

A. HOME WARRANTY INSURANCE COVERAGE

1.0 Materials and Labour Warranty – 1 Year
1.1 This home warranty insurance policy provides coverage for any Defect in Materials and Labour used in the New Home for a period of 1 Year from and including the Commencement Date.

2.0 Materials and Labour Warranty (Delivery and Distribution Systems) – 2 Years
2.1 This home warranty insurance policy provides coverage for any Defect in Materials and Labour relating to the Delivery and Distribution Systems of the New Home for a period of 2 years from and including the Commencement Date.

3.0 Building Envelope Warranty – 5 Years
3.1 This home warranty insurance policy provides coverage for any Defect in the Building Envelope of the New Home that results in the failure of the Building Envelope to perform its intended function for a period of 5 years from and including the Commencement Date.
3.2 This home warranty insurance policy may provide optional coverage for any Defect in the Building Envelope of the New Home that results in the failure of the Building Envelope to perform its intended function for an additional 2 years to that home warranty insurance coverage provided under Subsection A.3.1.

4.0 Structural Defects Warranty – 10 Years
4.1 This home warranty insurance policy provides coverage for Structural Defects in the New Home for a period of 10 years from and including the Commencement Date.

5.0 General
5.1 In the event of a Reconstruction, the home warranty insurance coverage shall include all elements of the New Home, including those areas retained or not reconstructed.
5.2 In the event the New Home is a single dwelling unit in a condominium or a cooperative, the home warranty insurance coverage will also apply to the Common Property, Common Facilities and other assets of the condominium corporation or the cooperative, as applicable, for which this home warranty insurance policy is issued.

B. COMMENCEMENT DATES

1.0 Detached Single Dwelling Unit and Single Dwelling Unit in a Multiple Family Dwelling with no Common Property and/or Common Facilities
1.1 The Commencement Date for the home warranty insurance coverage for the above is the earlier of:
(a) the date the New Home is first occupied; and
(b) the date an accredited agency, accredited municipality, or accredited regional services commission grants permission to occupy the New Home.

2.0 Single Dwelling Unit in a Condominium, a Cooperative or a Multiple Family Dwelling with Common Property and/or Common Facilities
2.1 The Commencement Date for the home warranty insurance coverage for the above is the earlier of:
(a) the date the New Home is first occupied; and
(b) the date an accredited agency, accredited municipality, or accredited regional services commission grants permission to occupy the New Home.

3.0 Common Property and Common Facilities in a Condominium, a Cooperative, or a Multiple Family Dwelling
3.1 The Commencement Date for the home warranty insurance coverage for the above is when:
(a) the title to an inhabitable unit in a building or building in a phase of development of a condominium, a cooperative or a multiple family dwelling is transferred from the Builder to a purchaser of a unit in an arm's length transaction; and
(b) the Builder has agreed with a qualified person to have the qualified person prepare a building assessment report for the building or for a phase of development within 180 days of the transfer of title described in Subsection B.3.1(a).

C. LIMITS ON COVERAGE

1.1 The limits of the home warranty insurance coverage provided under Section A, exclusive of interest and costs, are as follows:
(a) for a single dwelling unit constructed by a Builder who is a Residential Builder, the lesser of:
(i) the original purchase price paid to the Builder (excluding the portion of the purchase price attributable to the purchase of the land); and
(ii) \$265,000.00;
(b) for a single dwelling unit constructed by a Builder who is an Owner Builder, the lesser of:

(i) the appraised value of the New Home at the time of commencement of the home warranty insurance coverage (excluding the value of the land); and
(ii) \$265,000.00;
(c) for a single dwelling unit in a multiple family dwelling with no Common Property and/or Common Facilities, the lesser of:
(i) the original purchase price paid to the Builder (excluding the portion of the purchase price attributable to the purchase of the land); and
(ii) \$265,000.00;
(d) for a single dwelling unit in a condominium, a cooperative or a multiple family dwelling with Common Property and/or Common Facilities, the lesser of:
(i) the original purchase price paid to the Builder (excluding the portion of the purchase price attributable to the purchase of the land); and
(ii) \$130,000.00; and
(e) for Common Property and Common Facilities in a condominium, a cooperative or a multiple family dwelling or for other property for which a condominium corporation or a cooperative is responsible under its by-laws, the lesser of:
(i) \$130,000 times the number of single dwelling units in the condominium, cooperative or multiple family dwelling; and
(ii) \$3,300,000.

1.2 If a condominium plan consists of a number of buildings, the applicable coverage limit under Subsection C.1.1(e) applies to each building.

1.3 The aggregate limit of liability of Travelers Insurance Company of Canada set out in this Section includes any and all:
(a) costs of repairs of the Defect or Structural Defect;
(b) costs of any investigation, engineering, and design required for the repairs;
(c) costs of adjusting and supervision of repairs, including professional review, but excluding legal costs;
(d) costs of mitigation paid by Travelers Insurance Company of Canada to an insured; and
(e) costs of any additional living expenses of an insured paid by Travelers Insurance Company of Canada.

1.4 Travelers Insurance Company of Canada may require a deductible be paid on claims made under this home warranty insurance policy as follows:
(a) For claims relating to the Common Property, Common Facilities and other assets of a condominium corporation or a cooperative, the deductible per claim shall not exceed:
(i) \$100 per claim for claims relating to Subsection A.1.1 of this home warranty insurance policy; and
(ii) \$500 per claim for all other claims;
(b) For all other claims, the maximum amount of deductible payable per claim is \$50 per claim with a total in each calendar year in respect of the New Home not to exceed \$300;
(c) Only one deductible is payable per claim, regardless of the number of Defects or Structural Defects reported in that claim; and
(d) The insured may bundle any number of Defects or Structural Defects into a single claim. Each Defect or Structural Defect reported in that claim shall not each constitute a separate claim.

D. EXCLUSIONS

1.0 Coverage Exclusions

1.1 The following are excluded from the home warranty insurance coverage:
(a) any non-residential use area and any construction or reconstruction associated with a non-residential use area;
(b) site grading and surface drainage except as required by a building code, and not including subsidence beneath footings of a home or under driveways or walkways;
(c) utility services;
(d) septic tanks and septic or absorption fields, unless constructed or otherwise provided by the residential builder or owner builder;
(e) home appliances, including but not limited to refrigerators, stoves, ovens, garbage disposal units, dishwashers, microwaves, clothing washers, clothing dryers and freezers;
(f) water wells, except equipment installed for the operation of the water well where the equipment is part of a delivery and distribution system;
(g) the quality or quantity of water from a municipal water supply, a water well or any other source;
(h) any component of a Registered Historic Resource or Provincial Historic Resource that is being converted from commercial to residential use, where that component has been exempted from the application of any provision contained in any building code pursuant to Section 51 of the *Historical Resources Act*; and
(i) designs, materials or labour supplied by anyone other than the residential builder or the employees, agents or subcontractors of a residential builder, but not including any designs, material or labour retained by the residential builder or by an owner builder in a reconstruction.

2.0 Loss or Damage Exclusions

2.1 Any loss or damage resulting from the following is excluded from the home

warranty insurance coverage:

- (a) weathering, normal wear and tear, deterioration or deflection consistent with normal industry standards;
- (b) normal shrinkage of materials caused by drying after construction;
- (c) substantial use of the residence for non-residential purposes;
- (d) negligent or improper maintenance or improper operation of the new home or anything in the new home by anyone other than the residential builder or its employees, agents or subcontractors;
- (e) alterations to the home by anyone other than the residential builder or its employees, agents or subcontractors;
- (f) changes to the grading of the ground by anyone other than the residential builder, or its employees, agents or subcontractors;
- (g) insects, rodents or other animals, unless the damage results from non-compliance with a building code by the residential builder or its employees, agents or subcontractors, or the owner builder;
- (h) acts of nature;
- (i) bodily injury, disease, illness or death resulting from any cause;
- (j) damage to personal property or real property that is not part of a new home;
- (k) contaminated soil, except where supplied by or through the residential builder and the residential builder knew or ought to have known that the soil was contaminated;
- (l) subsidence of the land around a new home or along utility lines, not including subsidence beneath footings of a new home or under driveways or walkways;
- (m) diminished value of a new home or any component of a new home;
- (n) deficiencies that have been agreed to between a residential builder and the insured prior to or at the time of possession;
- (o) defects that have been caused or substantially contributed to by a change that is material to the risk and is within the control and knowledge of the insured;
- (p) fire, explosion, smoke, flooding or sewer back-up;
- (q) loss of income or opportunity;
- (r) loss of enjoyment, use or benefit of the new home;
- (s) inconvenience or distress to the owner; and
- (t) any professional fees, including legal, consulting or medical costs.

E. HOME WARRANTY INSURANCE TERMS AND CONDITIONS

- 1.1 Travelers Insurance Company of Canada shall only be liable to the insured to the extent set out in this home warranty insurance policy.
- 1.2 If Travelers Insurance Company of Canada makes a payment or undertakes a repair, or assumes liability for any payment or repair under the home warranty insurance coverage:
 - (a) Travelers Insurance Company of Canada is subrogated to all rights of recovery of an insured against any person and may bring an action at its own expense; and
 - (b) the insured will fully support and assist Travelers Insurance Company of Canada in the pursuit of those rights if Travelers Insurance Company of Canada pursues such subrogated rights.
- 1.3 An insured must provide to Travelers Insurance Company of Canada all information and documentation that the insured has available or has the ability to access, as reasonably required by Travelers Insurance Company of Canada, in order to investigate a claim or to undertake repairs under this home warranty insurance policy.
- 1.4 This home warranty insurance policy may only be terminated by Travelers Insurance Company of Canada before the Commencement Date. Travelers Insurance Company of Canada must give the insured 15 days' written notice of termination by recorded mail or 5 days' written notice of termination personally delivered, whichever is later. The foregoing 15 day period begins on the day the written notice is sent by recorded mail or notification of it is delivered to the insured's postal address.
- 1.5 In the event this home warranty insurance policy is terminated:
 - (a) Travelers Insurance Company of Canada must refund the excess of premium actually paid by the insured over the prorated premium for the expired time; and
 - (b) the refund shall accompany the notice of termination unless the premium is subject to adjustment or determination as to amount, in which case the refund shall be made as soon as practicable.

F. NOTICE OF CLAIM

- 1.1 In the event that the insured considers a Defect or Structural Defect to exist in the New Home, the insured must, in accordance with Subsection 1 – Policy Condition 1, complete and submit a written notice of claim before the Expiry Date of the applicable home warranty insurance coverage to Travelers Insurance Company of Canada providing, in reasonable detail, the particulars of any alleged Defects and Structural Defects, including the home warranty insurance policy number.
- 1.2 The obligations of Travelers Insurance Company of Canada absolutely cease upon expiry of the home warranty insurance coverage unless proper notice of claim is given to Travelers Insurance Company of Canada by the insured prior to the Expiry Date. The insured is solely responsible for determining if a notice of claim is required to be submitted under the home warranty insurance coverage and for submitting that claim.

G. REPAIRS AND REPLACEMENTS DUE TO DEFECTS OR STRUCTURAL DEFECTS

- 1.1 All repairs and replacements made under the home warranty insurance

coverage will be completed in a reasonable manner using materials labour conforming to the Building Code and industry standards.

- 1.2 Travelers Insurance Company of Canada reserves the right to use an accredited representative to perform the obligations imposed on Travelers Insurance Company of Canada under the home warranty insurance coverage.

H. FURTHER PARTICULARS

1.0 DISCLOSURE OF CLAIMS HISTORY

- 1.1 (a) On receipt of an inquiry from an Owner of a New Home covered by this home warranty insurance policy regarding the claims history of that New Home, Travelers Insurance Company of Canada, for a reasonable fee, will provide the Owner with a history of claims.
- (b) The history of claims referred to in Subsection H.1.1(a) will include, for each claim, the following information for both the New Home and, if applicable, the associated Common Property, Common Facilities and other assets of the condominium corporation or the cooperative; as applicable:
 - (i) the type of claim that was made;
 - (ii) the resolution of the claim;
 - (iii) the type of repair performed;
 - (iv) the date of the repair; and
 - (v) the cost of the repair.

2.0 HANDLING OF CLAIMS

- 2.1 (a) Travelers Insurance Company of Canada will, on receipt of a notice of a claim from the insured, promptly make reasonable attempts to contact the insured to arrange an evaluation of the claim.
- (b) Travelers Insurance Company of Canada will make all reasonable efforts to avoid delays in responding to a claim, evaluating the claim, and scheduling any required repairs.
- (c) If, following evaluation of a claim, Travelers Insurance Company of Canada determines that the claim is not valid or not covered under the home warranty insurance coverage, it will notify the insured of the decision in writing, setting out the reasons for the decision.
- (d) The notice under Subsection H.2.1(c) will also set out the dispute resolution process available to the insured.
- (e) Any repairs required for Defects or Structural Defects will be undertaken in a timely manner, with reasonable consideration given to weather conditions and the availability of materials and labour.
- (f) On completion of any repairs, Travelers Insurance Company of Canada will deliver a copy of the repair specifications to the insured, along a letter confirming the date the repairs were completed and referencing the warranty on repairs in accordance with Subsection 1 – Policy Condition 9.
- 2.2 (a) In the event Travelers Insurance Company of Canada is obligated to repair or replace a Defect or a Structural Defect, Travelers Insurance Company of Canada shall determine the reasonable costs associated with the repair or replacement of such Defect or Structural Defect. Travelers Insurance Company of Canada may elect to provide financial compensation to the insured in an amount equal to the cost of repair or replacement of the Defect or Structural Defect in lieu of actual repair or replacement.
- (b) In the event financial compensation is provided to the insured in lieu of repair or replacement of a Defect or Structural Defect, Travelers Insurance Company of Canada will have no further liability for the Defect or Structural Defect or any consequential damages arising from the Defect or Structural Defect for which financial compensation was paid.

3.0 TRANSFER OF THIS HOME WARRANTY INSURANCE POLICY TO SUBSEQUENT OWNER OF THE NEW HOME

- 3.1 (a) In accordance with Subsection 1 – Policy Condition 7, this home warranty insurance policy pertains solely to the New Home for which it provides home warranty insurance coverage. No notice to Travelers Insurance Company of Canada is required upon transfer of title of the New Home to a subsequent Owner.
- (b) All of the applicable obligations and remaining home warranty insurance coverage under this home warranty insurance policy are automatically transferred to any subsequent Owner of the New Home.

I. POLICY CONDITIONS

In these policy conditions, unless the context otherwise requires, "insured" means a person insured by the home warranty insurance contract whether named in the home warranty insurance contract or not.

REQUIREMENTS AFTER DISCOVERY OF DEFECT

1. (1) Within a reasonable time after the discovery of a defect in a new home, insured must, if the defect is covered by the policy, give notice of the defect in reasonable detail to the warranty provider.
- (2) The warranty provider may require that the notice from the insured be in writing.

WHO MAY GIVE NOTICE AND PROOF

2. Notice of a defect under Policy Condition 1(1) may be given:

- (a) by the agent of the insured if:
 - (i) the insured is absent or unable to give the notice or make the proof; and
 - (ii) the absence or inability is satisfactorily accounted for;
- or
- (b) by any person who has an insurable interest in the new home if the named insured fails or refuses to do so or in the circumstances described in clause (a) of this condition.

MITIGATION

- 3. (1) In the event of loss or damage to a new home resulting from a defect, the insured must take all reasonable steps to prevent further loss or damage to the new home as a result of the defect.
- (2) The warranty provider must pay to the insured all reasonable and proper expenses incurred in connection with steps taken by the insured under subparagraph (1) of this condition.

ENTRY AND CONTROL

- 4. After a defect has been reported to a warranty provider, the warranty provider has an immediate right of access and entry to the new home by itself and by its accredited representatives, who may include the residential builder, sufficient to:
 - (a) enable them to determine if a defect exists;
 - (b) make an estimate of the repairs required to rectify the defect; and
 - (c) make the repairs necessary to rectify the defect.

MATERIAL CHANGE IN RISK

- 5. (1) the insured must promptly give notice in writing to the warranty provider or its agent of any change that is:
 - (a) material to the risk; and
 - (b) within the control and knowledge of the insured.
- (2) The warranty provider may require that the notice from the insured be in writing.

IN CASE OF DISAGREEMENT

- 6. (1) In the event of disagreement as to whether a defect exists, the nature and extent of the repairs or replacements required, the adequacy of repairs or replacements made or the amount of loss or damage, those questions must be determined using the applicable dispute resolution process set out in Section 519 of the *Insurance Act* whether or not the insured's right to recover under the home warranty insurance contract is disputed, and independently of all other questions.
- (2) There is no right to a dispute resolution process under this condition until:
 - (a) a specific demand is made for it in writing; and
 - (b) the proof of loss has been delivered to the insurer.

TRANSFER OF TITLE

- 7. If title to the new home is transferred at any time during the purchase period, the home warranty insurance contract is transferred to the new owner and the new owner is deemed to have given good and valuable consideration to the warranty provider under the home warranty insurance contract.

ADDITIONAL LIVING EXPENSES

- 8. (1) If a new home is uninhabitable as a result of a defect or during the rectification of a defect, then reasonable living expenses incurred by the insured will be payable by the warranty provider to the insured to a maximum of \$150 per day or such greater amount as may be established from time to time by the Superintendent of Insurance.
- (2) The total amount payable under subparagraph (1) of this condition shall not exceed \$15,000 for each period of time the home is uninhabitable while warranty coverage is in effect.

WARRANTY OF REPAIRS AND DEFECTS

- 9. (1) All repairs and replacements made to rectify defects are warranted against defects in materials and labour until the later of the first anniversary of the date of completion of the repair or replacement and the expiry of coverage for that type of defect under the home warranty insurance policy.
- (2) If an insured accepts payment from a warranty provider in lieu of repairs or replacements to rectify a defect, then no further warranty coverage applies to the defect covered by the payment.

NOTICE

- 10. (1) Written notice to the warranty provider may be delivered, or sent by recorded mail, to the chief agency or head office of the warranty provider in the province.
- (2) Written notice to the insured may be personally delivered, or sent by recorded mail addressed, to the address of the new home covered by the home warranty insurance policy.

who can be a Residential Builder or an Owner Builder, and includes those for whom it is legally responsible.

- 1.2 "Building Code" and "building code" mean the *Alberta Building Code 2006* declared in force by the *Building Code Regulation* (AR 117/2007).
- 1.3 "Building Envelope" means the collection of components that separate conditioned space from unconditioned space, the exterior air or the ground, or that separate conditioned spaces intended to be conditioned to temperatures differing by more than 10°C at design conditions.
- 1.4 "Commencement Date" means the date the home warranty insurance coverage commences as set out in Section B.
- 1.5 "Common Property" means so much of the parcel as is not comprised in a unit shown in a condominium plan, but does not include land shown on the condominium plan that has been provided for the purposes of roads, public utilities and reserve land under Part 17 of the *Municipal Government Act* (Alberta).
- 1.6 "Common Facilities" means:
 - (a) property managed by a condominium corporation or a board of directors of a cooperative or other multiple family dwelling, as applicable, pursuant to its by-laws; and
 - (b) a unit in a building described in a condominium plan, or any portion of that unit that includes all or part of one or more of:
 - (i) the Building Envelope;
 - (ii) a Delivery and Distribution System that serves two or more units;
 - (iii) a load bearing part;
 - (iv) any common property including facilities and property that are intended for common use by the owners notwithstanding that the facilities or property may be located in or comprise a unit or any part of a unit; and
 - (v) any area subject to an easement in favour of another unit; whether or not that unit or any portion of that unit is intended for residential occupancy.
- 1.7 "Defect" means any design, construction or material used in the construction or reconstruction of the New Home discovered after the Commencement Date and:
 - (i) is contrary to the building code;
 - (ii) requires repair or replacement due to the negligence of a Builder or person for whom the Builder is by law responsible; or
 - (iii) constitutes an unreasonable health or safety risk, or has resulted in material damage to the New Home.
- 1.8 "Delivery and Distribution Systems" and "delivery and distribution system" include electrical, gas, plumbing, heating, ventilation and air-conditioning systems to which the *Safety Codes Act* (Alberta) applies and any other systems prescribed as delivery and distribution systems, including:
 - (a) private sewage disposal systems that:
 - (i) serve a single property;
 - (ii) are designed to receive no more than 25 m³ of sewage each day; and
 - (iii) are designed to dispose of sewage either on the property that the system serves or in a holding tank;
 - (b) all components of a delivery and distribution system in the New Home that are:
 - (i) present on the Commencement Date of the home warranty insurance coverage; and
 - (ii) installed during construction by the Builder of the New Home; but excluding any fixtures and appliances that are attached to a delivery and distribution system and that are subject to a manufacturer's warranty.
- 1.9 "Expiry Date" means the expiration dates referenced in this home warranty insurance policy pertaining to each applicable home warranty insurance coverage.
- 1.10 "Insured" means:
 - (a) the Owner of the New Home; and
 - (b) a person insured by this home warranty insurance policy whether named in this home warranty insurance policy or not.
- 1.11 "Load bearing" means subjected to or designed to carry loads in addition to its own dead load, but does not include a wall element subjected only to wind or earthquake loads in addition to its own dead load. The load bearing portions of the New Home are limited to the following:
 - (a) foundation systems;
 - (b) support beams, posts, and columns;
 - (c) load bearing walls; and
 - (d) floor and roof support system.
- 1.12 "Materials and Labour" includes materials and labour supplied by the Builder for construction of the New Home and materials and labour retained by the Builder in a reconstruction.
- 1.13 "Material Damage" means damage which materially and adversely affects the use of the New Home for residential occupancy.
- 1.14 "multiple family dwelling" means a building containing 2 or more dwelling units.
- 1.15 "New Home" and "new home" means as defined in the *New Home Buyer Protection Act* (Alberta) and the residential dwelling or Common Property and Common Facilities, as applicable, for which the address and legal description are specified in this home warranty insurance policy.

J. DEFINITIONS

- 1.1 "Builder" means the person named in this home warranty insurance policy

- 1.16 "Owner" and "owner" means a person who purchased the New Home or

contracts with a Builder to build the New Home and includes:

- (a) a person who acquires a life interest in a new home;
 - (b) a condominium corporation under the *Condominium Property Act* (Alberta) in respect of the common property, common facilities and other assets;
 - (c) a cooperative incorporated under the *Cooperatives Act* (Alberta), a corporation or a society having an ownership interest in the New Home;
 - (d) a subsequent purchaser of the New Home, including a person who acquires the New Home from a previous owner through inheritance, gift, foreclosure or other legal means or operation of law; and
 - (e) the insured.
- 1.17 "Owner Builder" and "owner builder" means an individual who builds or intends to build the New Home for personal use with a valid authorization issued under the *New Home Buyer Protection Act* (Alberta).
- 1.18 "purchase period" means
- (i) in the case of a New Home other than the Common Property and Common Facilities of a condominium corporation or a cooperative, as applicable, 10 years beginning on the Commencement Date as determined by Subsections B.1.1 or B.2.1, as applicable; and
 - (ii) in the case of the Common Property or the Common Facilities of a condominium corporation or a cooperative, as applicable, 10 years beginning on the date a building assessment report is completed as prescribed by the *New Home Buyer Protection (General) Regulation* (Alberta).
- 1.19 "Reconstruction" means a change, addition, alteration or repair to a building that is intended for residential occupancy and that is a building where after a change, alteration or repair to the building, at least 75% of the enclosed square footage of the building above the foundation at the completion of the change, alteration or repair is new. For clarity, a change, addition, alteration or repair to a building's surfaces, fixtures or decorations

is not a reconstruction for the purposes of this home warranty insurance policy.

- 1.20 "Residential Builder" and "residential builder" means a person who engages in, arranges for or manages all or substantially all of the construction or reconstruction of a new home, or agrees to do any of those things, and includes a general contractor, but does not include an owner builder.
- 1.21 "Structural Damage" means damage which results from a Structural Defect and must be visible and measurable, and must exceed allowable tolerances established by Travelers Insurance Company of Canada, provided always that Structural Damage caused by any acts of nature, an act or omission of a Third Party, or other causes not directly related to the Materials and Labour provided by the Builder are excluded from the home warranty insurance coverage. The presence of water in and of itself, in any form, will not be considered Structural Damage.
- 1.22 "Structural Defect" means any Defect in the material, labour and design that results in the failure of a load-bearing part of the New Home and any Defect that causes Structural Damage that materially and adversely affects the use of the New Home for residential occupancy.
- 1.23 "Third Party" means any third party or combination of third parties for whom the Builder is not at law responsible.
- 1.24 "home warranty insurance policy" and "home warranty insurance coverage" mean only this home warranty insurance contract and the warranty coverage, terms, and conditions set out in this home warranty insurance contract.

This home warranty insurance policy is to be read and interpreted as a whole and represents the entire contract between Travelers Insurance Company of Canada and the Owner.