, plumbing, electrical, alarms, fans and appliances;</li> <li>- Does not cover the entire unit;</li> <li>- Many parts are excluded;</li> <li>- Additional premium charged for some items such as well pumps, pools &amp; spas;</li> <li>- Does not cover repairs resulting from misuse or failure to properly maintain;</li> <li>- No recourse if warranty provider or administrator goes out of business.</li> </ul>	<ul style="list-style-type: none"> <li>- Excludes perils under homeowner's policy;</li> <li>- \$50,000 limit per accident;</li> <li>- Sub-limits are provided for additional living expense &amp; spoilage.</li> </ul>
<b>Deductible or Service charge</b>	None	\$50 service call fee per trade, per item, per incident.	\$1,000 deductible.

For all coverages, conditions and exclusions, refer to the actual insurance policy