

# Home Warranty Contracts

Massachusetts General Laws  
Chapter 175, Section 149F *et seq.*

## Home Warranty Contracts

When you are buying or selling a home, the real estate agent may offer to sell you a home warranty contract. A home warranty contract can be beneficial if a major problem occurs, but you may not realize what is and what is not covered by your contract.

## What Is A Home Warranty Contract?

1. Under Massachusetts law, a home warranty contract is a contract or agreement in which a person, other than a builder, seller or lessor, agrees for a fee and for a specified period of time, to repair or replace all or any part of any structural component, appliance or utility system of residential property necessitated by wear and tear, malfunction, deterioration or inherent defect.
2. Under Massachusetts law, a home warranty contract does not include any service contract, maintenance contract, performance guarantee or warranty sold, offered for sale or issued by any manufacturer, seller, builder or installer of any structural components, appliances or utility systems for residential property.
3. A home warranty contract is not an insurance policy. If you decide to purchase a home warranty contract, compare it to your homeowner's insurance policy to be sure you are not purchasing duplicative coverage. Often, a home warranty contract is considered excess coverage, which means that the home warranty contract will not provide benefits for repairs that are covered by another collectible insurance policy, warranty or guarantee.

## Do You Need A Home Warranty Contract?

1. What benefits and/or repairs are covered by the home warranty contract? Most home warranty contracts do not cover pre-existing defects or conditions. Make sure you know who is responsible for checking for pre-existing defects or conditions in your home.
2. How much will the contract cost you? Contract prices vary and generally cover a one-year period. The contract may contain optional coverage that is available upon payment of an additional contract fee. Consider whether you would be able to afford a repair if you did not purchase a home warranty contract and/or any optional coverage for that period of time.

## Read Your Contract Carefully.

1. What are your responsibilities under the home warranty contract? You usually need to call the home warranty company, and the company will arrange for a repair person to come to your home. Alternatively, you may be allowed to choose your own repair person with the home warranty company's prior approval. Make sure you know if the home warranty will cover a repair before any work is started. In addition, make sure you know if and when you are required to get a second opinion for a repair.

2. What does the home warranty contract say about repairing or replacing parts? Most home warranty contracts state the decision to repair or replace a part, such as a furnace, is the home warranty company's decision. If the home warranty company decides to replace a part, it usually gets to replace the part with an equivalent product. For example, if your washing machine breaks and the home warranty company decides to replace it rather than repair it, you may receive a new washing machine with similar functions, but not necessarily the same brand name as the one being replaced.
3. Is there a deductible? If there is a deductible, verify whether it is for each service call or for each repair. For example, assume your deductible is \$25. If the plumbing broke in the kitchen and in the bathroom and only one service call was made, are you required to pay \$25 or \$50? You also may be charged a fee for each service call. Make sure you know how much the fee is and when it will be charged.
4. Are there benefit limits for certain repairs? Most home warranty contracts have maximum allowable benefits for certain types of repairs. These limits may be per contract or per covered item. Make sure you understand what the benefit limits are in the contract and how they apply.
5. Can you transfer the home warranty contract if you sell your house? If you can transfer the contract, make sure you know what procedure you need to follow.
6. Can you get a refund if you want to cancel the home warranty contract? If cancellation is allowed under the terms of the home warranty contract, you may be entitled to a refund of the contract fee attributable to the unexpired term of the contract. You also may be charged a cancellation fee and/or administrative fees.

## **Know Your Rights.**

1. All home warranty companies doing business in the Commonwealth of Massachusetts must hold a certificate of authority issued by the Division of Insurance. You may verify that a home warranty company is authorized to do business in Massachusetts by contacting the Division of Insurance.
2. Under Massachusetts law, if a home warranty company authorized to do business in Massachusetts becomes financially impaired or insolvent, neither the Guaranty Association nor the Insolvency Fund will guaranty or assume its contracts and/or pay claims under its contracts. Every home warranty company authorized to do business in Massachusetts must file a \$25,000 surety bond with the Division of Insurance. This surety bond is for the benefit of home warranty contract holders who are injured because their home warranty company becomes insolvent.
3. Although a home warranty company is not an insurance company, all home warranty companies doing business in Massachusetts are subject to the requirements of Chapter 176D of the Massachusetts General Laws which prohibit unfair methods of competition and unfair or deceptive acts or practices in the business of insurance. If you have a complaint about a home warranty company or your home warranty contract, please contact the **Division of Insurance's Consumer Services Section at (617) 521-7777.**