

Appraiser Blog

Car Warranty vs. Car Insurance How to Choose Correctly



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When we delve into the realms of car warranty and car insurance, we encounter two financial safeguards for your vehicle, yet they serve distinct purposes. The primary distinction between a warranty and insurance lies in their respective applications. Car insurance steps in to cover the expenses of repairing or replacing your car if it succumbs to damage, theft, or destruction resulting from a covered incident.

Conversely, a car warranty primarily extends its protective shield over car components that fail due to wear and tear, manufacturing defects, and other causes apart from accidents and unforeseen occurrences.



Understanding Car Warranties

A car warranty operates as a contractual shield guarding against faults in your vehicle's parts and mechanical systems. In the event of a covered component malfunctioning, the warranty provider shoulders the repair costs. Typically, warranties are obtainable through dealerships or third-party providers, although most new cars come equipped with a manufacturer's warranty, eliminating the need for a separate purchase.

To discern when to invoke a warranty versus insurance, it's pivotal to identify the root cause of the issue. If the problem doesn't stem from a specific incident like a car collision, a warranty claim may be your optimal choice.

Car Warranty vs. Car Insurance:

It's crucial to grasp the disparities between car warranties and car insurance to ensure comprehensive protection for your vehicle. Below is a breakdown of the key distinctions between the two:

Car Warranties' Coverage

Car warranties can encompass a variety of internal vehicle components, including the engine, electronics, air conditioning systems, and transmission. They step in to provide coverage for damages typically not addressed by insurance, such as:

- Routine wear and tear
- Severe weather conditions (extreme heat or cold)
- Mechanical defects (including vehicle recalls)
- Neglected maintenance

If you lack a car warranty, it's worthwhile to explore whether your car insurance extends to cover engine repairs and other mechanical issues.

Does a Car Warranty Cover Accidental Damage?

A car warranty does not extend coverage to damage resulting from accidents; this is where car insurance becomes indispensable. Comprehensive and auto collision coverage within your insurance policy can safeguard your vehicle against accidental damage, along with other unforeseen events, such as a tree branch falling on your car.

Varieties of Warranties

Typically, you can choose between a new car warranty and an extended warranty, both offering protection but varying in their duration:

- **New Car Warranty:** Also known as a manufacturer's warranty, it aids in covering replacement parts or specific repairs during the stipulated warranty period. The duration of a new car warranty varies by manufacturer but typically spans at least three years or the initial 36,000 miles, whichever comes first.
- **Extended Warranty:** Extended warranties offer protection for used vehicles beyond the manufacturer's warranty or extend coverage for new cars. The length of coverage under extended warranties varies significantly among providers and is measured in terms of years or mileage.

Comparing an extended warranty to car insurance is not an "either/or" scenario since they cater to different aspects. Investigating the need for an extended warranty for your car is advisable.

It's advisable to compare various extended warranty plans since companies and manufacturers offer diverse protection options and rates.

Roadside Assistance vs. Car Warranty

Both car warranty providers and insurance companies may provide roadside assistance, covering services like tows and lockouts. While not all car warranties include this service, most insurers offer roadside assistance as an optional coverage addition to your policy. If you're considering roadside assistance coverage, weigh the cost of a warranty against adding it to your auto policy and scrutinize the specific services covered.