

Edmonton

# Home warranty program failing to protect Albertans from shoddy builds, advocate warns

Homeowners fall through the cracks of program designed to protect them, says John McKale

[Andreane Williams](#) · CBC News · Posted: Nov 03, 2021 8:00 AM MT | Last Updated: November 3, 2021



John McKale launched Home Warranty Advocates in 2018 to help homeowners deal with their warranty providers. (Andréane Williams/CBC)

65

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Hundreds of buyers of newly built homes in Alberta have been abandoned by warranty providers despite legislation aimed at protecting them from shoddy construction, an advocate says.

John McKale, founder of Home Warranty Advocates, travels thousands of kilometres every month to meet clients.

In 2018, McKale quit his job as quality control manager at Progressive Home Warranty, one of six warranty providers in Alberta. He now helps homeowners who are fighting their provider after having their claims denied.

He says he now has about 400 clients across the province including Nicole and Olivier Favreau, who saw their dream home built in Morinville in 2016.

Since then, the home has become a nightmare.

A few months after moving in, water began leaking through the ceiling and the floor started moving. And the problems kept coming.

"When is the next thing going to fall?" says Nicole Favreau, with tears in her eyes.

"When is the next thing going to break?"



Nicole and Olivier Favreau say their newly built home has been a nightmare. (Andréane Williams/CBC)

Last February, excessive condensation in the attic again damaged the ceiling.

An inspection report by their warranty provider, Alberta New Home Warranty Program (ANHWP), indicated repairs would have to be done as the weather permits, but no timeline was given.

"It's been eight months and no repairs have been done," McKale says.

The situation isn't unusual, he says. Some clients have waited years for their house to be fixed.

## **Builders must purchase warranty coverage**

Builders in Alberta are required under the New Home Buyer Protection Act, passed in 2014, to purchase warranty coverage in order to obtain a building permit.

Warranty providers are supposed to ask the builders they work with for corporate guarantees and statements ensuring they are solvent, McKale says.

When a claim on a house is approved, warranty providers are also responsible for making sure builders make the necessary repairs.

"When a builder refuses to fix defects under warranty, they are often dropped by their insurer," Alberta Municipal Affairs said in an email.

"When this happens, they are unable to build new homes or renew their builder license until they retain warranty coverage under another insurer."

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While the system was designed to hold builders accountable for their homes, things are different in reality, McKale says.

The problem is that warranty providers in Alberta, except ANHWP, are for-profit and their revenues depend on the warranties they sell, he says.

"If a warranty provider approves a claim, that means ... they are asking their customer to spend money to go and fix something.

"And if the builder is not interested in doing that, he's got options. There are six warranty providers that they can go and get their warranties from.

"So in order to maintain their client base, warranty providers deny coverage."

ANHWP says there have been claims on only two per cent of the 100,000 houses it currently covers.

"Getting into how many of them are denied or accepted is really complicated because there really is no barrier to starting a claim," says president and CEO Scott Hamilton.

## **Online builders registry deficient, advocate says**

The other problem, according to McKale, is the difficulty of screening builders.

While the province has an [online public registry of residential builders](#), which lists, among other things, penalties imposed on them by the government, few Albertans are aware of it and the information in it is insufficient, he says.

Builders sometimes go bankrupt or close, reopen under a different name and start doing business with another warranty provider, he says.

That's what happened with the Favreaus' builder, Lenaco Homes Masterbuilder.

The company went bankrupt in 2017 and reopened the same year under the name Conna Homes Master Builder. It now purchases its warranties from Progressive Home Warranty.

Conna Homes Master Builder did not respond to a request for an interview. Progressive Home Warranty turned down a similar request.



Nicole Favreau hired John McKale to help her get her claims approved with her warranty provider. (Andréane Williams/CBC)

The province says the registry will be reviewed in the coming year.

In the meantime, the Favreaus' house has become a major source of stress for the family.

"There were promises made and people took our money and they were dirty about it," Nicole says.

ANHWP says that in 80 per cent of the cases when a claim is approved, repairs are made within three months, though issues like condensation in the attic are usually dealt with more urgently.

"In cases where there is a delay, sometimes that has to do with homeowner delay, sometimes with the availability of trades. Obviously in the last year, COVID has played a factor in that," Hamilton says.

"The advice that I would give homeowners is to always contact us as the first point of contact," he says.

Nicole Favreau confirms that ANHWP contacted her in July concerning the repairs on her house. Two inspectors visited her home to assess the issues in October. As of the first week of November she was waiting to hear from the company.

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