A Study on the Regulation for Extended Warranties

Extended warranties generally promise, for a separate or additional consideration and for a specific duration, to perform the repair, replacement or maintenance of property due to defects in materials or workmanship or wear and tear, etc.

There has been controversy as to whether extended warranties fall under the scope of insurance or not. The distinction between extended warranties and insurance contracts could be difficult to identify, since the relevant laws or court precedents simply present the key elements of insurance contracts, instead of providing specific and clear criteria on the distinction of service contracts and insurance contracts.

In order to remove or mitigate the legal uncertainties, it would be appropriate that the regulatory authorities fix their position as to what extent extended warranties could be provided as service contracts and where extended warranties should be regulated as insurance contracts, and further, explicitly reflect such position in the relevant laws or regulations.

This study examined the insurance regulatory regime on extended warranties in the U.K., Japan, and the U.S, and tried to discuss on the possible options to regulate extended warranties in Korea. We hope this study serves as a forum for discussion on the establishment of legal standards for distinction of extended warranties and insurance contracts.