

# 2-5-10 Year Home Warranty Insurance

SCHEDULE G



Homeowner  
Protection Office

## 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)
- 15 months on common property of strata buildings

Defects in materials and labour related to the delivery and distribution systems (electrical, plumbing, heating ventilation, air conditioning, etc.):

- 24 months for all buildings.

## COMMENCEMENT DATES

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

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

General exclusions can include: landscaping; non-residential 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.

## 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.
- Common property: the lesser \$100,000 times the number of dwelling units in the building or \$2.5 million per building.

## FOR MORE INFORMATION CONTACT

Homeowner Protection Office

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email: [hpo@hpo.bc.ca](mailto:hpo@hpo.bc.ca)

Web site: [www.hpo.bc.ca](http://www.hpo.bc.ca)

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R E S T O R I N G   C O N F I D E N C E

Congratulations on your decision to purchase a new house, townhome or condominium. A new home is likely the largest investment of your lifetime. Therefore, we encourage you to carefully research all aspects and to seek professional advice when required. Travelers Guarantee Company of Canada ("Travelers Guarantee") was the first warranty provider to enter the home warranty market in British Columbia following the introduction of new legislation to protect homeowners in 1999.

In order to receive the benefits of Home Warranty Coverage from Travelers Guarantee Company of Canada ("Travelers Guarantee"), consumers must purchase a new home built and sold by one of our approved Builders. Prior to signing a Contract of Purchase and Sale, it is also prudent to contact Travelers Guarantee to verify that the Builder is officially registered and that Home Warranty Coverage has been issued on your prospective new home.

The *Homeowner Protection Act & its Regulations* ("Act") became effective July 1, 1999. Prior to the issuance of a building permit, the Act requires all residential builders to be licensed by the Homeowner Protection Office (HPO) and to provide the "2/5/10" warranty from an approved third party warranty provider. For further information, please contact HPO at: (604) 646-7050 or visit their website at [www.hpo.bc.ca](http://www.hpo.bc.ca)



The Act outlines specific details about the mandatory warranty commonly referred to as a "2/5/10" warranty. We believe it is the most comprehensive third party warranty available in North America.

The Homeowner Protection Act requires builders to provide a third party warranty covering:

#### 2 Year Materials & Labour Warranty

- ⇒ *First 12 months* – coverage for any defect in materials and labour
- ⇒ *First 15 months* – coverage for any defects in materials and labour in the common property of a multi-unit building
- ⇒ *First 24 months* – coverage for any defect in materials and labour supplied for the electrical, plumbing, heating, ventilation and air conditioning delivery and distribution systems. In addition, coverage for any defect in materials and labour supplied for the exterior cladding, caulking, windows and doors that may lead to detachment or material damage to the new home

#### 5 Year Building Envelope Warranty

#### 10 Year Structural Defects Warranty



# Travelers Guarantee Company of Canada

Travelers Guarantee thoroughly reviews all builder applicants in the areas of track record, technical expertise, financial capacity and after sales customer service. Not every applicant qualifies. Only those builders who meet our stringent underwriting criteria, construct quality homes, and carry out timely after sales service, are able to provide Travelers Guarantee's Home Warranty Coverage. All new construction is subject to review by Travelers Guarantee staff or third parties, and there is a thorough annual renewal of builder performance issues as a condition of the builder maintaining their registration. HPO also regulates builders throughout the province and investigates consumer complaints.

Our approved builders are responsible for having their new home buyers sign and date a Warranty Commencement Date Certificate at the time of either the title transfer or the actual occupancy of the home (whichever is earlier). Upon receipt of this completed certificate from the builder, Travelers Guarantee issues the owner a 2/5/10 Home Warranty Certificate. Be sure to read this document carefully and keep it in a safe place. It explains warranty coverage and the process for reporting defects in your home or common property. Upon review, if you have questions or require clarification, please contact Travelers Guarantee.

Travelers Guarantee Company of Canada is the leading provider of surety products in Canada. Superior expertise in underwriting, risk and claims management enables Travelers Guarantee to deliver unsurpassed customer service. As a strategic subsidiary of St. Paul Travelers, Travelers Guarantee has access to the unmatched capacity of the largest writer of surety in the industry, and the local knowledge and authority to successfully meet the unique needs of companies from small to mid-size to some of the largest construction companies from coast to coast.

- ⇒ the leading surety provider in Canada
- ⇒ largest supplier of new home warranty in British Columbia
- ⇒ members of Canadian Home Builders Association (CHBA), Urban Development Institute (UDI), Independent Contractors and Business Association (ICBA), Vancouver Regional Construction Association (VRCA)
- ⇒ branch offices in Toronto, Vancouver and Montreal
- ⇒ Full list of services - Contract Surety, Commercial Surety, Developer Surety, New Home Warranty, Title Insurance, Risk Solutions (Alternative Transfer-of-Risk Programs).



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