

Q&A: B.C.'S HOME WARRANTY INSURANCE

What is home warranty insurance?

In short, it's Canada's strongest construction defect insurance. Since July 1, 1999, all new single-family and multi-family homes built for sale in B.C. have been required by law to carry mandatory third-party home warranty insurance for construction defects.

While independent insurance companies provide this coverage, the Homeowner Protection Act sets minimum standards of coverage, commencement dates, exclusions and limits to ensure a consistent level of consumer protection.

What types of homes aren't covered by home warranty insurance?

Homes not required to carry home warranty insurance include those built by owners; manufactured homes (mobile homes and factory-built units); floating homes; non-stratified hotels, motels, dormitories and care facilities; multi-unit rental buildings where the sale of any individual unit is restricted by a 10-year covenant registered against the title; and social housing.

How does home warranty insurance protect homeowners?

The warranty protects homeowners from a range of construction defects related to materials and labour for designated periods of time:

- Two years on labour and materials for defects related to delivery and distribution systems (such as electrical or plumbing). For general materials and labour defects, coverage is for 12 months on detached homes and non-common property in strata units (including fee-simple homes), and for 15 months on common property of strata buildings.

- Five years on building envelope defects (including water penetration). This covers components that separate the indoors from the outdoors, such as exterior walls, foundation, roof, windows and doors.

- Ten years on labour and materials defects that result in failure of a load-bearing part of the home, or causes structural damage.

What is excluded from the coverage?

The warranty does not cover everything in a new home. Coverage may exclude:

- Design, materials or labour supplied by the owner or someone other than the builder or their workers or subtrades,
- Landscaping,
- Non-residential detached structures (e.g. garages, amenity buildings),
- Commercial use areas,
- Roads, curbs and lanes (but walkways and driveways are covered),
- Site grading and surface drainage, except as required by the Building Code,

If you're in the market for a new home or recently purchased one, you've likely heard about home warranty insurance – also called the 2-5-10 warranty, third-party warranty or mandatory warranty.

- The operation of municipal services,
 - Septic tanks and fields, and
 - Sater quality and quantity.
- Some specific defects may also be excluded, such as:

- Normal wear and tear,
- Normal shrinkage of materials from construction,
- Defects arising from non-residential uses of the home,
- Damage caused by anyone other than the builder,
- Damage caused by insects or rodents,
- Failure of an owner to prevent or minimize damage,
- Acts of nature, and failure to carry out proper maintenance.

What are the limits on coverage?

Coverage offered on claims is the lesser of \$200,000 or the first owner's purchase price for fee-simple single-family homes, and the lesser of \$100,000 or the first owner's purchase price for strata homes. For common strata property, coverage is limited to the lesser of \$100,000 times the number of units, or \$2.5 million per building.

When does coverage begin?

Coverage starts either when the new home is first occupied, or when the title of the new home is transferred to the first owner. Because the warranty applies to the home and not the owner, it remains active if the house or unit is sold within the warranty period.

Where can I learn more?

Read your policy thoroughly for coverage details. More information can be found on the provincial Homeowner Protection Office (HPO) web-

site, www.hpo.bc.ca, in the Homeowners and Builders & Developers sections and in the HPO's free downloadable Guide to Home Warranty Insurance in British Columbia.

You can also search or download the HPO's free Residential Construction Performance Guide at www.hpo.bc.ca for more information. It explains how new homes should perform and which defects - including possible defects in design, materials or workmanship - are covered under home warranty insurance in British Columbia.

