

2/5/10 NEW HOME WARRANTY INSURANCE 10/01

HOME WARRANTY INSURANCE REQUIREMENTS FOR NEW HOMES

To increase consumer protection for new home buyers, the *Homeowner Protection Act* regulations for residential builder licensing and mandatory, third-party home warranty insurance were implemented on July 1, 1999. As a result, all new homes constructed with building permits applied for on or after July 1, 1999 must be built by residential builders licensed with the Homeowner Protection Office (HPO) and covered by a policy of home warranty insurance. In geographic areas where building permits are not required, licensing and home warranty insurance is required for new home construction commenced on or after July 1, 1999.

Home warranty insurance can now only be provided by insurance companies that have been approved by the Financial Institutions Commission (FICOM) and meet the requirements of the *Homeowner Protection Act*. (See the HPO bulletin entitled "Understanding Home Warranties" for further information.)

Standards of coverage, commencement dates, exclusions and limits on coverage are now set by government to ensure clarity and a consistent base-level of consumer protection.

MINIMUM STANDARDS OF COVERAGE REQUIRED: 2-5-10

Home warranty insurance on new homes includes a minimum of 2 years on labour and materials, 5 years on the building envelope, including water penetration, and 10 years on structure. The 2-year labour and materials coverage is broken down as follows: Any defect in materials and labour:

12 months on detached homes and on non-common property in strata units (includes fee simple homes) *This is the first thing that jumps out at me. In the opening paragraph of this section it states Home Warranty Insurance includes a minimum of 2 years on labour and materials. Then this sentence "12 months on detached homes and on non-common property in strata units. HUH?*

15 months on common property of strata buildings *Then this? What's happened to the 2 years minimum?*

Defects in materials and labour related to the delivery and distribution systems (electrical, plumbing, heating ventilation, air conditioning, etc.): 24 months for all buildings. *Oh yeah, here it is! So this is what it covers for 2 years. Thanks for making this clear as mud.*

COMMENCEMENT DATES **You've really got to read this over to find out when the coverage begins or more to the point when it may have begun!**

Commencement dates on home warranty insurance are:

Fee simple (primarily detached dwelling units):

Custom homes: date of first occupancy or date of first occupancy permit, whichever transpires first.

Spec. homes: Date of first occupancy or date of transfer of legal title to first owner, whichever transpires first.

Strata homes:

Strata unit: earliest of date of first occupancy or date of transfer of legal title to first owner.

Common property: earliest of date of first-unit occupancy in strata building or date of transfer of legal title to first owner in building.

HOME WARRANTY INSURANCE EXCLUSIONS *Here are the obligatory Exclusions. How lovely.*

The *Homeowner Protection Act* regulations specify what the home warranty insurance companies can exclude from their policies.

General exclusions can include: landscaping; nonresidential detached structures (however, parking structures, recreational and amenity facilities in multi-unit buildings are covered); commercial use areas; roads, curbs and lanes (however, driveways are covered); site grading and surface drainage; the operation of municipal services; septic tanks and fields; and water quality and quantity.

Defect related exclusions can include: normal wear and tear; normal shrinkage of materials from construction; use of new home for non-residential purposes; materials, labour and design supplied by the owner; damage caused by the anyone other than the residential builder; damage caused by insects or rodents; failure of an owner to prevent or minimize damage and acts of nature.

What we have to understand here is that there is a difference between "labour" and "workmanship". The difference is that, shoddy workmanship which I call labour is not covered. And if a builder builds your home with green lumber that shrinks or warps this is also not covered. This is normal shrinkage of materials. Phewy! A defect in simple English and how it has been explained to me is "Something that was working when you bought it and now it isn't." So if your bathroom tile is laid on an angle and isn't level when you bought it, that's shoddy workmanship - not labour. Get it.

LIMITS ON COVERAGE

Coverage on claims is as follows:

Fee simple (primarily detached dwelling units): The lesser of the first owner's purchase price or \$200,000.

Strata homes:

Strata unit: lesser of the first owner's purchase price or \$100,000. *I don't know how I'd feel if I had just bought a brand new \$10,000,000 condo in Coal Harbour. I guess my bidet would be covered!*

Common property: the lesser \$100,000 times the number of dwelling units in the building or \$2.5 million per building. *So, if a crack is discovered in Shangra La the tallest building in Vancouver you could collect up to 2.5 million in compensation. I'm not an expert but I don't think that would cover it.*

FOR MORE INFORMATION CONTACT

Homeowner Protection Office

telephone: (604) 646-7055 email: hpo@hpo.bc.ca

toll-free: 1-800-407-7757 Web site: www.hpo.bc.ca

fax: (604) 646-7051