

1 MARK BRNOVICH
2 Attorney General
3 (Firm State Bar No. 14000)
4 Matthew du Mee (State Bar No. 028468)
5 Bryce Clark (State Bar No. 034080)
6 Office of the Attorney General
7 2005 North Central Avenue
8 Phoenix, AZ 85004
9 Telephone: (602) 542-3725
10 Facsimile: (602) 542-4377
11 Email: consumer@azag.gov

12 Attorneys for Plaintiff

13 **IN THE SUPERIOR COURT OF THE STATE OF ARIZONA**

14 **IN AND FOR THE COUNTY OF MARICOPA**

15 STATE OF ARIZONA, *ex rel.* MARK
16 BRNOVICH, Attorney General,

17 Plaintiff,

18 vs.

19 CHW GROUP, INC. d.b.a. CHOICE HOME
20 WARRANTY, a New Jersey corporation, and
21 HOME WARRANTY ADMINISTRATOR OF
22 ARIZONA, INC., an Arizona corporation,

23 Defendants.
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Case No. _____

**CIVIL COMPLAINT FOR
INJUNCTIVE AND OTHER
RELIEF**

(Non-classified: Consumer Fraud)

1 Plaintiff, State of Arizona, *ex rel.* Mark Brnovich, Attorney General (“the State”) alleges
2 as follows:

3 I. INTRODUCTION

4 Defendants sold residential “home warranty” services in Arizona and throughout the U.S.
5 Defendants promised consumers that in return for consumers paying Defendants hundreds of
6 dollars a year, Defendants would repair or replace home appliances and systems if they broke.
7 But what consumers actually got was far different. Defendants provided a “service contract”
8 riddled with exclusions, denied claims for spurious reasons, and paid consumers a fraction of the
9 cost of repair or replacement, if anything. Defendants collected millions of dollars in revenue
10 from consumers, but frequently refused to follow through on their advertised promises.
11 Accordingly, the State brings this action under the Arizona Consumer Fraud Act (the “CFA”),
12 A.R.S. § 44-1521, *et seq.*

13 A. Background

14 1. CHW Group Inc. d.b.a. Choice Home Warranty (“CHW”) advertised and sold
15 consumers “home warranties,” which, as CHW admitted on its own website, were actually home
16 service contracts, in Arizona and throughout the United States since December 2008.

17 2. CHW advertised its service contracts, which CHW sold for \$420-\$750 per year,
18 on its websites, through television commercials, through direct solicitation to consumers through
19 email, and through various other methods.

20 3. CHW’s advertising was misleading in at least seven ways.

21 4. First, CHW advertised that its service contracts would protect consumers against
22 the “high cost” of unexpected repair or replacement of home systems and appliances, including
23 refrigerators and air conditioning systems.

24 5. In reality, CHW did not protect against the high cost of unexpected repair or
25 replacement. CHW’s basic service contract excluded refrigerators and air conditioners from
26 coverage. Even the “total” service contract excluded many common appliance issues from
27 coverage, and contained a \$1,500 cap on CHW’s payment, even if far more money was
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1 necessary to repair or replace an air conditioner or a refrigerator. For plumbing issues, CHW's
2 service contract capped CHW's payment at a mere \$500.

3 6. Second, CHW advertised that if an appliance broke down, CHW would repair or
4 replace it "even if it [was] due to normal wear and tear."

5 7. In reality, CHW *only* covered appliance breakdowns that CHW deemed to be
6 "normal wear and tear," and a CHW-selected technician made that designation. Even then,
7 CHW would often declare that the issue was not "normal wear and tear," and deny the claim
8 under other exceptions, such as blanket exceptions for rust, corrosion, or lack of maintenance. If
9 lack of maintenance was cited, consumers could only overcome that finding by producing
10 comprehensive maintenance records.

11 8. Third, CHW promised that consumers would save money and did not need to
12 maintain an emergency fund, because CHW would repair or replace their appliances.

13 9. In reality, even if the consumer managed to avoid User Agreement exclusions and
14 payment caps, kept comprehensive maintenance records, and avoided unwarranted denials,
15 CHW often still would not repair or replace the appliance if doing so would be expensive.
16 Instead, CHW sent consumers a check for a fraction of the actual cost to repair or replace the
17 system and declared that it had no obligation to do anything further.

18 10. Fourth, CHW claimed that if consumers' appliances stopped functioning, their
19 "home warranty [would] kick in and [they would] pay only the service fee specified in [their]
20 contract."

21 11. In reality, due to User Agreement exclusions, payment caps, and CHW's policy of
22 sending checks for a fraction of the cost to repair or replace expensive appliances, consumers
23 were often forced to pay far more for appliance breakdowns than CHW's service fee.

24 12. Fifth, CHW promised that it worked with repair professionals that it would
25 dispatch to provide "swift and timely" service, so consumers would never have to "scramble" to
26 get a repair done quickly.

27 13. In reality, CHW often failed to arrange for technicians to service consumers'
28 claims in certain geographic areas in Arizona because CHW had no contracted technicians in

1 those areas. Thus, consumers in certain areas were left to find technicians on their own and then
2 attempt to obtain reimbursement from CHW at a later time.

3 14. Sixth, CHW promised consumers “fast repair” that would be “swift and timely”
4 thanks to “24/7 customer service.”

5 15. In reality, CHW’s service contract allowed CHW to wait up to four days before
6 even contacting a technician about the issue. CHW could then wait additional days after the
7 technician reviewed the issue before CHW decided whether it would cover the issue.

8 16. Seventh and finally, CHW advertised that it had exceptional customer reviews,
9 including aggregate five-star consumer ratings from two different review sites.

10 17. In reality, CHW’s aggregate rating was at or below four stars on both review sites,
11 and CHW manipulated consumer reviews by paying consumers to leave positive reviews.
12 Furthermore, CHW also suppressed negative reviews through the use of “goodwill payments”
13 that required consumers to keep quiet about CHW’s actual practices in order to get any payment
14 for their previously denied claim.

15 18. Since the beginning of 2016, the Arizona Attorney General’s Office has received
16 139 consumer complaints against CHW related to the company’s business practices.

17 19. Further, 82 consumer complaints against CHW from Arizona residents for CHW’s
18 business practices have been filed with the Better Business Bureau (“BBB”) since May 15,
19 2018.

20 20. In the consumer complaints filed with the Attorney General’s Office and the
21 Better Business Bureau, Arizona consumers claim that CHW owes them a total of at least
22 \$335,000 for conduct related to Defendants’ failure to cover claims.

23 21. Over 4,800 total complaints have been filed with the BBB against CHW nationally
24 in the last three years.

25 II. JURISDICTION AND VENUE

26 22. The State brings this action under the CFA to obtain restitution, civil penalties,
27 disgorgement of profits, injunctive relief, attorneys’ fees and costs, and other relief to prevent
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1 the unlawful acts and practices alleged in this Complaint and to remedy the consequences of
2 past unlawful acts and practices.

3 23. This Court has jurisdiction to enter appropriate orders both prior to and following
4 a determination of liability pursuant to the CFA.

5 24. The Court has personal jurisdiction over CHW because CHW has marketed,
6 advertised, and sold its products in Arizona and to Arizona consumers since at least October
7 2013.

8 25. The Court has personal jurisdiction over Home Warranty Administrator of
9 Arizona ("HWAA") because it is an Arizona corporation operating within Arizona.

10 26. Venue is proper in Maricopa County, Arizona, pursuant to A.R.S. § 12-401(5)
11 because Defendants CHW and HWAA contracted to perform obligations in Maricopa County,
12 Arizona.

13 III. PARTIES

14 27. Plaintiff is the State of Arizona, ex rel. Mark Brnovich, Attorney General, who is
15 authorized to bring this action under the CFA.

16 28. Defendant CHW is a New Jersey privately held corporation that sells service
17 contracts to consumers throughout the United States.

18 29. Defendant HWAA is an Arizona privately held corporation that is a subsidiary and
19 agent of CHW and operates in Arizona.

20 30. The term "Defendants" shall refer to both CHW and HWAA in this Complaint.

21 IV. FACTUAL ALLEGATIONS

22 31. CHW has advertised its service contracts in Arizona since at least October 2013.

23 32. CHW has operated since at least December 2008.

24 33. HWAA is the obligated party for CHW's service contracts in Arizona.

25 34. In Arizona, HWAA, as a subsidiary and agent of CHW, serves as the administrator
26 of claims under the User Agreement.

27 35. HWAA works in concert with or on behalf of CHW and is jointly responsible for
28 CHW's conduct in Arizona.

1 36. CHW has maintained a website at www.choicehomewarranty.com (the “Primary
2 Website”) since at least December 2008.

3 37. All citations from the Primary Website in this Complaint, unless otherwise stated,
4 were on the Primary Website on August 13, 2019.

5 38. CHW has also maintained a website directed at Arizona consumers (the “Arizona
6 Website”), which is located at www.choicehomeaz.com. All citations from the Arizona Website,
7 unless otherwise stated, were on the Arizona Website as of August 13, 2019.

8 39. In addition, CHW has a specific Arizona page on the Primary Website at
9 www.choicehomewarranty.com/arizona-home-warranty.

10 40. Defendants used the websites and other advertising to engage in deceptive and
11 unfair practices aimed at Arizona consumers.

12 **A. CHW Misrepresented What Appliances It Would Repair or Replace.**

13 **1. CHW’s Deceptive and Unfair Advertising**

14 41. On the home page of the Primary Website, under a heading titled “What is a Home
15 Warranty?”, CHW stated, “A home warranty is a protection plan that offers coverage for
16 common home repairs. For a simple annual fee, this type of plan offers financial security from
17 unexpected problems with your home appliances and systems that are not covered by
18 homeowners insurance.”

19 42. Under the same heading, CHW stated, “As of 2019, home warranties allow
20 homeowners to pay an annual fee for repair and replacement service of covered appliances and
21 systems. A home warranty is also known as a service contract.”



1 43. On the home page of the Primary Website, under a heading titled “What Does a
2 Home Warranty Company Cover?” CHW stated, “These contracts protect homeowners from
3 high repair costs. Home warranties cover sudden appliance breakdowns and system failures.
4 These are not covered under an insurance policy. With a home warranty, you’ll be covered if
5 your refrigerator stops running or your plumbing backs up. That saves you money and time.”

6 44. Under a heading entitled “Why is a Home Warranty Necessary in Arizona?”, the
7 Primary Website stated that if your refrigerator, air conditioner, or clothes washer or dryer
8 “stop[s] functioning, your home warranty will kick in and you’ll pay only the service fee
9 specified in your contract. A professional will then diagnose your problem and provide a repair
10 or replacement. Most of these solutions are covered by your home warranty plan, so you don’t
11 have to pay another dime.”

12 13 Why is a Home Warranty 14 Necessary in Arizona? 15 16

17 A home warranty helps protect you from the inconvenience of expensive repairs and replacements when something goes
18 wrong in the home. A standard plan will cover critical systems like your home’s plumbing, electrical, water heater, and most
19 kitchen appliances.

20 This means you’ll have help on hand if the heat and dust overwhelms your ceiling fans, clogs exhaust fans, or makes a mess of
21 the ductwork. A total plan is the best choice for Arizona residents because it adds many of the appliances that see the most
22 wear here. This includes your refrigerator, air conditioner, and clothes washer and dryer.

23 If any of these appliances stop functioning, your home warranty will kick in and you’ll pay only the service fee specified in your
24 contract. A professional will then diagnose your problem and provide a repair or replacement. Most of these solutions are
25 covered by your home warranty plan, so you don’t have to pay another dime.

26 45. Under a heading of the Primary Website entitled “Home Warranty Benefits,”
27 CHW claimed, “While the breakdown of appliances and home systems is unavoidable for any
28 homeowner, the high costs of repair or replacement can be avoided if a home warranty is in
place.”

1 46. Under the same heading, CHW advertised two of the benefits of having its service
2 as the following:

- 3 • **Save Money** – Avoid paying for repair or replacement of your appliances and
4 home systems each time they break down or malfunction.
- 5 • **Peace of Mind** – Rest assured that your home appliances and systems are covered
6 when service is needed. You are covered even if it is due to normal wear and tear.

8 Home Warranty Benefits

9 Appliances and home systems break down. This cannot be avoided by any homeowner. The high cost of repair or replacement can be avoided with a home warranty. Here are some of the benefits
10 of owning a Choice Home Warranty:

- 11 • **Save Money** – Avoid paying for repair or replacement of your appliances and home systems each time they break down or malfunction.
- 12 • **Peace of Mind** – Rest assured that your home appliances and systems are covered when service is needed. You are covered even if it is due to normal wear and tear.
- 13 • **Convenience** – With Choice Home Warranty, you never have to go out and look for the right service professional. Simply call our 24/7 customer service and we will send the right professional to your home.
- 14 • **Customization** – Don't pay for coverage you don't need. Customize your plan and only pay for the coverage that applies to your home and situation.
- 15 • **Free Month** – Sign up today and enjoy a full month of free service.

16 47. On its Arizona Website, CHW advertised in large print, “Never Pay for Covered
17 Home Repairs Again!!!”, next to a picture of appliances including a refrigerator.

18 48. The same page also advertised that CHW covered “All Your Systems ONE LOW
19 PRICE!!!”
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CHOICE
Home Warranty

Never Pay for Covered Home Repairs Again!!!

FIRST MONTH FREE
Restrictions Apply

✓ YES!
I Want a FREE Quote

Why You Need a Home Warranty
A home warranty can save you money. You never know for certain when a covered major system or appliance in your home will break down. But sooner or later, every thing wears out. Whether it's your heating system or even a dishwasher nothing lasts forever.
It's simple! If a covered system in your home breaks down just call the 24/7 claims hotline and CHW will dispatch a local, licensed, and insured technician to service your claim. If the covered item is beyond repair, CHW will replace it!*

- Air Conditioning System
- Heating System
- Electrical System
- Plumbing System
- Water Heater
- Plumbing Stoppages
- Refrigerator
- Oven
- Stove
- Cook Top
- Microwave
- Dishwasher
- Clothes Washer
- Clothes Dryer
- Garbage Disposal
- Garage Door Opener
- Ceiling Fans
- Ductwork

Personal Information
First Name:
Last Name:
Home Phone:
Work Phone:
Email:

Property Information
Address:
City:
State:
Zip Code:
Square Footage: Under 5,000 ▾

Send My Quote!

*Click here to view complete terms of liability and any exclusions. See policy for specifics on response times. CHW reserves the right to offer cash back in lieu of repair or replacement in the amount of CHW's actual cost (which amount may be less than retail) to repair or replace any covered system, component or appliance. [View our Privacy Policy](#)

Approved by
CHOICE
Home Warranty

49. Further, on the Arizona-specific page of the Primary Website, under the heading “Protect Your Arizona Home and Appliances” it stated, “A broken air conditioner will leave your family in an extremely uncomfortable situation, so it’s best to have a plan in place for fast repairs if something should go wrong.”

50. The same page stated, “[I]f you have a refrigerator or freezer in the garage or another part of the home that’s not air-conditioned, it will have to work much harder to keep cool.”

Protect Your Arizona Home and Appliances

At lower elevations, Arizona's climate is warm and dry throughout the year, with average highs in the upper 60s through the winter and well above 100 during the summer months. This extreme heat can make things difficult for your appliances.

If you have a refrigerator or freezer in the garage or another part of the home that's not air-conditioned, it will have to work much harder to keep cool. Though most refrigerators can work well at temperatures up to 95 degrees, they'll struggle beyond this point.

Arizona is one of the few places where a fridge may well face temperatures in the triple-digits for an extended period of time. Your air conditioner will need to work much harder to keep your home cool in extreme temperatures. While the spring and fall in Arizona will offer manageable conditions, sweltering summers can put serious strain on this appliance.

A broken air conditioner will leave your family in an extremely uncomfortable situation, so it's best to have a plan in place for fast repairs if something should go wrong. Another side effect of the Arizona climate is more laundry. Hot summer days filled with pool visits and sweaty sports will leave you running load after load. This will wear down any washer and dryer.

51. CHW also utilized television advertising.

52. In a television advertisement featuring legendary boxer George Foreman (the "CHW George Foreman Commercial," George Foreman claimed that, if a consumer signed up for a CHW service contract, the consumer would "NEVER PAY FOR COVERED HOME REPAIRS AGAIN." (1:25/2:00).



53. Later in the advertisement, the words, "If we can't fix it, We'll replace it!*" appeared on screen. (1:28/2:00)

54. The relevant portion of the asterisk footnote reference was in small print at the bottom of the screen.

55. The footnote read: "Limitations and exclusions apply. See plan terms and conditions for details."



If we can't fix it, **We'll replace it!***

800-360-1279

ChoiceHome.com

*Limitations and exclusions apply. See plan terms and conditions for details. Retail price for our basic plan comes to \$1.35 a day. Coverage begins after first 30 days. Savings may vary based on the value of your claim(s). First month free with single payment plans. Excludes a service call fee per visit by an approved service call provider. Covers breakdowns due to normal wear and tear. We can offer cash back in lieu of repair or replacement of any covered item. In the event we make such a payment, we will provide written notification of the basis of the amount of the payment. Pre-existing conditions are not covered. This is not insurance. Not available in all states. For a copy of the full terms and exclusions call 888-531-5403 or write to: Choice Home Warranty 1090 King Georges Post Rd Edison N.J., 08837

56. The commercial could also be found online as of September 5, 2019, at <https://www.ispot.tv/ad/IKtG/choice-home-warranty-sucker-punch-featuring-george-foreman>.

2. Defendants' Actual Practices

57. Despite all of these representations, Defendants frequently would not repair or replace a consumer's major appliances.

58. Defendants offered two plans, one of which did not cover several major appliances.

59. Defendants' "Basic Plan" did not include protection for consumers' air conditioners, refrigerators, and washers and dryers, despite the prominent placement of those appliances in advertising on the Primary Website and the Arizona Website.

60. In order for consumers to have coverage for those appliances, they had to purchase the "Total Plan," which supposedly included coverage for these appliances as well.

61. After a consumer agreed to purchase a service contract through Defendants, Defendants sent the consumer a "User Agreement" in the mail or by email.

62. In other words, consumers often saw the User Agreement for the first time *after* they purchased a service contract from Defendants.

63. A full copy of the User Agreement is attached as Exhibit 1.

64. A copy of Defendants' User Agreement could be found on the Primary Website.

65. Defendants' User Agreement was riddled with exclusions for all major systems and appliances to which the User Agreement applied.

a) Refrigerator

66. For example, as noted above, the Primary Website warned consumers that they needed CHW's protection because a refrigerator in a garage or another part of the home may break down due to Arizona's summer heat.

67. But Defendants' User Agreement stated that a refrigerator would not be covered unless it is "located in the kitchen." Even the "Total Plan" did not cover a refrigerator that was not located in the kitchen.

68. In addition, Defendants would refuse to repair many common refrigerator parts, including the water line, ice maker, thermal shell, doors, hinges, shelves, racks, handles, and freon:

3. KITCHEN REFRIGERATOR

NOTE: Must be located in the kitchen.

INCLUDED: All components and parts, including integral freezer unit, except:

EXCLUDED: Racks – Shelves – Lighting and handles – Freon – Ice makers, ice crushers, beverage dispensers and their respective equipment – Water lines and valve to ice maker – Line restrictions – Leaks of any kind – Interior thermal shells – Freezers which are not an integral part of the refrigerator – Wine coolers or mini refrigerators – Food spoilage – Doors – Door seals and gaskets – Hinges – Glass – Audio/Visual equipment and Internet connection components.

b) Air Conditioners

69. Defendants' exclusions on air conditioners were also problematic, especially given the importance of air conditioners to Arizonans, which CHW emphasizes in its advertising.

70. For air conditioners, Defendants would refuse to repair water leaks, condenser casings, condensate pumps, drain line stoppages, and many more issues:

4. AIR CONDITIONING/COOLER

NOTE: Not exceeding 5 (five) ton capacity and designed for residential use.

INCLUDED: Ducted electric central air conditioning, ducted electric wall air conditioning. All components and parts, for units below 13 SEER and when We are unable to facilitate repair/replacement of failed covered equipment at the current SEER rating, repair/replacement will be performed with 13 SEER equipment and/or 7.7 HSPF or higher compliant, except:

EXCLUDED: Gas air conditioning systems – Condenser casings – Registers and Grills – Filters – Electronic air cleaners – Window units – Non-ducted wall units – Water towers – Humidifiers – Improperly sized units – Chillers – All exterior condensing, cooling and pump pads – Roof mounts, jacks, stands or supports – Condensate pumps – Commercial grade equipment – Cost for crane rentals – Air conditioning with mismatched condensing unit and evaporative coil per manufacturer specifications – Improper use of metering devices – Thermal expansion valves – Refrigerant conversion – Leak detections – Water leaks – Drain line stoppages – Maintenance – Noise. No more than two systems covered unless purchased separately at time of enrollment. We are not responsible for the costs associated with matching dimensions, brand or color made. We will not pay for any modifications necessitated by the repair of existing equipment or the installation of new equipment.

71. To make matters worse, Defendants' User Agreement included a \$1,500 payment cap on *any* repair or replacement.

72. Few, if any, air conditioners can be replaced for \$1,500, and the average air conditioner costs thousands of dollars.

73. Nevertheless, CHW continued to promise Arizonans in its advertising that if an air conditioner stopped functioning, consumers would pay "only the service fee" to get the air conditioner repaired or replaced.

c) Plumbing

74. As noted above, on the home page of the Primary Website, CHW promised that "[w]ith a home warranty, you'll be covered . . . if your plumbing backs up."

75. But the User Agreement contained over 30 exclusions related to plumbing, including "stoppages or clogs in drain and sewer lines that cannot be cleared by cable or due to roots, collapsed, broken, or damaged lines outside the confines of the main foundation (even if within 100 feet of access point)."

76. In addition, the User Agreement contained a monetary cap for plumbing issues that was even more restrictive than the \$1,500 payment cap on all other issues, which limited Defendants' payment on plumbing issues to a mere \$500.

1 77. The User Agreement also stated that Defendants would not repair or replace sinks,
2 faucets, bathtubs, or showers.

3 **B. CHW Misrepresented What Appliance Problems Defendants Would Fix.**

4 **1. CHW's Deceptive and Unfair Advertising**

5 78. In addition to the advertising listed above, under a heading on its Primary Website
6 entitled "Who Should Pay for a Home Warranty?", CHW stated, "A home warranty is smart if:

- 7 • You plan to purchase a home.
- 8 • You have older appliances.
- 9 • You don't have access to an emergency fund for repairs.
- 10 • You want to simplify home repairs and replacements."

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12

Who Should Pay for a Home Warranty?

13 A home warranty is smart if:

- 14 • You plan to purchase a home.
- 15 • You have older appliances.
- 16 • You don't have access to an emergency fund for repairs.
- You want to simplify home repairs and replacements.

17 **2. Defendants' Actual Practices**

18 **a) Contract Exclusions**

19 79. As noted above, Defendants would not repair or replace several major appliances
20 under the "Basic Plan," would not repair many common issues with major appliances, and
21 would never pay more than \$1,500, even if the cost to repair or replace an air conditioning unit
22 greatly exceeded that amount.

23 80. But even if consumers managed to avoid the User Agreement's specific exclusions
24 and needed a repair or replacement costing less than \$1,500, Defendants would often deny the
25 claim.

26 81. Defendants typically denied such claims by citing a number of catch-all exclusions
27 in their User Agreement.

1 82. The Defendants' User Agreement not only contained many specific exclusions for
2 each type of appliance, it also generally excluded the following: "(i) malfunction or improper
3 operation due to rust or corrosion of all systems and appliances, . . . and (iii) known or unknown
4 pre-existing conditions."

5 83. In addition, the User Agreement stated that Defendants would not cover any
6 "repairs or failures that result[ed] from the contract holder's failure to perform normal or routine
7 maintenance."

8 84. In the same provision, Defendants stated that the consumer was required to obtain
9 routine maintenance and cleaning pursuant to manufacturers' specifications, and Defendants had
10 "the right to request routine maintenance records" from the consumer.

11 85. In addition to these broad catch-all exclusions, Defendants' User Agreement also
12 narrowly limited any inclusions, stating that Defendants would only cover appliances that
13 became "inoperative due to normal wear and tear."

14 86. This limitation contrasted with CHW's claim that it would repair or replace
15 appliances "even if it [was] due to normal wear and tear"—in fact, Defendants would repair or
16 replace appliances *only* if it was due to what Defendants deemed to be normal wear and tear.

17 **b) Claim Denial Process**

18 87. Before filing a claim, a consumer was required to contact Defendants and have a
19 CHW-selected technician sent out to examine the appliance at issue.

20 88. The consumer had to then pay the CHW-selected technician an \$85 "service fee."

21 89. After inspecting the system or appliance, the CHW-selected technician sent a
22 report with a diagnosis to Defendants, sometimes with pictures, which briefed Defendants on the
23 issues with the malfunctioning system or appliance.

24 90. After receiving the report from the CHW-selected technician about the
25 problematic system or appliance, Defendants made a determination about whether the system or
26 appliance was covered under the consumers' policy and informed the consumer.

1 91. Defendants often denied claims based on the catch-all exclusions cited above: lack
2 of maintenance, rust or corrosion, or preexisting conditions, even if the CHW-selected
3 technician did not report any of those issues to Defendants in his or her report.

4 92. Under the User Agreement, even if the CHW-selected technician reported that a
5 problem was from “normal wear and tear,” Defendants had “the sole right to determine whether
6 a covered system or appliance [would] be repaired or replaced.”

7 93. Defendants often denied claims by stating that issues with covered systems or
8 appliances did not constitute normal wear and tear.

9 94. For example, as noted above, Defendants did not consider rust or corrosion to be
10 part of normal wear and tear, even though rust and corrosion frequently occurred over time
11 through no fault of the consumer.

12 95. Typically, Defendants refused to provide the specific reasons behind claim denials
13 in writing, preferring instead to inform consumers verbally over the phone.

14 96. If Defendants denied claims due to lack of routine maintenance or other reasons
15 and consumers challenged the denial, Defendants typically required consumers to send in
16 maintenance records.

17 97. On many occasions, upon the submission of maintenance documents to
18 Defendants, consumers were told that the maintenance records were insufficient for varying
19 reasons.

20 98. Defendants required maintenance records that predated the home warranty
21 purchase.

22 99. In fact, Defendants often stated that maintenance records were insufficient because
23 they were not provided for the *entire life of the unit*.

24 100. For example, if consumers purchased an appliance in 1998, purchased a home
25 warranty in 2015, and had maintenance records showing yearly maintenance from 1998-2004,
26 and 2006-2019, Defendants would deem the maintenance records insufficient because the
27 consumer was missing maintenance records from 2005.

1 101. This requirement was especially difficult for consumers to meet if they have older
2 appliances—despite CHW advertising that consumers “should pay for a home warranty” if they
3 had “older appliances.”

4 102. CHW never disclosed to consumers—prominently or otherwise—that if
5 consumers lacked comprehensive maintenance records for the entire life of the unit, CHW
6 would be able to deny a repair or replacement claim.

7 103. In addition, Defendants frequently denied claims by stating that the issue was a
8 “pre-existing condition.”

9 104. Defendants did not do any kind of initial inspection to identify “pre-existing
10 conditions” before issuing a service contract.

11 105. Defendants did not warn consumers—prominently or otherwise—what a pre-
12 existing condition might be.

13 106. Instead, Defendants simply declared after the fact that an appliance had a “pre-
14 existing condition,” in some cases even after the CHW-selected technician had declared the
15 opposite.

16 **c) “Goodwill Payments”**

17 107. After Defendants denied claims, if consumers complained enough about the denial
18 under the terms of the User Agreement, Defendants would typically offer consumers “goodwill
19 payments.”

20 108. These “goodwill payments” were significantly less than the amounts required to
21 repair or replace covered systems or appliances.

22 109. As a condition of sending the “goodwill payments,” Defendants required
23 consumers to sign releases of liability against CHW.

24 110. A copy of a release utilized by Defendants is attached as Exhibit 2.

25 111. The release utilized by Defendants contained a non-disparagement clause.

26 112. The non-disparagement clause of the release reads: “Releaser agree [sic] not to
27 make any statements, written or verbal, that defame, disparage or in any way criticize the
28 personal or business reputation, practices, or conduct [sic] Choice Home Warranty. Releaser

1 acknowledges and agrees that this prohibition extends to statements, written or verbal, made to
2 anyone, including but not limited to, the news media, investors, strategic partners, vendors,
3 employees (past and present), and clients.”

4 113. In other words, in many cases, consumers had to agree not to criticize CHW’s
5 business practices or post negative reviews about the business before Defendants sent them any
6 money at all for repair or replacement of their broken appliance or system.

7 **C. CHW Misrepresented That It Would Repair or Replace Covered Appliances**
8 **and That Consumers Didn’t Need to Maintain an Emergency Fund.**

9 **1. CHW’s Deceptive and Unfair Advertising**

10 114. As noted above, CHW advertised its home warranties as a “smart” purchase if
11 consumers “[didn’t] have access to an emergency fund for repairs.”

12 115. CHW also claimed that consumers would “**Save Money**” through a CHW home
13 warranty.

14 116. In addition to the advertising listed above, on its Arizona Website, CHW stated:
15 “It’s simple! If a covered system in your home breaks down just call the 24/7 claims hotline and
16 CHW will dispatch a local, licensed, and insured technician to service your claim. If the covered
17 item is beyond repair, CHW will replace it!*”

18 117. The relevant footnote stated, in small print, “Click here to view complete limits of
19 liability and any exclusions. See policy for specifics on response times. CHW reserves the right
20 to offer cash back in lieu of repair or replacement in the amount of CHW’s actual cost (which at
21 times may be less than retail) to repair or replace any covered system, component or appliance.”

22 118. Similarly, a footnote in tiny print at the bottom of several pages of the Primary
23 Website stated, “CHW reserves the right to offer cash back in lieu of repair or replacement in
24 the amount of CHW’s actual cost (which at times may be less than retail) to repair or replace
25 any covered system, component or appliance.” (In the picture below, the footnote is above the
26 large text saying “Why wait?”.)

Choosing a Home Warranty

Purchasing a home warranty is a smart move for every home owner, as it offers an affordable way to protect against surprise home repairs and the expenses that come with them. A home warranty allows home owners to rest easy knowing their home is taken care of.*

* Click here to view complete limits of liability and any exclusions. CHW offers service contracts which are not warranties. ** See policy for specifics on response times. ***CHW reserves the right to offer cash back in lieu of repair or replacement in the amount of CHW's actual cost (which at times may be less than retail) to repair or replace any covered system, component or appliance.

Why wait?

Sign up today and get your first month FREE* !

GET A FREE QUOTE

2. Defendant's Actual Practices

119. Consumers were required to pay an \$85 "service fee" to the CHW-selected technician in order for Defendants to review any problem.

120. Defendants did not reimburse the service fee, even if they agreed that the problem was covered.

121. As noted above, in contrast to CHW's broad advertising promises, the coverage Defendants actually provided was extraordinarily limited.

122. As noted above, Defendants' payment caps contrasted with their advertising, and left consumers in danger of needing an emergency fund.

123. But even in the few cases where Defendants agreed that they were was obligated to pay up to their \$1,500 limit for an expensive repair or replacement of an appliance, Defendants had one last trick up their sleeves—the "cash back in lieu" provision.

124. Defendants often informed consumers that Defendants were invoking the clause in their User Agreement that they reserved the right to offer cash back in lieu of repair or replacement, supposedly in the amount of CHW's "actual costs" to repair any covered system and appliance.

1 125. Defendants offered no proof to consumers that the amounts that consumers were
2 offered under this provision were actually CHW's actual cost.

3 126. Indeed, if the amounts given to consumers were truly the "actual cost" to repair or
4 replace the appliances, one would think Defendants would have simply used those amounts to
5 pay for the repairs or replacements, thus keeping their promises to consumers.

6 127. Instead, Defendants often used this clause to increase their profits by sending
7 checks for amounts far less than it would actually have cost consumers or Defendants to repair
8 or replace covered systems and appliances.

9 128. For example, Defendants offered one Arizona consumer only \$700 for a covered
10 air conditioner compressor when a new compressor would actually cost the consumer \$1,600
11 excluding costs for installation, and a new unit would cost \$2,300 excluding costs for
12 installation.

13 129. Defendants offered another Arizona consumer only \$700 for a replacement air
14 conditioning compressor as well.

15 130. That consumer stated that she could not find a replacement compressor for less
16 than \$2,000, and that it would cost her over \$5,200 to replace the entire unit.

17 131. In addition, although CHW promised consumers that they would receive the "cash
18 back in lieu" payments from Defendants within 30 days, multiple consumers reported not
19 receiving payments from Defendants within this time frame.

20 132. This provides further stress for consumers who believed CHW's advertising that a
21 home warranty was a good fit for someone who did not have an emergency fund.

22 133. Typically, Defendants would end up paying consumers the "cash back in lieu" if
23 the consumers continued to follow up with Defendants, but the process frequently took longer
24 than 30 days.

25 134. As a result of all of the acts and practices listed above, consumers did not save
26 money by using Defendants.

27 135. As a result of all of the acts and practices listed above, consumers needed access to
28 an emergency fund even if they buy Defendants' services.

1 136. As a result of all of the acts and practices listed above, consumers were forced to
2 pay more than the service fee listed in CHW's User Agreement for appliance breakdowns.

3 137. Defendants rarely provided the costly repairs or replacements promised by their
4 advertising.

5 138. Defendants denied many claims that should have been covered according to
6 Defendants' advertising.

7 139. Defendants denied many claims that should have been covered according to
8 Defendants' User Agreement.

9 140. Defendants provided "cash back in lieu" of repair or replacement, and the cash
10 offered was not the actual cost to repair or replace the appliance or system.

11 141. Defendants limited their maximum payout in such a way that a consumer who
12 needed to replace an air conditioner or fix a serious plumbing issue would likely need access to
13 thousands of additional dollars.

14 **D. CHW Misrepresented That Consumers Would Not Have to Scramble for a**
15 **Repair Professional.**

16 **1. CHW's Deceptive and Unfair Advertising**

17 142. On the Primary Website, CHW advertised one of the benefits of having their
18 service as the following:

19 143. "**Convenience** – With Choice Home Warranty, you never have to go out and look
20 for the right service professional. Simply call our 24/7 customer service and we will send the
21 right professional to your home."

22 144. On the Arizona Website, CHW stated: "It's simple! If a covered system in your
23 home breaks down just call the 24/7 claims hotline and CHW will dispatch a local, licensed, and
24 insured technician to service your claim."

25 145. Similarly, in the CHW George Foreman commercial, George Foreman stated,
26 "You never have to worry about getting ripped off or scramble for trusted repairmen."
27 (0:55/2:00)

1 146. At the same time, words appeared on the screen which stated, "NEVER HAVE
2 TO SCRAMBLE." (0:58/2:00)



15 **2. Defendants' Actual Practices**

16 147. In actuality, Defendants only had technicians to cover certain parts of Arizona.

17 148. For those who lived in areas outside of major cities in Arizona, Defendants were
18 often unable to provide in-network technicians to provide service for consumers' claims.

19 149. Instead, when consumers lived in areas where Defendants had no in-network
20 technicians, consumers found out when they called Defendants for service that the consumers
21 had to scramble to find technicians on their own to address their issues.

22 150. When consumers had to find their own technicians, Defendants deemed those
23 technicians to be "out-of-network," and refused to allow the technicians to submit diagnostic
24 reports in advance to check whether claims would be covered under the policy.

25 151. Thus, consumers were unable to find out before paying technicians for repairs or
26 replacements whether Defendants would actually cover the claims.

27 152. Consumers were forced to pay technicians for the repair or replacement of home
28 systems and appliances at the time of service and seek reimbursement from Defendants later.

1 153. In these situations, Defendants often denied the reimbursement requests, citing
2 exclusions in the User Agreement.

3 154. Thus, consumers who expected full reimbursement for repairs or replacement as
4 advertised by CHW were forced not only to scramble to find a technician and pay up front for
5 repairs, they were forced ultimately to bear the cost of repair and replacement of home systems
6 and appliances.

7 155. Consumers living in areas where Defendants had no in-network technicians were
8 not told at the time of purchase that Defendants did not have technicians in their area to cover
9 claims.

10 156. CHW's advertising also did not disclose this material fact.

11 157. Instead, CHW's advertising touted how "simple" it was for consumers to call and
12 have Defendants "send the right professional to [their] home," and promised consumers that
13 they would "NEVER HAVE TO SCRAMBLE."

14 158. Therefore, many Arizona consumers purchased Defendants' service contracts
15 unaware that Defendants have no service providers in their areas.

16 **E. CHW Misrepresented the Speed at Which It Would Repair or Replace Air**
17 **Conditioners.**

18 **1. CHW's Deceptive and Unfair Advertising**

19 159. As noted above, the Arizona-specific page of the Primary Website highlighted the
20 need for air conditioners to be fixed quickly in Arizona, stating "A broken air conditioner will
21 leave your family in an extremely uncomfortable situation, so it's best to have a plan in place for
22 fast repairs if something should go wrong."

23 160. On the Arizona page of the Primary Website, CHW also said, "Our repair service
24 is swift and timely. We do our best to have a technician dispatched to your home as soon as
25 possible (see our policy for response time)."

26 161. As noted above, CHW touted its "24/7 customer service" and their "24/7 hotline."
27
28

2. Defendants' Actual Practices

162. In direct contradiction to CHW's Arizona-specific website, Arizona consumers with a service contract from Defendants often did not receive "fast repairs" when their air conditioners broke.

163. Consumers with broken air conditioners frequently had to wait multiple days in the Arizona heat for CHW to send out a technician.

164. According to Defendants' User Agreement, although Defendants could be contacted by consumers "24/7," Defendants gave themselves multiple days to actually contact a technician.

165. In fact, Defendants only promised to contact an authorized service provider within two days of consumers filing claims during normal business hours or within four days if consumers submitted claims on weekends or holidays.

166. Therefore, despite CHW's claims of "fast repairs" and "24/7" service that was "swift and timely," Defendants gave themselves up to **96 hours** before they were required even to contact a technician.

167. The CHW-selected technician then contacted the consumer to schedule a mutually convenient appointment during normal business hours.

168. After the CHW-selected technician examined the problem, it often took several more days for Defendants to determine whether a claim was covered.

169. Then, Defendants often denied these claims.

170. If Defendants claimed the denial was related to lack of maintenance, the consumer was required to collect and send in his or her maintenance records for Defendants' review, a process that often took several more days.

171. Meanwhile, Arizona residents were stranded in dangerously hot homes.

172. For example, one Arizona consumer submitted a claim for her air conditioner to Defendants on July 27, 2018, which was a Friday.

1 173. Defendants scheduled an appointment with an in-network technician to look at the
2 air conditioner on July 31, 2018—four days after the consumer submitted the claim, in violation
3 even of Defendants’ generous two-day window for weekday claims.

4 174. Meanwhile, the consumer was forced to wait four days in Arizona heat that topped
5 110 degrees Fahrenheit.

6 175. Another Arizona consumer filed a claim with Defendants for a broken air
7 conditioner on July 9, 2018, which was a Monday.

8 176. Defendants’ technician did not come to the consumer’s home until four days later
9 on Friday, July 13, 2018.

10 177. Defendants then denied the consumer’s claim on Saturday, July 14, 2018, for an
11 alleged failure to maintain the unit.

12 178. While the consumer waited for the technician to visit the home, the consumer was
13 forced to bear Phoenix temperatures in excess of 100 degrees without air conditioning.

14 179. Even if Defendants did cover a consumer’s broken air conditioner claim up to the
15 \$1,500 policy limit, the amount of the policy limit would be unlikely to cover the full cost of an
16 air conditioning repair or replacement.

17 **F. CHW Misrepresented Its Consumer Ratings.**

18 **1. CHW’s Deceptive and Unfair Advertising**

19 180. In order to induce consumers into believing that CHW was a reliable company that
20 would deliver on the broad promises made by its advertising, CHW repeatedly assured
21 consumers that it had superb ratings from customer reviews.

22 181. For example, most pages of the Primary Website included a sidebar stating that
23 CHW is “Top Rated” by Consumer Affairs and received an overall rating of nearly five stars.

Get a Quote

Step 1: General Information

Customer Information

*First Name: First name
*Last Name: Last name

*Email: Email address
*Home Phone: Phone
Work Phone: Phone

Property Information

*Address: Address

*City: City
*State: Select a State...
*Zip: Zip code

*Property Type: Single Family
Square Footage: Less than 5,000 sq.ft.
☐ I am Buying or Selling a house

Promotions:



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182. However, a visit to the Consumer Affairs website in summer 2019 showed that CHW actually received less than a four-star rating, out of a possible five stars.

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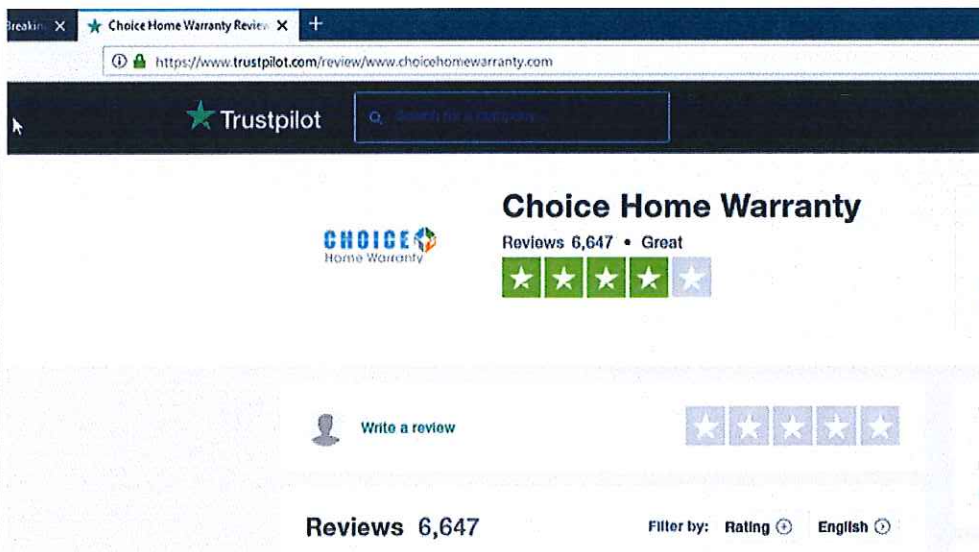
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183. The Primary Website also touted CHW's "Excellent" rating and overall five-star rating with TRUSTPILOT, including on the home page.



184. However, Trustpilot's rating for CHW is, and has been since at least June 2018, only four stars, out of a possible five stars, which is a "Great" and not an "Excellent" rating by Trustpilot's standards.



185. As Trustpilot noted on its page, CHW asked consumers to leave reviews with Trustpilot.

1 186. Notably, many of the positive reviews on Trustpilot and Consumer Affairs appear
2 to have been posted at the end of the initial purchase process.

3 187. These reviews have little relevance to consumers wondering whether CHW will
4 actually keep its promises to repair or replace appliances and systems.

5 188. On information and belief, CHW solicited these reviews during the sign-up
6 process in order to boost its ratings, as consumers signing up to pay for CHW's service typically
7 believed that CHW would deliver on its promises.

8 189. CHW has previously admitted to giving consumers a free month of service to post
9 positive reviews.

10 190. As of June 21, 2018, CHW disclosed under the "Reviews" tab on its Primary
11 Website that, "All of the reviews on these pages have been provided with the benefit of a free
12 month of service*, valued at \$40.00, for their willingness to provide a timely review of their
13 claims experience."

14 191. As of July 11, 2019, that text was removed from the same page on the Primary
15 Website.

16 192. As of August 15, 2019, CHW had removed the reviews tab from their Primary
17 Website altogether.

18 193. A "Home Warranty Reviews" page still exists on the Primary Website, with
19 uniformly positive reviews, several of which refer to air conditioning repairs.

20 194. At the bottom of that page, small text admits that CHW's average rating on
21 Trustpilot is four-out-of-five stars, not five-out-of-five stars as advertised at the top of the same
22 page and on most other pages of the Primary Website.

23 195. In addition to paying for positive reviews, Defendants took steps to stop
24 consumers from leaving negative reviews.

25 196. As noted above, Defendants frequently denied claims and then offered "goodwill
26 payments" that consumers could only obtain if they agreed to keep quiet about their negative
27 experience with Defendants.
28

1 197. On Yelp, as of June 27, 2019, CHW had a one-star rating out of 1,185 reviews,
2 with few, if any, reviews coming from consumers in the sign-up process.

3 198. On the Better Business Bureau (“BBB”), as of June 28, 2019, CHW had just over
4 a one-star rating for reviews.

5 199. CHW also had 4,830 complaints on the BBB website as of June 28, 2019.

6 **F. CHW’s Prior Settlement with New Jersey**

7 200. On July 22, 2014, the Attorney General of New Jersey filed a complaint against
8 CHW and its principals at that time, Victor Mandalawi, Victor Hakim, and David Seruya,¹ for
9 multiple violations of the New Jersey Consumer Fraud Act.

10 201. Specifically, the New Jersey complaint detailed deceptive and unconscionable
11 business practices in connection with the sale and advertisement of home warranties, which the
12 complaint stated were actually “residential service contracts.”

13 202. On June 9, 2015, CHW entered into a consent judgment with the Attorney General
14 of New Jersey.

15 203. The consent judgment prohibited CHW, Victor Mandalawi, Victor Hakim, and
16 David Seruya from engaging in deceptive or unfair acts or practices in the conduct of any
17 business in New Jersey.

18 204. Further, the consent judgment contained a slew of injunctive terms aimed at
19 regulating specific CHW advertising, sales, and business practices.

20 205. Unfortunately, the injunctive terms in the New Jersey consent judgment did not
21 stop CHW from operating its deceptive scheme in Arizona.

22 206. The consent judgment also required CHW to retain an independent compliance
23 monitor to monitor CHW’s compliance with the terms and conditions of the New Jersey consent
24 judgment.

25 207. The consent judgment also obligated CHW to pay nearly \$780,000 to the New
26 Jersey Attorney General, which was comprised of civil penalties, attorneys’ fees, and
27

28 ¹ CHW’s current principles are Victor Mandalawi, Victor Hakim, and Albert Hakim.

1 investigative costs.

2 208. Despite that consent judgment, CHW continued to engage in the deceptive and
3 unfair acts and practices outlined above in Arizona.

4 **V. CLAIMS FOR RELIEF**

5 209. The State realleges the prior allegations of this Complaint as though fully set forth
6 herein.

7 210. The conduct described in the preceding paragraphs of this Complaint constitutes
8 deception, deceptive or unfair acts or practices, fraud, false pretenses, false promises,
9 misrepresentations, or concealment, suppression or omission of material facts with intent that
10 others rely on such concealment, suppression or omission, in connection with the sale or
11 advertisement of merchandise in violation of A.R.S. §§ 44-1521 to 44-1534, including, but not
12 limited to:

13 211. Defendants engaged in deceptive and unfair acts and practices by misrepresenting
14 that Defendants' User Agreement would protect consumers from the "high cost" of repairing or
15 replacing systems and appliances, including refrigerators, plumbing, and air conditioning;

16 212. Defendants engaged in deceptive and unfair acts and practices by concealing,
17 suppressing, or omitting the material facts that (1) Defendants excluded many common issues
18 related to these appliances or systems; and (2) Defendants capped their obligation to pay any
19 consumer claim at \$1,500 (\$500 for plumbing);

20 213. Defendants engaged in deceptive and unfair acts and practices by misrepresenting
21 that Defendants would repair or replace broken appliances or systems;

22 214. Defendants engaged in deceptive and unfair acts and practices by concealing,
23 suppressing, or omitting the material facts that (1) Defendants would refuse to repair or replace
24 if Defendants determined, in their sole discretion, that the breakdown was due to anything but
25 "normal wear and tear"; (2) Defendants would deny claims that should be covered even under
26 the User Agreement; and (3) Defendants would often refuse to repair or replace appliances if
27 consumers could not produce comprehensive maintenance records covering the entire life of the
28 unit;

1 215. Defendants engaged in deceptive and unfair acts and practices by misrepresenting
2 that Defendants' services would save consumers money and obviate the need for an emergency
3 fund;

4 216. Defendants engaged in deceptive and unfair acts and practices by concealing,
5 suppressing, or omitting the material facts that (1) consumers still had to pay a non-refundable
6 \$85 "service fee" each time a technician came out; (2) Defendants could unilaterally decide to
7 provide "cash back in lieu" of a repair or replacement; (3) Defendants' "cash back in lieu"
8 would not be Defendants' "actual cost" to repair or replace, but would instead be a fraction of
9 that amount; and (4) Defendants' caps on any consumer claim at \$1,500 (\$500 for plumbing)
10 meant that consumers still needed an emergency fund;

11 217. Defendants engaged in deceptive and unfair acts and practices by misrepresenting
12 that when a refrigerator, air conditioner, or washer and dryer stopped running, consumers would
13 "only pay the service fee";

14 218. Defendants engaged in deceptive and unfair acts and practices by misrepresenting
15 that consumers would "never need to scramble" because Defendants would send out a
16 technician after consumers contacted Defendants;

17 219. Defendants engaged in deceptive and unfair acts and practices by concealing,
18 suppressing, or omitting the material fact that Defendants only had "in-network" technicians in
19 certain parts of Arizona, and if consumers do not live in those areas, consumers would have to
20 find a technician on their own;

21 220. Defendants engaged in deceptive and unfair acts and practices by misrepresenting
22 that Defendants would provide "fast repairs" that would be "swift and timely" thanks to "24/7
23 customer service";

24 221. Defendants engaged in deceptive and unfair acts and practices by concealing,
25 suppressing, or omitting the material facts that (1) Defendants reserved the right to wait up to
26 four days to even contact a technician about the issue; (2) Defendants could take additional days
27 after a technician visited to determine whether to deny the claim; and (3) Defendants could
28

1 demand maintenance records for the life of the unit from the consumer after a denial, further
2 extending the repair and replacement process;

3 222. Defendants engaged in deceptive and unfair acts and practices by misrepresenting
4 that CHW had exceptional customer reviews, including nearly five stars from Consumer Affairs,
5 five stars from Trustpilot, and glowing reviews on CHW's own site;

6 223. Defendants engaged in deceptive and unfair acts and practices by concealing,
7 suppressing, or omitting the material facts that (1) CHW four stars or less from Consumer
8 Affairs and Trustpilot; (2) CHW manipulated its ratings by paying consumers to leave positive
9 reviews; (3) CHW pushed consumers to leave reviews during the sign-up process, instead of
10 after a consumer has made a claim; and (4) CHW denied claims, then offered consumers small
11 "goodwill payments" in exchange for the consumers' agreement not to leave negative reviews
12 online; and

13 224. Defendants engaged in deceptive and unfair acts and practices by failing to deliver
14 on the promises noted in the previous paragraphs.

15 225. While engaging in the concealments, suppressions, or omissions of material facts
16 described above, the State alleges that Defendants did so with intent that others rely on such
17 concealments, suppressions, or omissions.

18 226. While engaging in the unfair acts and practices described above, the State alleges
19 that these acts and practices caused or were likely to cause substantial injuries to consumers that
20 were not reasonably avoidable by consumers and were not outweighed by countervailing benefits
21 to consumers or to competition.

22 VI. PRAYER FOR RELIEF

23 Wherefore, the State respectfully requests that the Court:

24 227. Permanently enjoin Defendants, their officers, agents, servants, and employees,
25 and any successor entity or entities, whether by acquisition, merger, or otherwise, from:

- 26 a. engaging in the unlawful acts and practices alleged in this Complaint, and from
27 doing any acts in furtherance of such acts and practices pursuant to A.R.S. § 44-
28 1528(A)(1); and

b. advertising or selling home warranties or home service contracts in the State of Arizona pursuant to A.R.S. § 44-1528(A)(1) and (A)(4);

228. Order Defendants, pursuant to A.R.S. § 44-1528(2), to restore to all persons any monies or properties, real or personal, which may have been acquired by means of any practice that is unlawful under the CFA;

229. Order Defendants, pursuant to A.R.S. § 44-1528(A)(3), to disgorge and pay the State of Arizona all profits, gain, gross receipts, and other benefits obtained by means of Defendants' fraudulent and unlawful scheme;

230. Order Defendants, pursuant to A.R.S. § 44-1531, to pay the State of Arizona a civil penalty of no more than \$10,000 for each willful violation of the CFA;

231. Order Defendants to pay the State of Arizona its costs of investigation and prosecution, including attorneys' fees, pursuant to A.R.S. § 44-1534;

232. Enter an order providing that this Court retain jurisdiction of this action in order to implement and carry out the terms of all orders and decrees that may be entered herein, and in order to entertain any suitable applications or motions by the State for additional relief within the jurisdiction of this Court; and

233. Order such other relief as the Court deems just and proper.

RESPECTFULLY SUBMITTED October 1, 2019.

MARK BRNOVICH
Attorney General

By: BE

Bryce N. Clark
Assistant Attorney General
Attorneys for Plaintiff

Exhibit 1

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User Agreement

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TERMS OF SERVICE AGREEMENT CHOICE HOME WARRANTY

Throughout this Agreement ("Agreement," "plan" or "contract") the words "We", "Us" and "Our" refer to Choice Home Warranty, 1090 King Georges Post Road, Building 10, Suite 1007, Edison, NJ 08837 (CHW), the Obligor of this Agreement, except in [Alabama](#), [Arizona](#), [Florida](#), [Illinois](#), [Nevada](#), [New York](#), [Oklahoma](#), [South Carolina](#), [Texas](#), [New Mexico](#), [Utah](#), [Iowa](#), [Minnesota](#), [Massachusetts](#), [Wisconsin](#), [Kentucky](#), [Arkansas](#), [Washington](#), and [Virginia](#). In [Alabama](#), the company obligated under this Agreement is Home Warranty Administrator of [Alabama](#) (HWA-AL). In [Arizona](#), the company obligated under this Agreement is Home Warranty Administrator of [Arizona](#) (HWA-AZ). In [Florida](#), the company obligated under this Agreement is Home Warranty Administrator of [Florida](#) (HWA-FL). In [Illinois](#), the company obligated under this Agreement is Home Warranty Administrator of [Illinois](#) (HWA-IL). In [Nevada](#), the company obligated under this Agreement is Home Warranty Administrator of [Nevada](#) (HWA-NV). In [New York](#), the company obligated under this Agreement is Home Warranty Administrator of [New York](#) (HWA-NY). In [Oklahoma](#), the company obligated under this Agreement is Home Warranty Administrator of [Oklahoma](#) (HWA-OK). In [South Carolina](#), the company obligated under this Agreement is Home Warranty Administrator of [South Carolina](#) (HWA-SC). In [Texas](#), the company obligated under this Agreement is HWAT dba Home Warranty Administrators (HWA-TX). In [Arkansas](#), [Hawaii](#), [Iowa](#), [Kentucky](#), [Maine](#), [Massachusetts](#), [Minnesota](#), [New Hampshire](#), [New Mexico](#), [North Dakota](#), [Rhode Island](#), [South Dakota](#), [Utah](#),

Vermont, Wisconsin, Wyoming and Virginia the company obligated under this Agreement is TMI Solutions, LLC, 360 Market Place, Roswell, GA 30075 (TMIS). CHW is the seller of this contract in those states in which TMIS is the Obligor. CHW offers service contracts which are not warranties. Terms may vary in different states.

A. COVERAGE

During the coverage period, Our sole responsibility will be to arrange for a qualified service contractor ("Service Provider") to repair or replace, at Our expense (up to the limits set forth below), the systems and components mentioned as "Included" in accordance with the terms and conditions of this contract so long as such systems and components:

1. Are located inside the confines of the main foundation of the home or attached or detached garage (with the exception of the exterior pool/spa, well pump, septic tank pumping and air conditioner); and
2. Become inoperative due to normal wear and tear; and
3. Are in place and in proper working order on the effective date of this home warranty contract. This contract does not cover any known or unknown pre-existing conditions. It is understood that WE ARE NOT A SERVICE PROVIDER and are not Ourselves repairing or replacing any such systems or components. This contract covers single-family homes (including manufactured homes), new construction homes, condominiums, townhomes, and mobile homes under 5,000 square feet, unless an alternative dwelling type (i.e. above 5,000 square feet or multi-unit home) is applied, and appropriate fee is paid. Coverage is for occupied, owned or rented residential property, not commercial property or residences used as businesses, including, but not limited to, day care centers, fraternity/sorority houses, and nursing/care homes. This contract describes the basic coverage and options available. Coverage is subject to limitations and conditions specified in this contract. Please read Your contract carefully. NOTE: This is not a contract of insurance, residential service, warranty, extended warranty, or implied warranty.

B. COVERAGE PERIOD

1. Coverage starts 30 days after acceptance of application by Us and receipt of applicable contract fee and continues for 365 days from that date. Your coverage may begin before 30 days if We receive proof of prior coverage, showing no lapse of coverage, through another carrier within 15 days of the order date.
2. Your contract term (the dates that Your contract is in effect), Your contract fee, Your Service Fee, and Your equipment, systems, and appliances covered under this contract, are set forth in Your Coverage Details. Your contract fee is due and payable as Your Coverage Details specify, and Your Service Fee is due and payable upon a request for service as described in Section C (4) below. Additional costs may apply in accordance with other sections of this contract.

C. SERVICE CALLS – TO REQUEST SERVICE: 1-888-531-5403

1. You or Your agent (including tenant) must notify Us for work to be performed under this contract as soon as the problem is discovered. We will accept service calls 24 hours a day, 7 days a week, 365 days a year at 1-888-531-5403. Notice of any malfunction must be given to Us prior to expiration of this contract.
2. Upon request for service, We will contact an authorized Service Provider within two (2) days during normal business hours and four (4) days on weekends and holidays. The authorized Service Provider will contact You to schedule a mutually convenient appointment during normal business hours. We will determine what repairs constitute an emergency and will make reasonable efforts to expedite emergency service. If You should request Us to perform non-emergency service outside of normal business hours, You will be responsible for payment of additional fees and/or overtime charges.
3. We have the sole and absolute right to select the Service Provider to perform the service; and We will not reimburse for services performed without prior approval.
4. You will pay up to a \$85 trade service call fee ("Service Fee") per claim or the actual cost, whichever is less, as specified in Your Coverage Details. The Service Fee is for each visit by Our approved Service Provider, except as noted in Section C (5), and is payable to Our approved Service Provider at the time of each visit. The Service Fee applies to each call dispatched and scheduled, including but not limited to those calls wherein coverage is included, excluded, or denied. The Service Fee also applies in the event You fail to be present at a scheduled time, or in the event You cancel a service call at the time a Service Provider is in route to Your home or at Your home. Failure to pay the Service Fee will result in suspension or cancellation of coverage until such time as the proper Service Fee is paid. At that time, coverage may be reinstated; however, the contract term will not be extended.
5. If service work performed under this contract should fail, then We will make the necessary repairs without an additional trade service call fee for a period of 90 days on parts and 30 days on labor.

D. COVERAGE (COVERAGE DEPENDENT ON PLAN)

The Coverage is for no more than one unit, system, or appliance, unless additional fees are paid. If no additional fees are paid, covered unit, system, or appliance is at Our sole discretion; certain limitations of liability apply to Covered systems and appliances.

The Coverage is for no more than one unit, system, or appliance, unless additional fees are paid. If no additional fees are paid, covered unit, system, or appliance is at Our sole discretion; certain limitations of liability apply to Covered systems and appliances.

1. CLOTHES DRYER

INCLUDED: All components and parts, except:

EXCLUDED: Noise – Venting – Lint screens – Knobs and dials – Doors – Door

seals – Hinges – Glass – Leveling and balancing – Damage to clothing.

2. CLOTHES WASHER

INCLUDED: All components and parts, except:

EXCLUDED: Noise – Plastic mini-tubs – Soap dispensers – Filter screens – Knobs and dials – Doors – Door seals – Hinges – Glass – Leveling and balancing -Damage to clothing.

3. KITCHEN REFRIGERATOR

NOTE: Must be located in the kitchen.

INCLUDED: All components and parts, including integral freezer unit, except:

EXCLUDED: Racks – Shelves – Lighting and handles – Freon – Ice makers, ice crushers, beverage dispensers and their respective equipment – Water lines and valve to ice maker – Line restrictions – Leaks of any kind – Interior thermal shells – Freezers which are not an integral part of the refrigerator – Wine coolers or mini refrigerators – Food spoilage – Doors – Door seals and gaskets – Hinges – Glass – Audio/Visual equipment and internet connection components.

4. AIR CONDITIONING/COOLER

NOTE: Not exceeding 5 (five) ton capacity and designed for residential use.

INCLUDED: Ducted electric central air conditioning, ducted electric wall air conditioning. All components and parts, for units below 13 SEER and when We are unable to facilitate repair/replacement of failed covered equipment at the current SEER rating, repair/replacement will be performed with 13 SEER equipment and/or 7.7 HSPF or higher compliant, except:

EXCLUDED: Gas air conditioning systems – Condenser casings – Registers and Grills – Filters – Electronic air cleaners – Window units – Non-ducted wall units – Water towers – Humidifiers – Improperly sized units – Chillers – All exterior condensing, cooling and pump pads – Roof mounts, jacks, stands or supports – Condensate pumps – Commercial grade equipment – Cost for crane rentals – Air conditioning with mismatched condensing unit and evaporative coil per manufacturer specifications – Improper use of metering devices – Thermal expansion valves – Refrigerant conversion – Leak detections – Water leaks – Drain line stoppages – Maintenance – Noise. No more than two systems covered unless purchased separately at time of enrollment. We are not responsible for the costs associated with matching dimensions, brand or color made. We will not pay for any modifications necessitated by the repair of existing equipment or the installation of new equipment.

5. HEATING SYSTEM OR BUILT-IN WALL UNIT

NOTE: Main source of heat to home not to exceed 5 (five) ton capacity and designed for residential use.

INCLUDED: All components and parts necessary for the operation of the heating system. For units below 13 SEER and when We are unable to facilitate repair/replacement of failed covered equipment at the current SEER rating, repair/replacement will be performed with 13 SEER equipment and/or 7.7 HSPF or higher compliant, except: *EXCLUDED:* All components and parts relating to geothermal, water source heat pumps including: outside or underground piping, components for geothermal and/or water source heat pumps, redrilling of wells for geothermal and/or water source heat pumps, and well pump and well pump components for geothermal and/or water

source heat pumps. Access – Radiators or valves – Baseboard casings – Radiant heating – Dampers – Valves – Fuel storage tanks- Portable units – Solar heating systems – Fireplaces and key valves – Filters – Line dryers and filters – Oil filters, nozzles, or strainers – Registers – Backflow preventers – Evaporator coil pan – Primary or secondary drain pans – Grills -Clocks – Timers – Add-ons for zoned systems – Heat lamps – Humidifiers – Flues and vents – Improperly sized heating systems – Mismatched systems – Chimneys – Pellet stoves – Cable heat (in ceiling) – Wood stoves (even if only source of heating) – Calcium build-up – Maintenance. NOTE: We will pay no more than \$1,500 per covered item per contract term for access, diagnosis and repair or replacement of any glycol, hot water, or steam circulating heating systems.

6. WATER HEATER (Gas and/or Electric)

INCLUDED: All components and parts, including circulating pumps, except:

EXCLUDED: Access – Insulation blankets – Pressure reducing valve – Sediment build-up – Rust and corrosion – Main, Holding or storage tanks – Vents and flues – Thermal expansion tanks – Low boy and/or Squat water heaters – Solar water heaters – Solar components – Fuel, holding or storage tanks – Noise – Energy management systems – Commercial grade equipment and units exceeding 75 gallons – Drain pans and drain lines – Tankless waterheaters.

7. ELECTRICAL SYSTEM

INCLUDED: All components and parts, including built-in bathroom exhaust fans, except:

EXCLUDED: Fixtures – Carbon monoxide alarms, smoke detectors, detectors or related systems – Intercoms and doorbell systems associated with intercoms – Inadequate wiring capacity – Solar power systems and panels – Solar Components – Energy Management Systems – Direct current (D.C.) wiring or components – Attic exhaust fans – Commercial grade equipment – Auxiliary or sub-panels – Broken and/or severed wires – Rerunning of new wiring for broken wires – Wire tracing – Garage door openers – Central vacuum systems – Damages due to power failure or surge – Circuit Overload. We will pay no more than \$500 per contract term for access, diagnosis and repair and/or replacement.

8. PLUMBING SYSTEM/STOPPAGE

INCLUDED: Leaks and breaks of water, drain, gas, waste or vent lines, except if caused by freezing or roots – Toilet tanks, bowls and mechanisms (replaced with builder's grade as necessary), toilet wax ring seals – Valves for shower, tub, and diverter angle stops, rinses and gate valves – Permanently installed interior sump pumps – Built-in bathtub whirlpool motor and pump assemblies – Stoppages/Clogs in drain and sewer lines up to 100 feet from access point. Mainline stoppages are only covered if there is an accessible ground level clean out, except:

EXCLUDED: Stoppages and clogs in drain and sewer lines that cannot be cleared by cable or due to roots, collapsed, broken, or damaged lines outside the confines of the main foundation (even if within 100 feet of access point) – Access to drain or sewer lines from vent or removal of water closets – Cost to locate, access or install ground level clean out – Slab leaks – Polybutylene or Quest piping – Galvanized drain lines – Hose Bibs – Drum traps – Flange- Collapse of or damage to water, drain, gas, waste or vent lines caused by

freezing, settlement and/or roots – Faucets, fixtures, cartridges, shower heads & shower arms – Baskets and strainers – Popup assemblies – Bathtubs and showers – Cracked porcelain – Glass – Shower enclosures and base pans – Roman tubs – Bath tub drain mechanisms – Sinks – Toilet lids and seats – Cabling or grouting – Whirlpool jets – Whirlpool control panel – Septic tanks – Sewage ejector pumps – Water softeners – Pressure regulators – Inadequate or excessive water pressure – Flow restrictions in fresh water lines caused by rust, corrosion or chemical deposits – Holding or storage tanks – Saunas and/or steam rooms. NOTE: We will provide access to plumbing systems through unobstructed walls, ceilings or floors, only, and will return the access opening to rough finish condition. We will pay no more than \$500 per contract term for access, diagnosis and repair and/or replacement. Our authorized Service Provider will close the access opening and return it to rough finish condition, subject to the \$500 limit indicated. We shall not be responsible for payment of the cost to remove and replace any built-in appliances, cabinets, floor coverings or other obstructions impeding access to walls, ceilings, and/or floors.

9. BUILT-IN MICROWAVE

INCLUDED: All components and parts, except:

EXCLUDED: Doors – Hinges – Handles – Doors – Door glass – Lights – Interior linings – Trays – Clocks – Shelves – Portable or counter top units – Arcing – Meat probe assemblies – Rotisseries.

10. OVEN/RANGE/STOVE/COOKTOP (Gas or Electric; Built-in, Portable or Free Standing).

INCLUDED: All components and parts, except:

EXCLUDED: Clocks (unless they affect the cooking function of the unit) – Meat probe assemblies – Rotisseries – Racks – Handles – Knobs – Door seals – Doors – Hinges – Lighting and handles – Glass – Sensi-heat burners will only be replaced with standard burners.

11. DISHWASHER

INCLUDED: All components and parts, except:

EXCLUDED: Racks – Baskets – Rollers – Hinges – Handles – Doors – Door gaskets – Damage caused by broken glass – Cleaning.

12. GARBAGE DISPOSAL

INCLUDED: All components and parts, including entire unit, except:

EXCLUDED: Problems and/or jams caused by bones, glass, or foreign objects other than food.

13. CEILING AND EXHAUST FANS

INCLUDED: Motors – Switches – Controls – Bearings, except:

EXCLUDED: Fans – Blades – Belts – Shutters – Filters – Lighting. Note: Builder's standard is used when replacement is necessary.

14. DUCTWORK

INCLUDED: Duct from heating unit to point of attachment at registers or grills, except:

EXCLUDED: Registers and grills – Insulation – Asbestos-insulated ductwork – Vents, flues and breaching – Ductwork exposed to outside elements – Improperly sized ductwork – Separation due to settlement and/or lack of support – Damper motors – Diagnostic testing of, or locating leaks to ductwork, including but not limited to, as required by any federal, state or

local law, ordinance or regulation, or when required due to the installation or replacement of system equipment. We will provide access to ductwork through unobstructed walls, ceilings or floors, only, and will return the access opening to rough finish condition. With respect to concrete covered, embedded, encased, or otherwise inaccessible ductwork, We will pay no more than \$500 per contract term for access, diagnosis and repair or replacement. Our authorized Service Provider will close the access opening and return to a rough finish condition, subject to the \$500 limit indicated. We shall not be responsible for payment of the cost to remove and replace any built-in appliances, cabinets, floor coverings or other obstructions impeding access to walls, ceilings, and/or floors.

15. GARAGE DOOR OPENER

INCLUDED: All components and parts, except:

EXCLUDED: Garage doors – Hinges – Springs – Sensors – Chains – Travelers – Tracks – Rollers – Remote receiving and/or transmitting devices.

16. GREEN

INCLUDED: If a covered system or appliance (limited to Clothes Washer, Clothes Dryer, Refrigerator, Dishwasher, Heating System, and Water Heater) breaks down per Section I above and subject to all other contract inclusions, exclusions and limitations, and it cannot be repaired, We will replace the appliance with an ENERGY STAR qualified product (subject to availability, exclusions and limitations), one with similar and like features as existing appliance, except:

EXCLUDED: All other contract limitations of liability and exclusions apply.

E. OPTIONAL COVERAGE (Requires Additional Payment)

NOTE: You may purchase any Optional Coverage for up to 30 days after commencement of Coverage. However, Coverage shall not commence until receipt of payment by Us and such Coverage shall expire upon expiration of Coverage period in Section II.

1. POOL AND/OR SPA EQUIPMENT

INCLUDED: Both pool and built-in spa equipment (exterior hot tub and whirlpool) are covered if they utilize common equipment. If they do not utilize common equipment, then only one or the other is covered unless an additional fee is paid. Coverage applies to above ground, accessible working components and parts of the heating, pumping and filtration system as follows: Heater – Pump – Motor – Filter – Filter timer – Gaskets – Blower – Timer – Valves, limited to back flush, actuator, check, and 2 and 3-way valves – Relays and switches – Pool sweep motor and pump – Above ground plumbing pipes and wiring, except:

EXCLUDED: Portable or above ground pools/spas – Control panels and electronic boards – Lights – Liners – Maintenance – Structural defects – Solar equipment – Jets – Ornamental fountains, waterfalls and their pumping systems – Pool cover and related equipment – Fill line and fill valve – Built-in or detachable cleaning equipment such as, but not limited to, pool sweeps, pop up heads – Turbo valves, skimmers, chlorinators, and ionizers – Fuel storage tanks – Disposable filtration mediums – Cracked or corroded casings

– Grids – Cartridges – Heat pump – Salt water systems. We will pay no more than \$500 per contract term for access, diagnosis and repair and/or replacement.

2. SEPTIC TANK PUMPING

INCLUDED: Main line stoppages/clogs (one time only, and must have existing access or clean out). If a stoppage is due to a septic tank back up, then We will pump the septic tank one time during the contract term. Coverage can only become effective if a septic certification was completed within 90 days prior to close of sale. We reserve the right to request a copy of the certification prior to service dispatch.

EXCLUDED: The cost of gaining or finding access to the septic tank and the cost of sewer hook ups – Disposal of waste – Chemical treatments – Tanks – Leach lines – Cess pools – Mechanical pumps/systems. Limited to a total of \$200 maximum.

3. WELL PUMP

INCLUDED: All components and parts of well pump utilized for main dwelling only, except:

EXCLUDED: Holding or storage tanks – Digging – Locating pump – Pump retrieval – Redrilling of wells – Well casings – Pressure tanks – Pressure switches and gauges – Check valve – Relief valve – Drop pipe – Piping or electrical lines leading to or connecting pressure tank and main dwelling including wiring from control box to the pump – Booster pumps – Well pump and well pump components for geothermal and/or water source heat pumps. We will pay no more than \$500 per contract term for access, diagnosis and repair and/or replacement.

4. SUMP PUMP

INCLUDED: Permanently installed sump pump for ground water, within the foundation of the home or attached garage, except:

EXCLUDED: Sewerage ejector pumps – Portable pumps – Backflow preventers – Check valves – Piping modifications for new installs.

5. CENTRAL VACUUM

INCLUDED: All mechanical system components and parts, except:

EXCLUDED: Ductwork – Hoses – Blockages – Accessories.

6. LIMITED ROOF LEAK (Single Family Homes Only)

INCLUDED: Repair of shake, shingle, and composition roof leaks over the occupied living area.

EXCLUDED: Porches – Patios – Cracked and/or missing material – Foam roofs – Tar and gravel or metal roof – Cem wood shakes – Masonite shingles – Flat or built-up roof – Structural leaks adjacent to or caused by appendages of any kind – Downspouts Flashing – Gutters – Skylights – Decks – Patio covers – Solar equipment – Roof jacks – Antennae – Satellite components – Chimneys – Partial roof replacement – Preventative maintenance.

NOTE: If roof must be partially or completely replaced to effect repair, this coverage does not apply.

7. STAND ALONE FREEZER

INCLUDED: All parts and components that affect the operation of the unit, except:

EXCLUDED: Ice-makers, crushers, dispensers and related equipment – Internal shell – Racks – Shelves – Glass displays – Lights – Knobs and caps – Dials –

Doors – Door seals and gaskets – Door hinges – Door handles – Glass – Condensation pans – Clogged drains and clogged lines – Grates – Food spoilage – Freon – Disposal and recapture of Freon.

8. SECOND REFRIGERATOR

INCLUDED: All components and parts, including integral freezer unit, except:

EXCLUDED: Racks – Shelves – Lighting and handles – Freon – Ice makers, ice crushers, beverage dispensers and their respective equipment – Water lines and valve to ice maker – Line restrictions – Leaks of any kind – Interior thermal shells – Freezers which are not an integral part of the refrigerator – Food spoilage – Doors – Door seals and gaskets – Hinges – Glass – Audio/Visual equipment and internet connection components.

9. SEPTIC SYSTEM

INCLUDED: Sewage ejector pump – Jet pump – Aerobic pump – Septic tank and line from house.

EXCLUDED: Leach lines – Field lines – Lateral lines – Tile fields and leach beds – Insufficient capacity – Clean out – Pumping. We will pay no more than \$500 per contract term for access, diagnosis and repair and/or replacement.

F. LIMITATIONS OF LIABILITY

1. The following are not included during the contract term; (i) malfunction or improper operation due to rust or corrosion of all systems and appliances, (ii) collapsed ductwork, (iii) known or unknown pre-existing conditions.
2. We are not responsible for providing access to or closing access from any covered item which is concrete- encased or otherwise obstructed or inaccessible.
3. At times it is necessary to open walls or ceilings to make repairs. The Service Provider obtained by Us will close the opening, and return to a rough finish condition. We are not responsible for restoration of any wall coverings, floor coverings, plaster, cabinets, counter tops, tiling, paint, or the like.
4. We are not responsible for the repair of any cosmetic defects or performance of routine maintenance.
5. Electronic or computerized energy management or lighting and appliance management systems, solar systems and equipment are not included.
6. You may be charged an additional fee by the Service Provider to dispose of an old appliance, system or component, including, but not limited to the following items: condensing units, evaporator coils, compressors, capacitors, refrigerators, freezers, water heaters, and any system or appliance which contains dangerous or hazardous materials.
7. We are not liable for service involving hazardous or toxic materials including but not limited to mold, lead paint, or asbestos, nor costs or expenses associated with refrigerant recovery, recycling, reclaiming or disposal. We are not liable for any failure to obtain timely service due to conditions beyond Our control, including, but not limited to, labor difficulties or delays in obtaining parts or equipment.
8. We are not liable for repair of conditions caused by chemical or sedimentary build up, rust or corrosion, mildew, mold, misuse or abuse, failure to clean or maintain as specified by the equipment manufacturer, missing parts, structural changes, fire, freezing, electrical failure or surge, water

damage, lightening, mud, earthquake, soil movement, soil settlement, settling of home, storms, accidents, pest damage, acts of God, or failure due to excessive or inadequate water pressure.

9. We have the sole right to determine whether a covered system or appliance will be repaired or replaced. We are responsible for installing replacement equipment of similar features, capacity, and efficiency, but not for matching dimensions, brand or color. We are not responsible for upgrades, components, parts, or equipment required due to the incompatibility of the existing equipment with the replacement system or appliance or component or part thereof or with new type of chemical or material utilized to run the replacement equipment including, but not limited to, differences in technology, refrigerant requirements, or efficiency as mandated by federal, state, or local governments. If parts are no longer available, We will offer a cash payment in the amount of the average cost between parts and labor of the covered repair. We reserve the right to locate parts at any time. For the first 30 days of the contract term, We are not liable for replacement of entire systems or appliances due to obsolete, discontinued or unavailability of one or more integral parts. However, We will provide reimbursement for the costs of those parts determined by reasonable allowance for the fair value of like parts. We reserve the right to rebuild a part or component, or replace with a rebuilt part or component.

10. We are not liable for repairs related to costs of construction, carpentry or other incidental costs associated with alterations or modifications of appliances, components or installation of different equipment and/or systems. Except as required to maintain compatibility with equipment manufactured to be 13 SEER and/or 7.7 HSPF or higher compliant, We are not responsible for providing upgrades, components, parts or equipment required due to the incompatibility of the existing equipment with the replacement system, appliance or component/part, including but not limited to efficiency as mandated by federal, state or local governments.

11. We are not responsible for repairs related to inadequacy, lack of capacity, improper installation, mismatched systems, oversized systems, undersized systems, previous repair or design, manufacturer's defect, and any modification to the system or appliance.

12. We are not liable for normal or routine maintenance. We will not pay for repairs or failures that result from the Contract holder's failure to perform normal or routine maintenance. For example, You are responsible for providing routine maintenance and cleaning pursuant to manufacturers' specifications, such as periodic cleaning of heating and air conditioning systems, evaporator coils and condenser coils, as well as periodic filter replacement. **In the event a claim is denied, and a customer seeks to have Us review that denial, We have the right to request routine maintenance records in reviewing its decision.**

13. We are not liable for the repair or replacement of commercial grade equipment, systems or appliances. We shall pay no more than \$1,000 in aggregate for professional series or like appliances such as, but not limited to, brand names such as Sub Zero, Viking, Wolf, Bosch, Jenn-Air, GE Monogram, and Thermador, etc.

14. We reserve the right to obtain a second opinion at Our expense.

15. We are not responsible for any repair, replacement, installation, or modification of any covered system or appliance arising from a manufacturer's recall or defect of said covered items, nor any covered item while still under an existing manufacturer's, distributor's, or in-home warranty.
16. We reserve the right to offer cash back in lieu of repair or replacement in the amount of Our actual cost (which at times may be less than retail) to repair or replace any covered system, component or appliance.
17. We are not responsible for the repair or replacement of any system or appliance or component or part thereof that has been previously, or is subsequently, determined to be defective by the Consumer Product Safety Commission or the manufacturer and for which either has issued, or issues, a warning or recall, or which is otherwise necessitated due to failure caused by the manufacturer's improper design, use of improper materials, formula, manufacturing process or other manufacturing defect.
18. We will not pay for the repairs or replacement of any covered systems or appliances if they are inoperable as a result of known or unknown pre-existing conditions, deficiencies and/or defects.
19. You agree that We are not liable for the negligence or other conduct of the Service Provider, nor are We an insurer of Service Provider's performance. You also agree that We are not liable for consequential, incidental, indirect, secondary, or punitive damages. You expressly waive the right to all such damages. Your sole remedy under this agreement is recovery of the cost of the required repair or replacement, whichever is less. You agree that, in no event, will Our liability exceed \$1500 per contract item for access, diagnosis and repair or replacement.

G. MANDATORY ARBITRATION

In the event of a dispute over a claim or coverage You agree to file a written claim with Us and allow Us thirty (30) calendar days to respond to the claim. The parties agree to mediate in good faith, before resorting to mandatory arbitration, in the state of New Jersey. Except where prohibited, if a dispute arises from or relates to this Agreement or its breach, and if the dispute cannot be settled through direct discussions You agree that:

1. Any and all disputes, claims and causes of action arising out of or connected with this Agreement shall be resolved individually, without resort to any form of class action, multiple plaintiff, representative, or similar proceeding ("Class Action"). The parties expressly waive any ability to maintain any Class Action in any forum. The arbitrator shall not have authority to combine or aggregate similar claims or conduct any Class Action nor make an award to any person or entity not a party to the arbitration. Any claim that all or part of this Class Action waiver is unenforceable, unconscionable, void, or voidable may be determined only by a court of competent jurisdiction and not by an arbitrator. THE PARTIES UNDERSTAND THAT THEY WOULD HAVE HAD A RIGHT TO LITIGATE THROUGH A COURT, TO HAVE A JUDGE OR JURY DECIDE THEIR CASE AND TO BE PARTY TO A CLASS OR REPRESENTATIVE ACTION. HOWEVER, THEY UNDERSTAND AND CHOOSE TO HAVE ANY CLAIMS DECIDED INDIVIDUALLY, THROUGH ARBITRATION.

2. Any and all disputes, claims and causes of action arising out of or connected with this Agreement (including but not limited to whether a particular dispute is arbitrable hereunder) shall be resolved exclusively by the American Arbitration Association in the state of New Jersey under its Commercial Mediation Rules. Controversies or claims shall be submitted to arbitration regardless of the theory under which they arise, including without limitation contract, tort, common law, statutory, or regulatory duties or liability.

3. Any and all claims, judgments and awards shall be limited to actual out-of-pocket costs incurred to a maximum of \$1500 per claim, but in no event attorneys' fees.

4. Under no circumstances will You be permitted to obtain awards for, and You hereby waive all rights to claim, indirect, punitive, incidental and consequential damages and any other damages, other than for actual out-of-pocket expenses, and any and all rights to have damages multiplied or otherwise increased. All issues and questions concerning the construction, validity, interpretation and enforceability of this Agreement, shall be governed by, and construed in accordance with, the laws of the State of New Jersey, U.S.A. without giving effect to any choice of law or conflict of law rules (whether of the State of New Jersey or any other jurisdiction), which would cause the application of the laws of any jurisdiction other than the State of New Jersey.

5. Utah Residents: ANY MATTER IN DISPUTE BETWEEN YOU AND US MAY BE SUBJECT TO ARBITRATION AS AN ALTERNATIVE TO COURT ACTION PURSUANT TO THE RULES OF THE AMERICAN ARBITRATION ASSOCIATION, A COPY OF WHICH IS AVAILABLE ON REQUEST FROM US. ANY DECISION REACHED BY ARBITRATION SHALL BE BINDING UPON BOTH YOU AND US. THE ARBITRATION AWARD MAY INCLUDE ATTORNEY'S FEES IF ALLOWED BY STATE LAW AND MAY BE ENTERED AS A JUDGMENT IN ANY COURT OF PROPER JURISDICTION.

6. Wisconsin Residents: Unless You decide to file a claim solely in Your individual capacity in Wisconsin small claims court and notify Us in advance of Your decision to do so, any claim, dispute or controversy, regarding any contract, tort, statute, or otherwise ("Claim"), arising out of or relating to this contract or the relationships among the parties hereto shall be resolved by one arbitrator through binding arbitration administered by the American Arbitration Association ("AAA"), under the AAA Commercial or Consumer, as applicable, Rules in effect at the time the Claim is filed ("AAA Rules"). Copies of the AAA Rules and forms can be located at www.adr.org, or by calling 1-800-778-7879. You may elect to have any arbitration under this Agreement held in the state of Wisconsin or within the jurisdiction in which the covered property is located. The arbitrator's decision shall be final, binding, and non-appealable. Judgment upon the award may be entered and enforced in any court having jurisdiction. Neither party shall sue the other party other than as provided herein or for enforcement of this clause or of the arbitrator's award; any such suit may be brought only in Federal District Court for the District or, if any such court lacks jurisdiction, in any state court that has jurisdiction. The arbitrator, and not any federal, state, or local court, shall have exclusive authority to resolve any dispute relating to the interpretation, applicability,

unconscionability, arbitrability, enforceability or formation of this Agreement including any claim that all or any part of the Agreement is void or voidable. However, the preceding sentence shall not apply to Section G (1) of this contract.

7. Wyoming Residents: At the time of any dispute, the parties hereto may agree to resolve their difference by arbitration in a separate written agreement.

H. SEVERABILITY

If any provision of this Agreement is found to be contrary to law by a court of competent jurisdiction, such provision shall be of no force or effect; but the remainder of this Agreement shall continue in full force and effect.

I. BUILDING AND ZONING CODE REQUIREMENTS OR VIOLATIONS

1. We will not contract for services to meet current building or zoning code requirements or to correct for code violations, nor will it contract for services when permits cannot be obtained. We will not pay for the cost to obtain permits.
2. Except as required to maintain compatibility with equipment manufactured to be 13 SEER and/or 7.7 HSPF or higher compliant, We are not responsible for upgrade or additional costs or expenses that may be required to meet current building or zoning code requirements or correct for code violations. This includes city, county, state, federal and utility regulations and upgrades required by law.

J. MULTIPLE UNITS AND INVESTMENT PROPERTIES

1. If the contract is for duplex, triplex, or fourplex dwelling, then every unit within such dwelling must be covered by Our contract with applicable optional coverage for coverage to apply to common systems and appliances.
2. If this contract is for a unit within a multiple unit of 5 or more, then only items contained within the confines of each individual unit are covered. Common systems and appliances are excluded.
3. Except as otherwise provided in this section, common systems and appliances are excluded.

K. TRANSFER OF CONTRACT & RENEWALS

1. If Your covered property is sold during the term of this contract You must notify Us of the change in ownership and submit the name of the new owner by phoning 1-888-531-5403 in order to transfer coverage to the new owner.
2. You may transfer this contract at any time. There is no fee to transfer contract.
3. This contract may be renewed at Our option and where permitted by state law. In that event You will be notified of the prevailing rate and terms for renewal.

4. If You select the monthly payment option and We elect to renew Your contract, We will notify You of applicable rate and terms of renewal during the tenth month of Your contract. You will automatically be renewed for a monthly coverage period unless You notify Us in writing 30 days prior to the expiration of the contract. Your first payment for the next contract term will be construed as authorization for month-to-month charges.

L. CANCELLATION

This is a maintenance agreement for repair, replacement, or partial replacement of the products listed that are deemed manufactured or sold by the manufacturer. This is not a contract of insurance, residential service, warranty, extended warranty, or implied warranty. You may cancel within the first 30 days of the order date for a refund of the paid contract fee.

This contract shall be non-cancelable by Us except for:

1. Nonpayment of contract fee;
2. Nonpayment of Service Fee, as stated in Section III;
3. Fraud or misrepresentation of facts material by You to the issuance of this contract;
4. Mutual agreement of Us and You. If canceled after 30 days, You shall be entitled to a pro rata refund of the paid contract fee for the unexpired term, less a \$50 administrative fee and any service costs incurred by Us. All cancellation requests must be submitted in writing.
5. Arkansas, Hawaii, Massachusetts, Minnesota, New Mexico, Virginia and Wyoming Residents: In addition to Your cancellation rights listed above, You may cancel this contract within 20 days (30 days for Hawaii Residents) of the date this contract was mailed to You or within 10 days (20 days for Hawaii Residents) of delivery if this contract is delivered to You at the time of sale or within a longer time period permitted under this contract and, if You have not received any service, You are entitled to a full refund of the amount paid by You under this contract. A 10% penalty per month must be added to a refund that is not paid or credited to You within 45 days (60 days for New Mexico Residents) after the cancellation of this contract.
6. Hawaii Residents: Your right to cancel this contract and receive a full refund under Section L (5) is not transferable and applies only to the original contract purchaser.
7. Utah Residents: If this contract is canceled by Us, except cancellation for nonpayment of premium, such cancellation will be effective no sooner than 30 days after delivery or first-class mailing of a written notice to You. Cancellation for nonpayment of premium is effective no sooner than 10 days after delivery or first class mailing of a written notice to You.
8. Vermont Residents: In addition to Your cancellation rights listed above, You may cancel this contract within 20 days of receipt of this contract, if You have not received any service, for a full refund of the amount paid by You under this contract.
9. Virginia Residents: In addition to Our cancellation rights listed above, We may cancel this contract if this contract were to provide coverage before the

time the residential property is purchased, should the purchase of the property not occur.

10. Wisconsin Residents: This contract shall be non-cancelable by Us except for material misrepresentation, substantial change in the risk assumed, or a substantial breach of contractual duties, conditions or warranties. You may, within 15 calendar days of the delivery of this contract, reject and return this contract for a full refund less actual costs or charges needed to issue and service this contract.

11. Wyoming Residents: Your right to cancel this contract and receive a full refund under Section L (5) is not transferable and applies only to the original contract purchaser. If this contract is canceled by Us, We will mail a written notice to You at the last known address at least 10 days prior to cancellation by Us. Prior notice is not required if the reason for cancellation is nonpayment of the provider fee, material misrepresentation or substantial breach of duties by You.

M. MISCELLANEOUS STATE PROVISIONS

1. The obligations of TMIS under this contract are backed by the full faith and credit of TMIS, and are not guaranteed under a service contract reimbursement insurance policy.

2. The purchase of this contract is not mandatory and similar coverage may be purchased through another seller, obligor or insurance company.

3. Iowa Residents: The issuer of this contract is subject to regulation by the Insurance Division of the Department of Commerce of the state of Iowa.

Complaints which are not settled by the issuer may be sent to the Insurance

Division. 4. New Hampshire Residents: In the event You do not receive satisfaction under this contract, You may contact the New Hampshire Insurance Department at 21 South Fruit Street, Suite 14, Concord, NH 03301 or by calling (603) 271- 2261.

5. Utah Residents:

This contract is subject to limited regulation by the Utah Insurance Department. To file a complaint, contact the

Utah Insurance Department. Coverage afforded under this contract is not guaranteed by the Property and Casualty Guaranty Association.

Weekend, holiday and evening service will be performed only in the event of a failure or malfunction of a covered system or appliance, for which repair is prescribed under this Agreement, which is essential to your health and safety ("Emergency Repair"). An event will qualify for Emergency Repair if the emergency involves the loss of heating or cooling, loss of plumbing or substantial loss of electrical service and the emergency renders the dwelling unfit for a person to live in because of defects that immediately endanger the health and safety of the occupants of the dwelling.

In the case of an Emergency Repair, You will not be required to obtain Our prior authorization for service. Only in the case of an Emergency Repair, You may directly contact a qualified and insured Service Provider to obtain service in the event of failure or malfunction of a covered system or appliance, for which repair is prescribed under this contract. Upon completion of the

service, the Service Provider must provide You an itemized invoice for the charges. You should try to find a Service Contractor who will charge a fair and reasonable cost for parts and labor as You will be responsible for paying the Service Provider directly for the services rendered, including the Service Fee or similar charge up to the Service Fee, as well as all costs over and above those charged during normal business hours such as overtime. You will then submit the itemized invoice to Us for reimbursement up to the limit of coverage under this contract. Please call us at 1-888-531-5403 to find out the best way to submit the paid invoice; or, You may submit the paid invoice by mailing it to Us at 360 Market Place, Roswell, GA 30075 with an explanation of the emergency, when it occurred, Your name, Your account number and Your contact information. We may need to contact You for further information

6. Virginia Residents: If You are unable to contact or obtain satisfaction from Us then You may contact the Virginia Corporation Commission, at Bureau of Insurance, P.O. Box 1157, Richmond, Virginia, 23218-1157 or by calling (800) 552-7945.

7. Wisconsin Residents: THIS WARRANTY IS SUBJECT TO LIMITED REGULATION BY THE OFFICE OF THE COMMISSIONER OF INSURANCE.

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Exhibit 2

CHOICE HOME WARRANTY



AGREEMENT

This AGREEMENT ("Agreement") is made this March 15, 2017 Anthony Clore (Releaser") and between and CHOICE HOME WARRANTY ("Release").

The parties to this Agreement wish to resolve the dispute between Anthony Clore and CHOICE HOME WARRANTY, and therefore agree as follows:

1. Release. For the consideration described below, Releaser hereby releases and discharges all claims against Release from any and all causes of action, complaints, judgments, claims, or demands for damages, costs, expenses, attorneys' fees, consequential damages, punitive damages, statutory damages, or any other loss or claim whatsoever, whether known or unknown, which it has, or may have, against Release arising from the subject matters that have been or could have been raised in the Dispute, provided that Release fulfill their obligations under this Agreement.

2. Disclosure. By signing below Releaser, acknowledges and affirms that all previous disputes and complaints are fully remedied. Releaser will affirm when contacted by third party agencies (ie. YELP, BBB or others to that affect.) Further, Releaser grants Choice Home Warranty the ability to disclose and represent details of settlement.

3. Non - Disparagement : Releaser agree not to make any statements, written or verbal, or cause or encourage others to make any statements, written or verbal, that defame, disparage or in any way criticize the personal or business reputation, practices, or conduct Choice Home Warranty. Releaser acknowledges and agrees that this prohibition extends to statements, written or verbal, made to anyone, including but not limited to, the news media, investors, strategic partners, vendors, employees (past and present), and clients.

4. CHW Obligations. In consideration of the release recited above, Release agrees to provide the Releaser with a reimbursement in the amount of \$170.00 in 30 business days from receipt by Releaser.

Name: _____

Signature: _____

Date: _____

Sworn in before me on this

_____ day of _____, 20____

Notary Public

CHOICE HOME WARRANTY
1090 KING GEORGES POST RD. BLD 10, • Edison, NJ 08837