

First Dealer Direct Vehicle Service Contract Process Overview and Frequently Asked Operational Questions

Introduction to First Dealer Direct's VSC System

First Dealer Direct, LLC (FDD) has developed an innovative process that enables participating FDD dealerships, such as this one, to offer a unique approach within the vehicle service contract (VSC) industry. Through this system, dealership customers can conveniently purchase a VSC online without any direct interaction with dealership staff. Dealership personnel are available if the customer has comments or questions not covered by this comprehensive review. This means customers experience no sales pressure, no obligations, and complete transparency throughout the transaction.

Transparency and Customer Comfort

The operational structure of FDD's system is designed to foster openness and honesty. Customers benefit from a transparent environment where nothing is concealed, allowing them to make well-informed decisions regarding their vehicle service contract purchases. The frequently asked questions provided in this presentation emphasize areas of transparency, aiming to equip customers with the knowledge and comfort needed to choose a VSC coverage and pricing confidently.

Ease of Use and Focused Information

Questions and comments within the FAQ are organized so that readers can easily identify and focus on topics of personal concern. This structure allows users to delve into details relevant to their interests while bypassing less pertinent sections, supporting a streamlined and individualized research experience.

Terminology Usage

Throughout this document, several terms may be used interchangeably, including Warranty, Factory Warranty, Extended Warranty, and Vehicle Service Contract (VSC). This approach ensures clarity and consistency for readers as they navigate the information provided.

Factory Warranty and Vehicle Service Contracts Overview

Most new vehicles are accompanied by a bumper-to-bumper factory warranty, which typically covers the majority of parts and systems for up to 3 years or 36,000 miles, whichever occurs first. Upon reaching the designated time or mileage threshold, the factory warranty expires. In addition to comprehensive bumper-to-bumper protection, many manufacturers also provide a powertrain warranty that extends coverage for critical

components—such as the engine, transmission, and drivetrain—for up to 5 years or 60,000 miles.

Several manufacturers may offer supplementary warranties addressing corrosion, anti-perforation, or specific features, including hybrid or electric vehicle batteries. It is important to recognize that warranty coverage varies according to manufacturer and model year specifications. All factory warranties are issued directly by the manufacturer.

Vehicle Service Contracts (VSCs)

A vehicle service contract, commonly known as an extended auto warranty, is an optional plan available for purchase through dealerships. This contract delivers additional protection following the expiration of the factory warranty, whether due to elapsed time or accumulated mileage. Vehicle service contracts are designed to offset the costs associated with certain mechanical failures and unforeseen issues, providing owners with financial reassurance against out-of-pocket repair expenses.

It is essential to distinguish between auto insurance and vehicle service contracts; unlike insurance—which addresses damages resulting from accidents—a vehicle service contract solely covers mechanical and electrical failures.

What Is Covered Under a Vehicle Service Contract?

Typical vehicle service contracts encompass a broad array of components, including the engine, transmission, drive axle, and electrical systems. Some plans may also furnish auxiliary benefits such as roadside assistance, towing, rental car reimbursement, and trip interruption coverage. Reviewing the contract's specific terms and conditions is vital for understanding the scope of coverage and identifying any exclusions.

Who are the parties that make up a VSC program?

The VSC program involves four main entities: First Dealer Direct provides the process, website, and software for dealerships to sell their VSCs online; the dealership sells directly to customers; an administrator manages funds, reporting, and claims; and an insurance company insures the financial risk and pays claims.

How the First Dealer Direct, LLC Process in partnership with this Dealership makes the purchase of your Dealership's Vehicle Service Agreement transparent, easy, no sales pressure and on your time schedule!

Remember, you are dealing with your dealership and their program. First Dealer Direct is only the process used by your dealership to accommodate their customers. On this dealership specific website, after you provide certain information to us, (usually your VIN and current

mileage on your vehicle) you can read the exact VSC coverage selections, what is covered and what is not covered. We tell you exactly where to go in the VSC agreement so you can compare the differences between coverages. Total transparency. And because the program is online available 24/7, on your schedule, say 2:30 PM or 2:30 AM any day of the week, you can read, study, contemplate, consider coverages and costs that best fits your needs. Understand, this one dealership “take your time” feature, is not available with other vendor in this VSC industry. No pressure when making a purchase decision. And there is a feature that allows you to come back into firstdealerdirect.com/yourdealershipname and resume or change anything you have previously selected.

Why an Inspection Is Required Before Coverage Begins?

A Vehicle Service Contract (VSC) operates much like other insurance plans. For example, homeowners insurance will not be granted if there is a visible, unresolved danger—such as a tree at risk of falling or an outdated roof. Insurers typically rely on property inspections, which may involve drone photography and detailed questionnaires, to determine whether coverage should be approved.

Similarly, when applying for health insurance, individuals with preexisting conditions like cancer, diabetes, or a history of heart attacks are often considered ineligible for new policies.

The same principle applies to VSCs: If your car has existing mechanical or electrical problems, the insurer will deny coverage. VSCs only protect against future issues, not those already present. Therefore, before issuing a VSC, the dealership offers a free inspection of your vehicle’s systems. If no significant prior issues are found, your protection starts immediately.

If your car’s factory warranty is no longer valid—either because you have surpassed its mileage or time limit—an inspection becomes necessary. The dealership will arrange this process with you directly to keep it fast and hassle-free.

Are there scammers in the VSC industry?

Scammers exist in every industry, so it is important to know what to expect from a VSC and with whom you are working. First Dealer Direct ensures all participating dealerships are thoroughly vetted for reliable service. Their focus on quality and transparency fosters customer trust.

My car warranty company denied a claim. Did I get scammed?

Warranty claims can be denied for preexisting issues, normal wear, or missed maintenance. Vehicles out of factory warranty need inspection for problems such as transmission slips, oil

leaks, electrical faults, or suspension issues. Only inspected and well-maintained vehicles qualify for coverage.

Is a VSC insurance?

A VSC is not considered insurance in most states, but it operates similarly because an insurance company underwrites the financial risk, and a claims administrator manages claims according to the VSCs terms and rules established with an insurance company.

What should I do if I have a problem covered by my VSC?

Take your vehicle to a repair shop that accepts VSCs; your provider or dealership can assist. Inform them of your coverage and ensure repairs are preauthorized. Pay your deductible as agreed. The VSC administrator may request an inspection before approving claims.

Are VSC's worth the cost to purchase?

Insurance serves as a tool for managing unforeseen events and expenses, whether related to health matters, home protection, vehicle accidents, or personal liability. Similarly, a Vehicle Service Contract (VSC) provides coverage for unexpected and costly repairs at a lower cost compared to anticipated out-of-pocket repair expenses.

When evaluating the value of a VSC, it is important to consider factors such as your risk tolerance, the reliability of the vehicle, and the budget allocated for potential unexpected repairs.

Can you cancel the VSC?

A VSC can be cancelled through the administrator. If the contract is financed and unpaid, cancellation funds go to FDD to settle the balance, with any remainder refunded to the contract holder. After cancelling, no further claims are allowed. If fully paid, the administrator refunds the unused premium directly to the contract holder. Cancellations may be requested online, and state regulations allow administrators to charge an administration fee. Refer to your VSC contract for details on state-specific disclosures and cancellation rules.

Can you transfer this VSC to another person who buys your VSC covered vehicle?

Yes there is a process to transfer coverage to a buyer of a covered vehicle. The administrator manages that process. There are exact steps that must be followed and that procedures is detailed on page 6 of the VSC contract under transferring coverage.

See page 6 of 12 of the VSC for the specific process to transfer coverage.

What are the requirements for the VSC contact holder to maintain maintenance records?

It is essential to adhere to the manufacturer's maintenance guidelines as outlined in the owner's manual. For claim purposes, documentation of maintenance may be required. Servicing your vehicle at the dealership ensures that records are maintained within their system. Please consult the Agreement Holder's responsibilities detailed on page 7 of the Vehicle Service Contract (VSC).

The easiest method to prove maintenance is to return to the dealership that sold you the vehicle as their Dealer Management Computer System, (DMS) retains all service work performed on a vehicle including oil changes.

What is a “Gray Market” vehicle?

A gray market vehicle, also known as an overseas vehicle whose owner has brought it into the United States from another country (Canada) and wishes to have it titled and registered in the United States.

See page 5 of 12 under ineligible Vehicles. A gray market vehicle that has not been originally manufactured to U. S. specifications, and / or has been imported through means other than factory authorized importer or distributor, are commonly known as “Gray Market” vehicles.

In order to be sold in the U. S. a vehicle needs to comply with a thorough list of emissions and safety regulations.

Canadian Vehicles that have been updated to follow U. S. specifications are allowed when the appropriate surcharges have been paid.

List of Additional Benefits

Additional benefits are paid “after” similar coverages are provided by road clubs, the manufacturer, or other similar insurance. Read the exact language in the exact agreement provided herein on page 4 of 12. Those additional benefits are broadly described as Towing, Mechanical Breakdown Rental Car Benefit, and Trip Interruption.

What is Wear and Tear?

Wear and tear is considered to be damage or deterioration resulting from normal use and exposure. Tires, wiper blades, batteries, brake pads, etc.

Understanding Vehicle Service Contract (VSC) Exclusions

It is essential to thoroughly review the exclusions outlined in the Vehicle Service Contract (VSC) agreement, specifically listed on page 4 of 12. The first item on page 4 details various

circumstances, miscellaneous reasons, and types of damages that are not covered. In general, while a VSC provides protection against the failure of mechanical and electrical systems, the exclusions address a wide range of non-mechanical and non-electrical issues. Items 2 through 10 further clarify the types of problems that fall outside the scope of coverage and the reasons for these exclusions.

Key Points About VSC Coverage and Exclusions

Contractual Nature:

A VSC is a legal agreement with defined terms and conditions, specifying the level of risk the provider is willing to accept for a set fee. Owners should carefully select coverage that fits their specific needs, understand the contract's terms, and adhere to its guidelines for peace of mind.

Coverage Limitations:

Selecting the appropriate coverage is crucial. For example, powertrain coverage does not include suspension issues. Owners must ensure the coverage purchased aligns with their anticipated needs.

Misuse:

Claims may be denied if the vehicle has been used for racing, off-roading, or commercial purposes without paying the necessary surcharge, or if towing exceeds the manufacturer's recommendations.

Modifications:

Modifying the vehicle during the contract period, such as altering the suspension by lifting or lowering, can result in denial of coverage.

Road Hazards and Natural Disasters:

Damage from floods, fires, earthquakes, or road hazards is excluded from VSC coverage.

Recommended Repairs:

VSC covers only failed components. For example, if a covered strut fails on one side, the contract pays only for the failed part, not for the other side that may still be functional.

Lack of Maintenance:

During a claim, you may need to provide evidence of regular maintenance, such as records of oil changes. The easiest way to maintain proof is to use the dealership for all services, as they keep comprehensive records of all work performed.

Pre-existing Conditions:

Similar to health insurance, pre-existing mechanical or electrical problems are not covered. An inspection should be completed if issues exist prior to purchasing coverage. VSC pays only for future issues, not those that occurred before coverage began.

Continued Operations:

If a problem arises, such as overheating or a check engine light, do not continue to drive the vehicle. Operating the vehicle after a failure can cause more severe damage, which may not be covered.

Altered Odometer:

VSC adjusters will typically check the Car Fax report for mileage consistency. Any discrepancies or evidence of altered odometer readings can result in denied claims.