
What is a Home Warranty?

By Robert Malinn



A home warranty plan is a service agreement that discounts the costs of major home appliances and system repairs. Unlike homeowners' insurance, these annual contracts are not mandatory, though often recommended. It reassures the homebuyer and provides the seller with protection against complaints about home defects that arise after a sale closes.

Home warranties cover your home and belongings in an accident or natural disaster. Standard coverage includes fires and floods. Homeowners insurance won't cover the wear and tear of your home's systems and appliances. Investing in a home warranty will cover the steep costs of repairing or replacing everything from your home's electrical and plumbing systems to your garbage disposal.

How does a home warranty work?

In most cases, your home warranty plan provider will be a single point of contact. When you notice damage to a system or appliance, call your warranty company. The warranty company will coordinate with other service providers such as plumbers or electricians.

A third-party contractor will work on-site and fill out an assessment to determine the cause of the damage. If your warranty contract covers the damages, the warranty provider will hire the contractor for replacement or repair.

Every warranty provider offers different coverage and can deny a claim if it doesn't reflect your contract. One company may be willing to repair your central air, while another may not. Knowing the terms of your home warranty contract and finding a reliable warranty provider is paramount.

What does a home warranty cover?

Most home warranties cover major appliances such as stoves and refrigerators. Mechanical components of systems such as plumbing and electrical systems are generally covered. Some policies will cover pools and hot water heaters, but it's essential to understand your policy ahead of time. Depending on where you live, you may want to find a warranty covering well pumps, sump pumps, or septic tanks.

What does a home warranty not cover?

Your home warranty will not account for water damage, burglary, fires, or natural disasters. Your homeowner's insurance instead covers these issues. Homeowner's insurance will protect your home structure and personal belongings, not considered systems or major appliances. It is important to note that warranty companies also won't pay for cosmetic updates or seasonal maintenance costs. Your warranty provider may also deny your claim if you haven't properly maintained your appliance or system.



How much does a home warranty cost?

Home warranties vary in price, but most cost \$25-\$67 monthly. Expect an additional \$75-\$125 for a servicing contractor, also known as a service calls fee or a trade calls fee. Under most policies, if the cost of a repair or replacement is less than this fee, the homeowner will pay the lesser amount.

Many warranty companies will grant extended coverage for some products not included in the home warranty contract for an additional fee. Depending on the system or appliance, this could cost an additional \$100-\$500. Companies won't cover items such as pools, spa systems, and garage door openers in the standard warranty. Consider your warranties contract limit. If the repair or replacement exceeds this amount, you have to pay the difference.

Who needs a home warranty?

A home warranty contract is ideal for homeowners without an emergency fund. If you've bought a home and depleted your savings in the process, a home warranty is an option to lessen the burden of significant expenses.

Maybe you're not particularly handy or simply don't have the time to invest in dealing with contractors every time a problem arises. A home warranty contract places that responsibility in the hands of your warranty company. They will assign their contractors, however. If decision-making autonomy is a top priority, it may be worth reconsidering.

If your home has expensive appliances, consider the possibility that repairs for those appliances might be out of budget. There's a possibility that you won't use your warranty for years and feel that you wasted your money. Many would argue that the purpose of a warranty is to pay for peace of mind.

If you're selling your home, buying a one-year policy for the next owner is a strategy many sellers use to mitigate the risk of legal action. You will be legally obligated to disclose any known issues with the property if you're selling your home.

If you're purchasing an old home or a home with old appliances, the components may no longer be under factory warranty. A home warranty may be worth it. If you've purchased a new home, the benefit is that the appliances and systems will be new, but unfortunately, there's no previous owner to disclose issues. Consider a one-year warranty as a security measure.

When investigating a claim, a contractor may check if the component was already failing before you got a warranty. Even if the previous homeowner did not maintain an appliance, the money is coming out of your pocket.

Top recommendations for home warranties.

Your ideal home warranty contract will not only cover repairs but replacements for major appliances and systems. Choosing the right plan can be intimidating, but House Method recommends seven of the [best home warranty companies of 2021](#), sorted by price and coverage. Here's a brief overview of the top picks:

- 1. Choice Home Warranty**—Choice Home Warranty's comprehensive plan has competitive prices and won't deny your coverage based on the age of your home or covered items.
- 2. American Home Shield**—American Home Shield is among the oldest in the home warranty industry, having been in business since 1971. This company is ideal if you prefer a customizable plan. They offer additional coverage for components like pools and spas. They pride themselves on the fastest response rate of any home warranty provider.
- 3. Select Home Warranty**—Select Home Warranty is the best warranty provider in cost-efficiency for its low monthly premiums and frequent promotions. They offer coverage for items other companies don't, including septic system coverage and roof leak protection.
- 4. Liberty Home Guard**—With only two years in the industry, Liberty Home Guard has already distinguished itself as one of the best. They boast an A+ from the BBB. Having received thousands of positive reviews and offering an extensive list of add-ons, Liberty Home Guard puts the customer first.
- 5. First American Home Warranty**—Most home warranty providers won't cover improperly installed or poorly maintained appliances and systems. First American Home Warranty is an exception to this standard. They also don't have a coverage cap for HVAC, one of the most expensive components to replace or repair. House Method named them the best for appliance coverage.

6. ServicePlus Home Warranty—ServicePlus Home Warranty is on this list for its immediate response and quality emergency service. They have a great network of service professionals and include free roof leak coverage with every policy.

7. Cinch Home Services—With over 40 years of experience, Cinch Home Services is our choice for Best Workmanship Guarantee. They offer a 180-day guarantee, three robust coverage plans, and additional optional coverage.

Sources

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