Will an Extended Auto Warranty Cover Pre-Existing Conditions?

By Mike Jones, President & CEO of autopom! Insurance Services, LLC

Are you considering getting an extended auto warranty or a Vehicle Protection Plan? Does your vehicle have a current issue that needs repair? If your car currently has a mechanical or electrical problem, it may seem like a good idea to buy extended coverage and then make a claim after your contract goes into effect. However, did you know that pre-existing conditions are not covered?

Why Pre-Existing Conditions Aren't Covered

Unfortunately, you have to buy insurance before you need it. To keep the pricing of policies affordable for everyone, the providers must exclude pre-existing conditions. Pre-existing conditions are not covered and frequently warrant legitimate claim denial. When buying a vehicle protection plan, you need to know that benefits are not provided for a condition that can be shown to have existed before the effective date of the contract.

Unfortunately, people make claims for pre-existing conditions on their vehicles, and they do it more often than you might think. People sometimes purchase vehicle protection plans with full knowledge or suspicion of something wrong with their vehicle. They might feel that they're not hurting anyone...but they are!

Fraudulent Claims

Since pre-existing conditions are not covered under a vehicle protection plan (a.k.a. "Extended Car Warranty"), submitting claims with full knowledge that they exist is committing fraud. It can occasionally be difficult for providers to deny these claims, so consumers sometimes get away with this fraud.

However, be aware that providers often can determine if a condition is pre-existing, which can result in the denial of a claim or worse. How do providers determine if a condition is pre-existing? Here are a few ways:

- If fault codes in the car's computer pre-date the purchase of the contract
- If a leaking fluid shows signs of "road crud" build-up (indicating the leak is long-term)
- If the vehicle's service record indicates that prior recommended repairs were declined

When people make fraudulent claims, it not only hurts the company but, in the end, it hurts consumers too. Fraudulent claims are a hidden cost to providers, and they have to factor into the price of the policies.

The pricing of vehicle protection plans is set according to a calculated average risk based on the vehicle's reliability record. Fraudulent claims throw off the calculation of the risk. This results in higher fees for everyone.

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Does Your Vehicle Have a Pre-Existing Condition?

If you have owned the vehicle for a while, you may have a pretty good idea of whether or not it has a pre-existing condition. The odds are in your favor if you:

- Have been performing regular maintenance per the manufacturer's recommendations
- Haven't seen any check engine lights
- Have not noticed any fluid leaks
- Have not noticed any unusual noises, rattles, or vibrations
- Have not detected any unusual odors, smells, or smoke from the exhaust
- Have not noticed the vehicle behaving differently than usual
- All electrical and electronics appear to be functioning as expected.

You may not know the vehicle's maintenance history if you have just purchased a used vehicle. A Carfax report will give you a pretty good idea of the vehicle's maintenance history, but it is not foolproof. It is best to have a thorough vehicle inspection performed by a reputable shop. We recommend using a RepairPal shop. RepairPal is a network of nationwide shops that are certified, trusted, and highly rated.

Be sure to take care of any issues the inspection determines before purchasing your vehicle protection policy!

If you take care to ensure you don't have a pre-existing condition, having a vehicle protection plan will give you peace of mind of knowing any mechanical breakdowns that occur "down the road" will be taken care of. A protection plan can often pay for itself in just one auto repair bill. Your local Credit Union or a provider like autopom! can give you great coverage for less money than packages offered through car dealerships, so you can have peace of mind and save even more money.

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