



DEPARTMENT OF
INSURANCE AND FINANCIAL INSTITUTIONS

CONSUMER GUIDE HOME WARRANTY SERVICE CONTRACTS

A home warranty service contract (service contract) pays to repair or replace home appliances and systems (plumbing, heating/cooling, etc.) if they fail due to normal wear and tear. This is typically not covered by a homeowner's insurance policy.

Types of appliances and systems generally covered under a service contract

Service contracts cover many of your home's crucial systems and appliances, but to be covered they must be in working order at the time your service contract is issued. Below is a list of some of the types of items a service contract can cover.

- Interior plumbing
- Heating System
- Electrical System
- Water Heater
- Ductwork
- Dishwasher
- Oven/Range/Cook-top
- Garbage Disposal
- Garage Door Opener
- Air Conditioning
- Refrigerator
- Washer/Dryer
- Pool/Spa Equipment
- Gas Fireplace

Service contract coverage can vary widely, so always review the coverages, limits, exceptions and exclusions before purchasing a service contract. When you buy a service contract, consider premium and optional coverage to customize the plan to fit your needs.

Typical exclusions in a service contract, including but not limited to:

- Preexisting conditions – conditions that existed before the coverage became effective. However, a service contract may not exclude preexisting conditions if such conditions were known or should reasonably have been known by the service company or the person selling the service contract on the service company's behalf. ([A.R.S. §20-1095.06\(D\)\(12\).](#))
- Items that fail from something *other than* normal wear and tear, such as manufacturer's recall or damage from an event typically covered by homeowners or flood insurance.

- Secondary damage caused by the failure of a covered equipment or system or appliance. For example, if your water heater fails, resulting in a leak that damages your drywall, the contract may cover the repair or replacement of the water heater but will not pay for the repair of the damage to the drywall.
- Systems or appliances that are not specifically listed as covered in the contract.
- Items that were improperly installed, modified or repaired. (Parts or components that have been repaired, replaced or improperly installed under the service contract are not excluded.) ([A.R.S. §20-1095.06\(B\)\(2\).](#))

YOUR responsibilities as the home owner, including but not limited to:

- **Read your contract.**
- Keep records of all of the maintenance you do on your home.
- Make sure you understand and follow the home warranty contract requirements, which may include specific procedures you must follow to arrange for the repair or replacement of a home appliance or system. Failure to follow the contractual requirements could void your claim.
- Make sure you document your communication with the home warranty service company including the name of the person with whom you spoke, what you requested and what you were told.
- Keep all correspondence (letters, e-mails, etc.) you receive from the service company.

Costs YOU might have to pay, including but not limited to:

- The annual contract fee.
- A fee for each service call, whether repairs are made or not.
- The cost to “access” systems (e.g., rip out wall, tear up concrete floor to be able to gain access to the system or appliance needing repair or replacement).
- The cost to restore wall coverings, floor coverings, cabinets, tile, paint, etc.
- The cost for a crane, should it be needed, to install an A/C, etc.
- The cost to remove toxic or hazardous material (e.g., asbestos, mold, sewage).
- Costs to repair or replace systems or appliances not covered (or only partially covered) by contract.
- Overtime fees for non-emergency services requested and rendered outside normal business hours.
- Fees to dispose of old appliances or system components.
- Fees for state or local building inspectors and related permits.

Shopping tips

- Research the service company. Find out how long it has been in business in Arizona.
- Check with the Arizona Department of Insurance and Financial Institutions to make sure the service company has a permit to issue service contracts in Arizona.
 - <https://sbs.naic.org/solar-external-lookup/>
 - English: 602-364-2499 or 1-800-325-2548; Spanish: 602-364-2977
- Check with the Better Business Bureau (<https://www.bbb.org/>) to see whether the service company has been the subject of complaints.
- Review the terms of the service contract to find out what is covered, what is excluded and what limitations exist.
- Service contracts contain a specified expiration date. The service company may offer you the option to renew the policy.

Contracts

A service company must have its service contracts approved before it begins selling them. All service contracts must include the following:

- Cancellation Provisions – All service contracts must allow you to cancel the contract at any time. Regulations also limit the reasons a service company may cancel a contract and those reasons must be specifically stated in the contract. Please refer to your contract for information on how to cancel.
- Refund Provisions - If you cancel a service contract, the service company shall provide for a pro rata refund after deducting for benefits paid and administrative expenses associated with the cancellation which cannot exceed 10% of the gross amount paid for the contract. ([A.R.S. §20-1095.06\(D\)\(9\).](#))
- Contact Information – The service contract and the application must contain the name, address, and telephone number of the service company, the name of the service contract administrator, if any, and the name of the individual who sold the service contract.
- Purchase Price, Term, and Deductible – The service contract must state the cost of the contract, the effective and expiration dates, and the service fees or deductibles for which you are responsible.
- Service Company Duties – The service contract must clearly state what services the service company will provide and the terms and conditions under which it will provide those services. In addition, the service contract must state which components are covered and which are excluded from coverage.
- Limitations on Performance – The service contract must identify all limitations with respect to the service company’s providing services, including any restrictions as to time periods within which services may be required or will be performed.

Resources

If you have questions about a service company, contact the Arizona Department of Insurance and Financial Institutions at:

Market Regulation and Consumer Services
Arizona Department of Insurance and Financial Institutions

100 North 15th Avenue, Suite 261

Phoenix, Arizona 85007-2624

Phone: (602) 364-2499

Email: insurance.consumers@difi.az.gov

If you believe your service company has violated the terms of your service contract, you can file a complaint with the Arizona Department of Insurance and Financial Institutions by submitting a *Consumer Complaint Form* online at difi.az.gov/complaint.

Please include copies of your service contract, all invoices related to your claim showing the scope of work and the repair costs, and all correspondence (letters, e-mails, etc.) you received from and sent to the service company.

Persons with disabilities may request materials be presented in an alternative format by contacting the ADA Coordinator at (602) 364-3100. Requests should be made as early as possible to allow time to procure the materials in an alternative format.
