



## FINANCE AND INSURANCE

BY LISA GLADSTONE

*Selecting the right service contract company can produce valuable sources of income*

**By Lisa Gladstone**

The service contract you're currently selling could be costing your dealership significant income. How? If the policy doesn't pay its claims, your customers will be unhappy, and you could lose repeat business.

Service contracts can serve as a valuable source of income for your dealership and give your customers peace of mind. But not all service contracts are created equal. A service contract can quickly turn you from hero to villain if it doesn't adequately cover your customers. It is important, therefore, that you evaluate several aspects of a service contract before deciding to do business with a company.

### **Considerations**

In selecting the right service contract company, dealers should consider the following factors:

**The service contract company and its underwriters must be financially stable.** Dealers want to be certain that the "right company" will be around to pay claims to your customers. Therefore, it pays to find out how long the service contract company has been in business and determine who underwrites the policies. Coverage is only as good as the company that backs it.

A "lifetime warranty" means nothing if the company providing this warranty goes out of business, and in the marine industry, we've seen service contract companies come and go in the last several years. You should be selling service contracts from a provider that is financially sound with an underwriter that receives a strong insurance rating. How happy will your customers be with you if you sell them coverage that doesn't protect them?

**Submitting claims to the service contract company should be easy.**

Make sure the company has a toll-free number and the representatives make it simple to submit claims by phone. Some F&I outsource companies have special

toll-free numbers for customers to give them priority treatment and attention. If you work with an outsource service, ask about this number.

**The service contract company must have a good reputation for paying claims.**

Some companies require customers to pay for repairs on their own, and then be reimbursed for the expense. This can cause unnecessary stress for your customers. You should find a service contract company that will pay customers' repair costs up front. Examine the policy's guidelines for reimbursement for labor and parts. Make sure the policy pays retail rates for labor and parts, because many service contracts will not. If the policy does not pay retail rates, your service department may have to accept less than your standard price for service.

**The service contract should provide customers with comprehensive coverage.**

Keep your customers in mind when you review the policy's coverage—the better the protection, the happier the customer will be if he or she needs to make a claim. Look for a service contract that can be customized to the customer's requirements. Factory warranties often cover only factory-labeled parts, so the service contract should cover things like steering, bimini tops, appliances, and other accessories. Select a service contract company that will cover *ALL* of your customers—pre-owned as well as new purchases. If you choose a service contract that doesn't cover pre-owned boats, you're failing to protect many of your customers. You'll also be leaving a lot of potential dealership profit on the table if you can't sell service contracts to pre-owned customers.

**The service contract should be transferable.**

If your customer eventually sells the boat to someone else, the coverage is transferred to the new owner. Transferable coverage is a great selling point when you're explaining the importance of service contracts to customers. When your customer wants to resell his or her boat, any new owner would appreciate this coverage for a pre-owned vessel.

**The service contract company should provide sales support for its dealers.**

If your dealership can't sell a service contract, it is doing you no good. Dealers should find a service contract company that provides sales training and marketing materials to your staff. If your salespeople understand the benefits of the coverage and have brochures or other materials to hand to customers, they will do a better job of selling the service contract. Obviously, this translates into higher F&I profits for your dealership. If you work with an F&I outsource company, the outsource company should be able to provide the training and materials for you.

**Performance costs.**

Like everything else in the marine industry, the best coverage is not always the cheapest. Always remember that lower rates will cause more harm than good if the service contract company doesn't pay your customers' claims. Keep in mind that there are many good service contract companies out there. It's just a question of finding them.

Research is the key factor in finding the best service contract company. So, dealers should visit the company's website. They should read articles and ask other dealers about their experiences with different service contract companies. An F&I outsource company can do all of this legwork for you and also monitor the service contract company's claims history. Your outsource company should check to see if claims are paid promptly, determine whether customers are happy with their service, and look for any issues that may have arisen during claims processing.

In the end, ask your F&I outsource company which service contract company it recommends and why. This one simple question is critical for making customers happy, generating income for your service department, and earning F&I profits.

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