

Q&A: Service Contract Providers for Utility Service Line Coverage

Plumbing Systems

1. What is a service contract?

A service contract is a business agreement between a company/contractor and customer covering the servicing of utility lines over a specified period. A service contract usually covers repair, replacement, and could include maintenance of major systems and/or appliances that breakdown or malfunction due to accidental damage or normal wear and tear. Service contracts for utility lines typically include coverage for plumbing systems.

2. How does a service contract agreement work?

A service contract holder pays a premium for the service contract. When there is a condition that affects a major system or appliance in their home or business, the holder contacts the service contract provider for service and pays a deductible.

3. Is a service contract different from a manufacturer's warranty?

A service contract should not be confused with a manufacturer's warranty. A true manufacturer's warranty is purchased with the product and is assurance of repair or replacement from the manufacturer. If a product does not operate or perform as designed or as specified for a specific period, a claim may be filed with the manufacturer. A service contract is different because it is a separate agreement often issued and performed by a third party and extends beyond the manufacturer's warranty. Claims are handled directly by the service contract provider.

A service contract is sometimes referred to as a home warranty plan, home repair or maintenance plan, or equipment break-down plan. In practice, these names are interchangeable. For example, when someone purchases a service contract covering their plumbing systems they probably are entering into a separate agreement to service (repair, replace and sometimes maintain) their major plumbing systems by a third party. Alternatively, a maintenance or service agreement may just be for maintaining or servicing systems and may not offer repair or replacement service. Maintenance plans may require you to periodically service your systems and may not offer coverage when misuse, abuse or neglect is apparent.

4. How long does a service contract last and is there a cancellation time frame?

A service contract generally lasts for one year with the option to renew. Service contract providers in the District of Columbia are required to allow the service contract holder the right to cancel the contract within 30 days of the date of mailing. The 30-day period

is called a waiting period or look-and-see period. If there are no claims filed during this period, contract holders are entitled to full a reimbursement of cost.

5. What questions should be asked of the service contract provider?

If you have considered purchasing a service contract, do your homework! Read the plan thoroughly. Make sure you have answers to the following questions:

- What is the monthly premium and deductible?
- What does the contract cover and exclude?
- Is there a limit on claims/expenses incurred per year?
- How many feet or systems is covered?
- Do you have control over who performs the work?
- Who determines whether a repair involves systems on your property?
- Are there different levels of coverage?
- How does the service contract compare to a homeowner or business owner policy?

6. What are some types of possible coverages and exclusion in service contract for plumbing systems?

Possible coverages service contractors provide for plumbing systems:

- Frozen or ice-jammed pipes
- Subterranean drains, lines or pipes running through the property
- Vermin, insects or rodent damage
- Fitting external valves
- Excavation, backfilling, landscaping
- Locating and examining leaking pipes or plumbing systems
- Repair or replacement of broken, cracked, clogged drains, lines or pipes
- Mechanical or electrical breakdown
- Tree or root damage
- Collapse, due to weight of people, animal or objects
- Rust, corrosion, decay or deterioration
- Cutting, fusing and welding pipes

Possible exclusions:

Water related property damage, pipes that run through a body of water or septic or well systems

7. Where can I find more about a service contract provider?

Know your rights!

Before you select a service contract company, you should confirm that they are registered to conduct business in the District of Columbia by visiting: sbs.naic.org/solar-external-lookup/.

If you have concerns about a service contract plumbing provider, you may contact the DISB Consumer Services Division at 202-727-8000 or through email at: disbcomplaints@dc.gov.

View the Council of the District of Columbia Service Contract Regulation here: code.dccouncil.us/us/dc/council/code/titles/31/chapters/23M