



Insurance Technology and Warranty Services

HVAC Extended Warranties

**Why Manufacturers, Distributors, Dealers
and Service Providers, Software Vendors
and Lenders Can Benefit from
Warranty Sales.**

**Drive Revenue and Consumer Brand Loyalty with
Extended Warranty Protection
for HVAC and Water Heater Products!**

A History Lesson

Extended Warranties are widely accepted in the retail and consumer products space as a solid way to drive point-of-sale revenue numbers up. Extended Warranties also driving long term revenue through guaranteeing post sale service for purchasing consumers.

Retailers and manufacturers of major appliances, electronics, furniture, fitness equipment, computers and mobile devices have offered extended warranties which begin on the date of purchase or after the manufacturers' warranties expired for decades.

As a matter of fact, GE Appliances, a widely accepted innovator and first adopter, was one of the first companies to offer extended warranties directly to consumers and through its retail partners, decades ago. By published accounts, it sold the first warranty in 1934 on a GE Monitor Top refrigerator. GE's was aware at the earliest time in its attempts to sell these appliances, and even its first Model T cars, that consumers would buy more units if it could provide post sales service solutions to customers who either could not afford to purchase then outright with cash, or who were concerned about downstream service or replacement costs. So, they offered financing to increase sales and extended warranties to alleviate the concern of post purchase service and repair. Whirlpool and Sears were also early adopter, offered extended warranties on appliance and other products.



What is an Extended Warranty?

Extended warranties are warranty plans that typically wrap around a manufacturer's warranty period. Extended warranties offer warranty services such as repair for product failures that occur after the OEM warranty expires. Service contracts are often synonymous with extended warranties.

However, service contracts can also be described as a contract or warranty plan which begins at the date of purchase, or DOP, of a product, whereas an extended warranty usually begins upon the expiration of a manufacturer's¹ warranty period. Service contracts cover the same 'break fix' repairs which extended warranties cover, but also, in the case of a DOP contract include additional coverages for non-OEM covered features, such as food loss, power surge or no lemon coverages which can kick in on the date of a product purchase.

How do Traditional Extended Warranties differ from HVAC Extended Warranties

The biggest difference between an appliance extended warranty, for instance, and an HVAC warranty is largely related to the labor coverage. HVAC equipment, installed by a dealer or service contractor, typically only comes with a part warranty which coverage the components and compressors for up to 12 years, depending on the product and manufacturer.

The contractor issues a labor warranty, a 'warranty of work' if you will, that covers the physical installation their performed for a period. The OEM does not cover this at all.

HVAC and Water heater extended warranties enable the installer to offer homeowners protection against these unanticipated and unbudgeted labor costs. The extended warranty covers the cost of the labor repair and even uncovered parts, during the warranty term.

Another key difference between appliance or electronic extended warranties and HVAC warranties is the entitlement and claiming process.

Typically, warranty administrators require the homeowner to contact them for service, at which point their staff validates the problem is covered and dispatches a contracted service provider to fix the issue.



AVERAGE HVAC REPAIR COSTS

According to HVAC.com, average repair costs for heating and furnace systems are about \$300:

- Repair blower motor – \$150
- Replace blower motor – \$450
- Replace ignitor – \$300 to \$400
- Replace flame sensor – \$250
- Replace heat exchanger – \$500 to \$1,200
- Replace pressure sensor/circuit board – \$350
- Replace gas valve – \$150
- Replace smart valve – \$750
- Replace draft inducer – \$150 to \$450

HVAC contractors are usually the first point of contact for homeowners, as they have likely installed the unit. Therefore, it is important for the contractor to understand what coverages they sold the homeowner, what it covers and does not, and what they can bill the administrator for.

In both cases, the service provider or contractor is required to electronically submit a claim to the administrator which is adjudicated against the warranty logic and paid or rejected.

What Types of Extended Warranties are Available?

HVAC extended warranties differ from appliance or electronics extended warranties in that they are sold based on the product category, product application, the installer labor warranty and the OEM labor and parts and compress warranties.

	Residential	Commercial	Part only	Labor Only	Accessory Only
Products	<ul style="list-style-type: none"> • Air Conditioning condensing units, complete systems, or package units • Furnaces • Heat pump condensing units, complete system, or package units • Dual fuel heat pump systems or package units • Zone systems • Ductless/ mini splits • Geothermal units • Water heaters • Compress or replacement 	<ul style="list-style-type: none"> • Condensing units • Complete split systems or package units • Ptac/Wall units 	<ul style="list-style-type: none"> • Thermostats • AC or HP complete split or package units • Residential AC and HP condensing units, Furnace, AC and HP complete split or package units • Accessories 	<ul style="list-style-type: none"> • Boilers • Compress or replacement only • AC or HP complete split or package units • Residential AC and HP condensing units, Furnace, AC and HP complete split or package units • Accessories 	<ul style="list-style-type: none"> • Thermostat • Thermidistat • Humidistat • (De)Humidifier • Filtration • E-Air Cleaners • Condensation Pumps • Hard Stat Kits • Flow Switch
Installer Warranty	3 months labor	3 months parts and labor 3 months labor		3 months	
OEM Labor Warranty	0	0	0	0	
OEM Parts and/or Compress or Warranty	From 5 years parts From 5 years compressor	From 1-year parts From 1 year's compressor	1- or 5-year parts	0	
Warranty Terms Available	5, 10, 12	1, 5, 10	5 or 10	1, 2, 5, 10, 12	

HVAC warranties also provide the service provider/seller the ability to choose his/her own service rates. Your extended warranty wholesale cost is dependent on what you want to be paid on an hourly basis to run the service. The service rates are typically flat rated, for instance, at \$85/ hour or \$125/hr.

There are also defined allowable hours per repair, that dictate for what you can bill the extended warranty administrator or underwriter, such as the examples at right. Parts are also reimbursed based on an allowance schedule determined by part cost, with refrigerant, refrigerant reclamation, and trip charges also billable.

What Do the Best HVAC Extended Warranties Plans Offer?

This is an important question. Lots of actors are in the market today which market HVAC warranties. However, not all warranties are created equally. For the most value for your company, and the most features and peace of mind for your homeowners, look for plans which:

SERVICE TYPE: Electrical	Allowed Hours
Blower Assembly (cage, wheel, motor, housing cap)	1
Circuit board	0.5
Crank case heater	1
Defrost/control board	1
Fan switch/control	1
Fuse/harness	0.5
Heater elements/strips	2
Inducer motor	1
Inverter board	1
Misc. wiring	.5/1
Module/ECM	1
Motor (blower)	1.5
Motor (condenser)	1
Motor (eev/stepper)	1
Overload (external)	1
Relay/Contractor	1
Sensor	1
Solenoid	1
Start Kit/compressor assist	1
Switch/sequencer/thermistor/limit/fan	1
Thermocouple	1
Thermostat	1
Timer	1
Transducer switch	0.5
Transformer/Reactor Coil Thermostat	1
Wire-ignition switch	1

1. **Are fully underwritten plans.** Insurers provide deep pockets to pay for estimated claims, ensuring you and your homeowner are not left to cover the costs.
2. **Offer competitive rates.** You can typically sell a warranty for about so you can easily sell warranties during the equipment sale for about 20% of the equipment cost. Homeowners do not shop warranties, but they will turn one down if it is priced too high.
3. **Do not require service deductibles.** \$0 deductible plans are more appetizing for homeowners which just spent a lot on a new HVAC system or those who have limited disposable income.
4. **Offer clear language around coverage and exclusions.** The last thing you want to do is explain why something is not covered to a homeowner. Clear marketing collateral and clear terms and conditions eliminate downstream disappointment.
5. **Offer a full suite of plans covering the products and brand which you sell today.** You need to be able to offer an extended warranty on 100% of the products you sell.
6. **Easy transfer and complementary protection and service offers.** The best plans enable homeowners to transfer the warranty when their home is sold. They also offer other extended warranty, home warranty and on demand services so that homeowners can turn to a 'one stop shop' for all their product protection and repair needs!
7. **Support online claims submissions and have a network of service providers.** Ease of doing business is paramount to eliminate administrative costs. Automated processes make your life easier. And, in case you cannot service the product you have installed and on which you have sold a warranty, a worth administrator can tap into an existing network to service the homeowner.

Why Sell HVAC Extended Warranties?

Why sell warranties? That is simple!

The value of extended warranties to a manufacturer, dealer or contractor, software provider or even a lender are numerous!

HVAC Manufacturer Extended Warranties For manufacturers, HVAC extended warranty programs drives revenue, reduce risk, and improve homeowner satisfaction.

- HVAC extended warranties provide manufacturers with product differentiation. Manufacturers that offer extended warranties on HVAC equipment drive revenue and increase market share through distribution and dealer channels.
- HVAC extended warranties drive brand loyalty from dealerships and consumers.
- HVAC extended warranties improve customer satisfaction with equipment over the long term through excellent service delivery performed under the extended warranty.
- Underwritten equipment warranty options, unique for manufacturers carrying product warranty reserves on their books, offers risk mitigation and balance sheet relief to manufacturers.

Distributor Extended Warranties

For Distributors, extended warranties drive revenue and improve homeowner satisfaction.

- Extended warranties enable distributors to provide added value to dealer partners.
- Extended warranties drive product differentiation, providing up to 12 years of extended repair protection for homeowners.
- Extended warranties enable distributors to capture more sales and more market share.
- OnPoint's turnkey program helps distributors win at the point

Dealer and Service Provider Extended Warranties

Extended warranties offer Dealers, Service Providers and Contractors higher point-of-sale revenue, better customer retention rates, and increased service and maintenance revenue.

- Easy to use sales platforms make offering homeowners peace of mind easy.
- Extended warranties enable dealers to offer value-added repair protection to homeowners, differentiating themselves from competitors.
- Extended warranties drive brand loyalty. Homeowners are 6 times more likely to return to a dealer for service and replacement of HVAC equipment based on great service experiences with extended warranties.
- Extended warranties improve online satisfaction ratings and reviews.
- Extended warranties drive more service revenue. Service what you sell!
- OnPoint offers timely claim reimbursement upon receipt of completed claims documentation.
- Commissions on aftermarket and ancillary post product sales deliver more revenue to your business with little effort on your part.

HVAC Field Service Software Vendors

Software vendors take note. Extended warranties offered as products or upsells in your platform drive non-SaaS revenue to your bottom line today!

- Extended warranties provide software companies the ability to upsell/cross-sell service plans to their subscribers, driving non-license revenue.
- The convenience of being able to offer point-of-sale warranty plans translates to higher close ratios and increased revenues for subscribers.
- Integrated extended warranty plans offer differentiation from competitive field service software platforms. Integrated offers enable your base to use the software to deliver service and sell service SKUs.
- Field service software providers can refer, resell, or integrate extended warranties with their software platforms to offer more value to subscribers.
- Satisfied users generate higher online ratings and reviews through crowd platforms like G2 and others.

Lender Extended Warranties

For Lenders, extended warranties offer real values too! Extended warranties enable lenders to deliver peace of mind for homeowners and new revenue streams for their organizations.

- Extended warranties generate additional non-interest income fees for Lenders at closing and during future renewals. Extended warranties become part of your closing packet at each close.
- Extended Warranties lower loan delinquencies by protecting homeowner budgets from the expense of unexpected repair costs after manufacturer product warranties expire.
- HVAC and whole-home warranties provide long-term revenue streams at very low cost and administrative expense for lenders.

How Do Extended Warranty Resellers Sell Warranties to Homeowners?

There are several ways to sell extended warranties to your homeowners both successfully and profitably.

1. Offer it all the time, every time. In each equipment sale, 100% of homeowners should be offered an extended warranty options as part of an equipment quote. If you are using a software package to manage quotes and sales, pick on with an integrated extended warranty plan, or load up your own warranty SKUs as products in the app.
2. Use an extended warranty as a 'Good/Better/Best' selling aid with the type of equipment that you are selling. Coordinate terms to the manufacturer parts warranty.
3. Wrap the cost of the extended warranty within the equipment cost and use it as a "VALUE ADDED" selling feature of the equipment.
4. Sell the extended warranty as an add-on, like an accessory.

Happy customers equal more referrals, long-term loyalty, and a customer for life.

Do Not Leave Dollars on the Table!

Extended warranties provide real value, in dollars and brand loyalty, to all manner of entities in the HVAC ecosystem. Whether your organization manufactures equipment, distributes it, sell, or installs it, supports the industry through software solutions, or you are handling financing for equipment or even new homes, there is revenue to be made at the point-of-sale, and longer-term revenue driven by improved brand loyalty or upsells.

For more information on how OnPoint Warranty's Comfort Protection Plan can provide protection for your homeowner's investment and comfort while, increasing sales and service revenue for your company! Contact us by clicking [here](#), or email us at hello@onpointwarranty.com. Click [here](#) to sign up today!



About OnPoint Warranty

OnPoint was launched by customer experience experts with proven success helping global brands deliver underwriting, service contract and manufacturer's warranty programs, service fulfillment, service administration technology and logistics, to drive the highest levels of consumer experience in the service industry. Building on the foundation of a connected, multinational service network, omni channel customer interactions and consumer-focused technology, OnPoint creates brand loyalty through service contract and service solutions designed to reduce risk, increase efficiency, delight consumers and improve our customer's bottom line.

For more information, visit our website:

www.onpointwarranty.com.

You can also contact us at help@onpointwarranty.com or dial 877.668.4681 to learn how OnPoint can help your team deliver excellent customer experiences!