

## Tire Insurance: Myths And Facts About Road Hazard Policies

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Tire warranty plans pay in full or in part for the replacement or repair of damaged tires and/or rims from "road hazards". Road hazards are defined as pot holes, debris, nails, wood, and other hazards found in the road. Curbs, sidewalks, and stone walls are not road hazards. This is an important distinction to consider when deciding if tire insurance is right for you (discussed further ahead).

Tire plans last for a specific period of time and tire wear tread-depth. Some plans last 2-3 years. Others can last 5 years or 60,000 miles. Several plans come with fixed amounts of coverage: \$500 per year up to 4 years. Many contracts require three years of law school to comprehend. In terms of tread depth, a tire is usually considered worn out (and thus the plan null and void) at 2/32 to 3/32 of an inch.

### **Another important distinction is in the type of plan.**

Tire reimbursement plans are just what they say. You, the plan holder, will be reimbursed after the claims process is finalized - usually 2-8 weeks. There is an out-of-pocket expense. These plans are often sold by new car dealerships. The prices can range from \$300 to \$600 dollars.

Road hazard policies operate similarly to reimbursement plans. However, some tire insurance providers, in partnership with the repair facility, may have a direct-pay relationship. Thus, there would be no out-of-pocket expense, except for applicable deductibles, and items not covered in part or in full. These plans are primarily sold by tire dealers and repairshops. The prices range from \$10 to \$30 per tire. They also can be based on a percentage of the cost of the tire: usually 12% to 15%.

Both types of plans have a number of variables, requiring a magnifying glass to read the fine print. Also, many are pro-rated warranties, covering only a percentage of the cost of the tire based on its wear.

### **Claims and Coverage:**

Depending on the plan, claims are initiated by the repair shop. The process is fairly smooth, although there can be a significant delay from the provider for authorization. This delay may be an hour or an entire weekend. This means that you'll have to "ok" the tire replacement, and then hope it's authorized for the full amount, or drive on your spare.

Some plans offer national coverage either among their service facilities or from other repair centers. Claims procedures will vary. Others only provide local coverage, or coverage at the selling facility.

### **Limitations:**

Tire insurance does not mean that everything is covered. Pro-rated warranties are based on the wear and tear of the tire. You may get 75%, 50%, or only 10% coverage depending on the tread-depth. You'll pay the remainder. While there are plans that offer full coverage, even these have limitations, or they may conflict with a repair shop's policies.

For example, many plans allow for a maximum of \$30 to mount and balance one tire, and a maximum of \$15 to repair a tire. However, sport tires often have significantly higher mounting and balancing fees - upwards of \$50 per tire - and tire repair prices can exceed \$90. There are also discrepancies on the tire and rim prices themselves, which in the end, may have to be supplemented by the service customer.

Although there usually is not an issue with the latter given the competitive market, the service center's price mark up may be unacceptable to the plan provider. In this case, the service center needs to lower the price or you, the service customer, need to pay the difference - or go somewhere else. This does happen!

## **Rim Prices and Repairs:**

Rim replacement is becoming less frequent. With the high cost of aluminum wheels and sport wheel packages, tire insurers have opted to have them repaired. Repair will only be done if the rim does not hold air. What this means is that even if the rim is warped - enough to cause a vibration and even premature tire wear - they won't replace it. Rather, they will send it out to be straightened and repaired.

Rims are replaced only if the damage is so extensive that the new tire, when mounted on the rim, won't hold air. However, even in this case, especially if it's an expensive sport wheel, they may still attempt to repair it.

Repairing rims is a bad option. While some rim repair is acceptable, badly warped or damaged rims will in no way ever be the same.

## **Alignments:**

If a car hits a road hazard hard enough, such as a pot hole, it's wise to have the alignment checked. Road hazard policies and tire reimbursement plans do not cover alignments. The service customer will have to pay for this procedure.

## **Road Hazard Protection Positives:**

Some plans include tire rotations, wheel balancing, and nationwide coverage.

## **Myths:**

### **1) "Can I pop all 4 tires and get a new set of tires?"**

You can try. But this type of claim will trigger a number of red flags with the insurer. The policy holder will likely send out adjusters and/or require photographs. You will also have a difficult time explaining how a "road hazard" caused all 4 tire pop.

### **2) "New tires come with a road hazard warranty."**

New tires do come with a warranty by the tire manufacturer. However, it only covers defects in workmanship. New tire warranties do not cover punctures or damages from external sources. This is why "road hazard" protection is being pushed.

New tires are rarely defective. If there is a problem, it's usually noticed when balancing the tire. Or, there is a drivability concern such as vibration or noise. If there's a defect it's generally caught right away, and the tire swapped out.

### **3) "It's so cheap; it's a no-brainer, right?"**

Actually, the experts don't agree with this statement.

## **The Economics of Tire Warranties:**

An article from the Washington Post by Terence O'Hara explains the economics of extended warranties and purchase protection plans in general. It is quite fitting for road hazard warranties. He writes:

"The decision to buy an extended warranty - defies the recommendations of economists, consumer advocates and product quality experts, who all warn that the plans rarely benefit consumers and are nearly always a waste of money.

"Extended warranties or purchase protection plans] make no rational sense", Harvard economist David Cutler said. "The implied probability [of having an issue with the product] has to be substantially greater than the risk that you can't afford to fix it or replace it. If you're buying a \$400 item, for the overwhelming number of consumers that level of spending is not a risk you need to insure under any circumstances."

In short, road hazard warranties are a waste of money. Don't insure that which you can afford to replace.

## **Numbers Game and Slim Chances:**

Like all insurance, tire insurance plans are a numbers game. However, this is a game you have a 98% chance of losing. Insider statistics show that the percentage of claims paid out by providers is as low as 2%.

## **Curbs:**

Another interesting note is that a lot of tire damage is caused by curbs. Curb damage is not covered under most road hazard policies. High granite curbs with sharp edges slice through tens of thousands of tires per year.

## **You Won't Notice:**

Many people don't even notice tire damage. Other than to see if the tires are holding air, who "really" looks at tires? Tires are subject to a whole host of external influences which cause bubbles, slices and gouges.

Despite the potential dangers of damaged tires, the damage very often does not translate into any noticeable drivability issue. The point is that if you don't notice any tire damage you can't benefit from the coverage.

## **Research Shows:**

Those raving about the benefits of a road hazard policy are the actual folks in the industry who stand to benefit from the sale. They'll argue that it's so cheap - only \$10 to \$20 per tire. Even so, for four tires, that's \$80 based on the "possibility", the "chance", of damaging a tire that meets the repair/replacement requirement protocols.

## **Auto Insurance:**

If a rim and tire has incurred significant damage, it's quite likely that other problems have resulted as well. The first is that the vehicle may have been jarred out of alignment. Secondly, hub bearings, front end components: tie rods, spindles, ball joints, and a variety of other components may have sustained damage. In this case, auto insurance, which you are already paying for, will pay for everything - brand new.

## **Free Road Hazard Warranties:**

Many tires come with road hazard warranties FREE. In other words, in an effort to secure retailers, many tire distributors provide service centers FREE road hazard insurance. Some shops pass this on to their tire customers, others sell them. Ask if the tire "comes" with a road hazard protection policy. If not, request that one be provided at no additional charge. It's worth a shot.

Also, some car manufacturers provide road hazard warranties FREE of charge for 12 months or 12,000 miles. If you're buying a new car or even used, ask that the dealer provide a complimentary road hazard policy (after all the wheeling and dealing is done, of course), and just before you commit.

"What's the best road hazard policy?"

Money in "your" bank account.

### **Short note about the author**

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