



Memorandum

To: Honorable Mayor and City Council

August 11, 2015

From: Suja Lowenthal, Second District 

Subject: Residential Repair Coverage Plans

RECOMMENDATION:

Request the City Manager work with the Economic Development and Finance Committee to assess whether the City of Long Beach should allow residential repair coverage plans to be offered to residents and return with recommendations to City Council.

BACKGROUND

Throughout California and the nation, companies such as HomeServe USA, Choice Home Warranty, Home Service Club, and HMS Home Warranty have been providing homeowners with the option of coverage for a range of elements on private property including plumbing, sewer lines, electrical, and appliances. The plans are the equivalent of car roadside assistance, and aim to give consumers peace of mind and save them money. The plans offer emergency repair by licensed specialists and if appropriate, replacement of the element. This business model has been around since the 1970's, offering service plans for elements inside and outside the home that may not be covered by traditional home insurance plans. The companies bill their service plans as low-cost and efficient solutions to home repair without a deductible. In some cases, service plan companies partner with cities and agencies, offering a percentage commission for each warranty plan sold to a resident.

It should also be noted that residential repair plan companies have received criticism for their marketing techniques, alleging that they lead consumers to believe communication and coverage plans are from government entities rather than their company. In addition, there have been concerns that elderly homeowners may become confused or unnecessarily frightened by marketing techniques, so the City Manager and ED&F Committee should look further into these concerns.

FISCAL IMPACT

No fiscal impact.