



ADVISORY LETTER

January 13, 2016
File No.: 78000-01
Ref. No.: 0881

To: All Insurers Authorized to Write Home Warranty Class of Insurance

Re: Home Warranty Insurance

The purpose of this advisory letter is to clarify FICOM's expectations regarding the treatment of home warranty insurance in British Columbia. This advisory is applicable to all insurers authorized to write the class of home warranty insurance in British Columbia.

It has come to FICOM's attention that some insurers may be treating home warranty insurance as a surety product and this is affecting the timeliness in which homeowner claims are being addressed. It is the insurer's responsibility to resolve homeowner claims in a timely manner.

Home warranty insurance cannot be treated as a surety in which the insurer is only obligated to pay if the builder becomes insolvent or refuses to remedy the warrantable effects; the home warranty insurance contract is the contract of first resort.

FICOM notes that some warranty claims may be directed to the builder for handling with minimal monitoring to ensure warrantable defects are evaluated and repaired as required in a timely manner. While the builder should be given the opportunity to correct defects within a reasonable time, generally 30 days, homeowners are not to be unduly delayed in getting approved repairs. If the builder does not repair the warrantable defects within a reasonable time period, FICOM expects the insurer to arrange for repairs to be completed by another qualified party rather than wait indefinitely for the builder to resolve the defects.

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- Superintendent of Financial Institutions
 - Superintendent of Pensions
 - Superintendent of Real Estate
 - Registrar of Mortgage Brokers

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FICOM understands that the availability of material and labour, accessibility to the home, or weather, can delay some repairs. Nevertheless, all reasonable efforts should be made to complete the repair within a reasonable timeframe. FICOM's position is supported by the *Homeowner Protection Act Regulation* under Schedule 2 (mandatory conditions 3(2) and 3(5)) and the notice provided by the Insurance Council of BC: [Guidelines Governing the Sale of Home Warranty Insurance in British Columbia](#).

Please note that failure to comply with FICOM's expectations could result in regulatory action. Should you have any questions, please contact Lorena Dimma at (604) 660 – 2969 or by email at Lorena.Dimma@ficombc.ca.

Sincerely,

A handwritten signature in black ink, appearing to read 'Chris Carter', with a stylized, cursive-like script.

Chris Carter
Deputy Superintendent, Market Conduct of
Financial Institutions

cc: Frank Chong
Deputy Superintendent, Regulation

PH/ac