

A mechanic in a blue uniform is leaning over the open hood of a car, working on the engine. The scene is set in a garage or workshop. The text is overlaid on the image.

**Before
You
Purchase**

MECHANICAL BREAKDOWN PROTECTION

**By
C. Kirk Steele, CLU**

auto-POM

www.extended-vehicle-warranty.com

BEFORE YOU PURCHASE MECHANICAL BREAKDOWN PROTECTION

**Learn How To Avoid Disappointment
in the Purchase of a
Vehicle Service Contract**

By
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BEFORE YOU PURCHASE MECHANICAL BREAKDOWN PROTECTION

As a founder of a national insurance brokerage who specialized the last 25 years in so called “extended warranties”, more properly called vehicle service contracts (VSC) or mechanical breakdown insurance (MBI), I have learned a few things that might be of value to anyone considering the purchase of this coverage.

Here’s what we will cover in this report:

- Do You Even Need Extended Coverage?
- Why Not Just Buy From the Dealer?
- Beware High Pressure
- Unrealistic Expectations
- Always Read the Contract Coverage
- Named Components Contract
- Named Exclusion Contract
- Claim Payment—What to Expect
- Who Underwrites (Insures) the Coverage
- Summary

First of all, the term warranty is used improperly by nearly everyone. Technically only the manufacturer or their dealers (GM, Ford, Toyota, etc.) can issue or offer a warranty. They made the vehicle and only they can offer or warrant the repair or replacement for a set time and mileage. Anyone else, and that includes **auto-POM**, can sell a vehicle service contract, or in some states like California, a mechanical breakdown insurance policy.

So, does what you call it really make any difference? Probably not if you buy from the right source. Unfortunately there are a lot of companies that are smoke and mirrors who would like to cheat you by equating what they sell to what a manufacturer offers, of course at a much lower price. Some are reputable with thousands of satisfied customers; others are out to get your money and may well leave you holding the bag!

DO YOU EVEN NEED EXTENDED COVERAGE?

If you plan to keep your car less than 3 yrs/36,00 miles or 4yrs/50,000 miles, (the typical manufacturers warranty) or you are really wealthy , you probably don't need to buy this coverage.

If you are the average buyer today who will keep your vehicle for

more time or mileage than the manufacturer's warranty you probably should consider extended coverage.

Here are a few reasons you might want to consider this coverage:

- Peace of mind. Long after you have paid your money for a contract and forgotten the price, as you cruise the highways of America you will know that large repair bills are not lurking in your future.
- Expense of Repairs. Today's cars are the best ever made and the most reliable. They are also more complex than ever before. The problem is when something goes wrong the repair bills can be shocking. There is a reason today we call repair people technicians and not mechanics.
- Selling your vehicle. Did you know that most good contracts are transferable to a subsequent buyer for a small fee?

Several years ago I sold a mini-van to a family that was deciding between my car and another. I got the sale because there was still over 40,000 miles and 2 years left on my extended vehicle contract which could be transferred to them. I also got my asking price. This is a nice benefit you might not usually consider.

Other Extra Benefits:

- 24 hour road side assistance
- Trip interruption reimbursement

- Tire protection replacement
- Vehicle rental reimbursement

WHY NOT JUST BUY FROM THE DEALER?

Sometimes this might not be a bad decision. Here are some things to consider:

- Is the dealer offering a manufacturer's warranty or something from a third party provider? Beware the third party contract. Dealers love to make money. Often the dealer will select a company that offers a cheap contract to which they can add their profit. Over the past 20 years dozens of these companies have gone belly-up leaving millions of consumers holding the bag when they have a claim. In that situation the best you can hope for is that the dealer will step up and make the repair. Don't hold your breath.
- Even if the dealer offers a manufacturer's warranty the price is likely to be very high. Be sure to do your homework and compare pricing and coverage before you commit.

BEWARE HIGH PRESSURE

There are lots of people today who want to sell you extended coverage. Beware of anyone who pressures you to buy a contract **right now!** They will give you lots of reasons like special pricing that is expiring or a special deal on your brand of car that ends soon. This is mostly misleading information to get you to buy **now**. A good company will let you take your time, answer your questions, and make comparisons.

There is only one reason to make a quick decision and that is if your car is about to go out of warranty!

Usually the pricing terms are better if you purchase a contract before your manufacturer's warranty expires.

UNREALISTIC EXPECTATIONS

Be sure to read your contract/policy and know what is covered and what is not. You will not be disappointed later.

- A few years ago a lady called our office complaining bitterly about the vehicle service contract she had purchased from us a few years earlier. She wanted her money back because we would not pay for her oil changes and a new battery. We patiently directed her to the contract itself where these things were clearly excluded.
- Another fairly common problem is the buyer who suddenly decides to buy a contract on his or her clunker when the transmission starts slipping, then presents a claim as soon as the contract arrives in the mail. This is like buying life insurance for someone after they were diagnosed with cancer. When the company finds out there is a pre-existing condition, there is no recourse.
- These contracts were not designed or priced to pay for problems

that clearly existed before the coverage was purchased and was clearly known by the buyer.

ALWAYS READ THE CONTRACT COVERAGE

This seems so obvious and yet so many people rely on a beautiful color brochure and a fast talking salesman to make their decision. **Never** buy until you can review the **actual** contract you will be buying.

Pay close attention to the following sections:

- Named Components
- Named Exclusion
- Claim Payment—What To Expect
- Who Underwrites (Insures) The Coverage?

NAMED COMPONENTS CONTRACT

Only the actual parts specifically named in the contract are covered.

This can be as basic as drive train components (engine, transmission) up to an extensive list that covers almost everything. There is nothing wrong with this coverage if you are aware of what you are buying.

Older vehicles and ones without lots of bells and whistles are good candidates for this less expensive coverage.

NAMED EXCLUSION CONTRACT

This type of contract is the most comprehensive you can purchase. Instead of a long list of components that are covered it will list the parts and components that are **not** covered. On the best contracts there are few exclusions. The common exclusions are routine maintenance, tires, brake pads, etc. The shorter the list the better because if it isn't excluded it is **covered!**

CLAIM PAYMENT—WHAT TO EXPECT

It should not be like pulling teeth to get a claim submitted and paid when submitted by you or a repair facility. You should be treated with respect and the process should be simple and straight forward.

On the other hand, do not expect the claim payment facility to not require validation before payment. Every day they deal with repair facilities and consumers who hope to rip them off. They want basic information from the repairer and if the story does not add up they may send an independent inspector to look at the problem and give an unbiased opinion as to the legitimacy of the claim and proper repair.

This does not happen often, and is not necessarily a bad thing for the consumer. It does two things; it stops rip offs by repair facilities and helps keep rates affordable for extended warranties by eliminating bogus claims.

Other than your deductible (if you have one) you should not have to pay anything out of your pocket for a repair. All quality warranty companies pay the repair facility by credit card after confirmation that the repairs were completed.

WHO UNDERWRITES (INSURES) THE COVERAGE

This is one of the most important things to consider before you buy an extended warranty. Over the past 20 years there have been dozens of failures of extended warranty companies and administrators. Many were very large and had hundreds of thousands of consumers who were left with contracts not worth the paper they were printed on. All of them on the front end told consumers how safe they were and that they were “re-insured” of members of a “risk retention” group of some similar language.

So how do you know what to look for? The contract you buy should be insured by an insurance company with at least an A- rating from A.M Best & Co. You can easily determine the rating of a company by Googling them and checking their ratings on their website.

The contract you get, in advance of buying, should say something like, “If you have not received payment on a claim within 60 days

you may make a claim directly to the insurance company.”

Good companies have nothing to hide and will readily give you the information you require. They do not give evasive-answers or use high pressure sales tactics.

SUMMARY

We at **auto-POM** believe:

- An extended vehicle warranty can provide excellent consumer value.
- Consumers are entitled to protection that matches their driving and ownership habits. Consumers should never be oversold on protection.
- Consumers are entitled to free and accurate information about vehicle warranties and extended vehicle warranties.
- In old-fashioned values including reliability, professionalism, integrity and commitment.
- The company should maintain low operating costs and pass savings on to the consumer.
- In giving back. A percentage of the profits from this website will be donated to:

Hope International: www.hopeinternational.org

Children of the Nations: www.cotni.org

auto-POM was founded upon these principals. Consequently. It is

our mission to provide you with professional service and just the right amount of quality extended vehicle warranty protection based on your specific vehicle, driving and ownership requirements. You won't pay extra for coverage you do not need when you buy from us and you will know when you have a claim it will be handled fairly and promptly.

Contact us and see if we can earn your business.

 **1-800-724-8141**

www.Extended-Vehicle-Warranty.com

BIO

C. KIRK STEELE, CLU

A veteran in the insurance business, Kirk got his start working for Minnesota Mutual Life Insurance Company. After serving as a regional group manager for Minnesota Mutual he founded his own agency in California, Steele Insurance Services, Inc. This company worked with financial institutions and was one of the first to offer mechanical breakdown coverage as a part of the lending process through credit unions. Up until this point consumers could only buy this coverage through auto dealers. His action brought competition to the market place and helped lower prices for hundreds of thousands of auto buyers.



Kirk later became a founder of Allied Solutions, LLC, now one of the largest national brokerage firms serving financial institutions. Allied Solutions was acquired a few years ago

by Minnesota Life bringing his career full circle.

It is now time for another challenge - bringing quality, fairly priced vehicle contracts to the public via www.Extended-Vehicle-Warranty.com (auto-POM).