



Home | Search Site

Who We Are

- Attorney General Tom Miller
- Office Directory

What We Do

- Protecting Consumers
- Fighting Crime
- Helping Victims of Crime
- Working for Farmers
- Protecting the Environment
- Raising Child Support Awareness
- Representing State Government
- Issuing Attorney General Opinions
- Enforcing Tobacco Laws
- Protecting Utility Customers

Resources

- File a Consumer Complaint
- Other Complaint Resources
- News Releases & Publications
- Legal Resources
- Jobs & Internships
- Contact Us

Consumer Advisory Bulletin

"Should I Buy the Service Contract?"

After consumers decide which product they are going to buy, they almost always face another decision: "Should I purchase the service contract, too? "

Nowadays, service contracts are offered on everything from toasters to stereos to automobiles. A retail clerk may urge you to buy a service contract at the point of sale, or you may get letters or phone calls later promoting the contracts. Service contracts might be offered by the retailer, the manufacturer, or a separate third party.

Sales of service contracts can be lucrative, and that's why sellers work hard to promote them. Profit margins on the contracts sometimes are higher than on the sale of products themselves.

The advantage of "extended service protection plans" (as they are known formally) is that they can reimburse you for the cost of having a product repaired or replaced.

There can be disadvantages: Some service contracts are not worth their extra cost. Some companies find loopholes or other reasons to deny coverage. And some service contracts are outright "scams."

Here are questions to ask before you buy a service contract:

Do you need a service contract? A service contract might be a waste of money if the manufacturer's warranty is sufficient, or if the product is unlikely to need repair at all.

Have you had time to study the service contract carefully? Take your time to make a decision. Be sure to get a copy of the full contract and read it carefully. If a clerk insists on a "snap" decision, do not buy the contract.

What does the service contract cover -- and what does it exclude or limit? If an item isn't listed as covered, assume that it is not covered. Check if you are required to have repair work done only by the retailer who sold the service contract. Find out if you will be covered for out-of-state repairs. Ask if there are deductibles you have to pay.

Is the company reputable? If you are not sure, check it out. Contact the Attorney General's Office to see if complaints have been filed against a company.

For more information, or to report fraud in the sale or use of a service contract, call the Consumer Protection Division at 515-281-5926, or write: Consumer Protection Division, Hoover State Office Building, Des Moines, IA 50319.

[Return to Consumer Advisories](#)