



## CONSUMERS ARE PROTECTED WHEN PURCHASING SERVICE CONTRACTS

### **Majority of Product Service Contracts Purchased from Stores that Have Closed or are in or Near Bankruptcy are Covered by Third-Party Insurers**

Tallahassee, FL – November 24, 2008 – According to the Service Contract Industry Council (SCIC), consumers can continue to buy and enjoy the benefits of service contracts for their electronic products this holiday season and beyond, with the knowledge that the contracts will still be viable and honored even if the retailer closes or files for bankruptcy.

“A majority of states have stringent financial responsibility laws for service contract providers to help ensure that contracts sold to consumers will be honored,” said Timothy J. Meenan, executive director of the SCIC and former Deputy with the Florida Department of Insurance. “In addition, a substantial majority of licensed providers purchase insurance from heavily regulated insurance companies to guarantee the performance of all of their service contracts sold through their retail partners.”

Many state legislatures across the nation have adopted or adapted the SCIC’s model legislation, which among other provisions puts in place regulations -- including the requirement to buy insurance -- to protect consumers who purchase service contracts from struggling retailers.

Service contracts (sometimes referred to as extended warranties) purchased from major retailers are sold and administered by third-party service contract providers that are independent of retailers. And, according to the SCIC, a national trade association that represents the service contract industry and works to implement consumer protection regulations, these third-party providers will continue taking claims and providing service regardless of the status of the retailer that originally sold the service contract.

“The Service Contract Industry Council wants to assure consumers purchasing electronic gifts and replacement television sets for the anticipated DTV conversion in February that the majority of service contracts are backed by the providers that administer them and their insurers,” Meenan said. “Consumers have embraced the benefits of service contracts and can continue to use and purchase service contracts with confidence.”

#### **Service Contracts by the numbers, etc.:**

- 74% of consumers buy service contracts because they have used them in the past and 70% of consumers find them inexpensive compared to repair costs (source: *Consumer Reports*)

- Consumers plan to spend 28% of their holiday budgets on electronic products and services. Computers are ranked as the number one electronic purchase planned; TVs, video game systems, and cell phones follow in demand (source: CEA)
- 85% of shoppers plan to buy electronic products on Black Friday (source: *Consumer Reports*)
- 24-hour technical assistance: Service contracts benefits can include around-the-clock technical support, in-home repair service, discounted product repair, routine maintenance, such as cleanings and tune-ups, product replacement, major component coverage, comprehensive coverage, and free shipping

### **Consumers Tips for Purchasing and Using Service Contracts**

- Service contracts come with a free-look period, which allows the consumer to review the details of a service contract within 30 days and receive a 100% refund upon cancellation – no questions asked
- Read the provisions carefully and become thoroughly familiar with all coverage and exclusions
- Carefully fulfill all obligatory responsibilities, such as proper handling, voltage, maintenance, etc.
- Keep the service contract paperwork, original receipt(s), and all maintenance records in a secure, easy-to-access location
- Utilize the service contract for all covered repairs to maximize the function, value and enjoyment of products
- Consumers with questions about their service contract provider can call their state insurance commissioner.

Additional consumer tips and information are available at [www.go-scic.com](http://www.go-scic.com).

### **About the SCIC**

Established in 1989, the Service Contract Industry Council is a national trade association whose member companies collectively offer approximately 80 percent of the service contracts sold in the U.S. for home, auto, and consumer goods. The SCIC educates consumers about service contracts, encourages its members to pursue high standards of customer satisfaction, and has developed and promoted model legislation to regulate its industry with standards designed to protect the consumer and the industry.

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**Editor's Note:** Mr. Meenan available for interview.

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