

Construction Solutions Conference, Vancouver

November 27, 2007

Home Warranty Insurance in British Columbia

Tom Reeves
Lombard Canada

Introduction

- The Warranty Provider's Role in
 - Builder licensing
 - Building permits
- A Brief Overview of 2/5/10 & 2/5 Home Warranty Insurance
- Avoiding Claims Exposure

HPO's Responsibilities under Warranty System

- Homeowner Protection Office (HPO), licenses residential builders in the Province of British Columbia (is a Crown Corporation);
- HPO administers documentation that builders need prior to obtaining building permits;
- HPO ensures the consistent application of Act by builders and home warranty insurance industry.

The Role of a Warranty Provider

- Approval prior to HPO licensing:
 - The Builder must have the backing of a home warranty insurance provider
 - The insurer will review the qualifications of the builder
- Approval prior to building permit
 - Project team review
 - Technical skills review
 - Review of trades
 - Plans, details, materials review
 - Business plan review

2/5/10 Home Warranty Insurance

■ 2 years labour and materials coverage

- for the first 12 months, for other than the common property, common facilities and other assets of a strata corporation, coverage for any defect in materials and labour;
- for the first 15 months, for the common property, common facilities and other assets of a strata corporation, coverage for any defect in materials and labour;
- for the 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;
 - 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;
 - coverage for any defect in materials and labour which renders the new home unfit to live in; and,
 - coverage for a violation of the building code.

Not a good 2 year plumbing risk



2/5/10 Home Warranty Insurance

- 5 years coverage on the building envelope
- The minimum coverage for the building envelope warranty is 5 years for defects in the building envelope of a new home including a defect which permits unintended water penetration such that it causes, or is likely to cause, material damage to the new home.

Not good water penetration detailing



2/5 Year Warranty Insurance

- 2-year labour and materials warranty on work performed;
- 5-year building envelope warranty on elevations remediated;
- Exclusions apply.



2/5/10 Home Warranty Insurance

- 10 years coverage on major structural items
- any defect in materials and labour that results in the failure of a load bearing part of the new home; and,
- any defect which causes structural damage that materially and adversely affects the use of the new home for residential occupancy.

Base requirements are set
by Provincial Legislation

Not sound structural details



Home Warranty Insurance

■ Allowable Exclusions:

■ General

- septic tanks, well water, landscaping etc.

■ Defects

- materials, labour or design supplied by an owner;
- negligent or improper maintenance;
- failure by the owner to minimize loss or damage;
- bodily injury or damage to personal property, including that caused by mold.

Exclusions are set
by Provincial Legislation

Home Warranty is “Claims Made Insurance”

- Written Claims must be responded to;
- Home warranty insurance term is finite – there are no renewals required;
- There are no deductibles for home warranty insurance.

Avoiding Claims from the beginning

- Manage people:
 - Engage the original consultant to perform annual audits for at least 5 years;
 - Provide excellent after sales service;
 - Manage expectations – provide performance standards.

Maintenance?



Conclusion

- HPO licenses builders;
- Warranty providers review builders, provide home warranty insurance;
- New homes: 2/5/10 warranty is the standard;
- Building Envelope Renovations 2/5 is the standard;
- Avoid claims by utilizing professionals & educating the homeowners on the systems that comprise their home.

Thank you

1-877-487-4200

warranty@lombard.ca