Tarion Warranty Corporation

Financial Statements
For the year ended December 31, 2019

TARION™
BUILDING CONFIDENCE

Tarion Warranty Corporation

December 31, 2019

Table of Contents

Management's Responsibility For Financial Reporting

The accompanying financial statements of Tarion Warranty Corporation ("Corporation") are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management in accordance with International Financial Reporting Standards. When alternative accounting methods exist, or when estimates and judgment are required, management has selected those amounts that present the Corporation's financial position and results of operations in a manner most appropriate to the circumstances.

Appropriate systems of internal control, policies and procedures have been maintained to ensure that financial information is both relevant and reliable. The systems of internal control are assessed on an ongoing basis by management.

The actuary appointed by the Board of Directors (the "Appointed Actuary") is responsible for ensuring that assumptions and methods used in the determination of warranty liabilities are appropriate to the circumstances and that the liabilities will be adequate to meet the Corporation's future obligations under the Ontario New Home Warranties Plan Act.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. These responsibilities are carried out primarily through an Audit Committee of the Board of Directors.

The Audit Committee meets periodically with management, the internal auditors, the external auditors and the Appointed Actuary to discuss internal control over the financial reporting process, auditing matters and financial reporting issues. The Audit Committee reviews the financial statements prepared by management and then recommends them to the Board of Directors for approval. The Audit Committee also recommends to the Board of Directors, the appointment of external auditors and approval of their fees.

The responsibility of the external auditors is to carry out an independent and objective audit of the financial statements in accordance with Canadian generally accepted auditing standards and report regarding the fairness of presentation of the Corporation's financial statements in accordance with IFRS. In carrying out their audit, the Auditors also make use of the work of the Appointed Actuary and his report on the warranty liabilities. The Auditors' report outlines the scope of their audit and their opinion.

S/D

Peter Balasubramanian
President & Chief Executive Officer
March 23, 2020

S/D

Edmond Lee
Vice President & Chief Financial Officer
March 23, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Tarion Warranty Corporation

Opinion

We have audited the financial statements of Tarion Warranty Corporation (the "Corporation"), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of comprehensive results of operations for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Tarion Warranty Corporation as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes the uncertainty surrounding legislative developments that could affect the mandate and operations of the Corporation.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada

March 23, 2020

Willis Towers Watson

ACTUARY'S REPORT

APPOINTED ACTUARY'S REPORT

To the Directors of **Tarion Warranty Corporation:**

I have valued the warranty liabilities of Tarion Warranty Corporation for its Statement of Financial Position as at December 31, 2019 and their change in the Statement of Comprehensive Results of Operations for the year ended December 31, 2019 in accordance with accepted actuarial practice in Canada, including the selection of appropriate assumptions and methods.

In my opinion, the amount of these warranty liabilities makes appropriate provision for all warranty obligations, and the Financial Statements fairly present the results of the valuation.

Pierre Laurin
Fellow, Canadian Institute of Actuaries
March 23, 2020

Tarion Warranty Corporation
Statement of Financial Position
For the year ended December 31, 2019
($CAD thousands)

	Notes	2019	2018
ASSETS			
Cash and cash equivalents	4	12,766	4,215
Trade and other receivables from vendors and builders	5	11,893	8,452
Investments	6	643,989	592,262
Prepaid expenses and other assets		685	575
Unearned reinsurance premium	7	3,698	2,939
Property, plant and equipment	8	1,526	1,346
Intangible assets	9	6,119	6,497
TOTAL ASSETS		680,676	616,286
EQUITY AND LIABILITIES			
LIABILITIES			
Accounts payable and accrued liabilities	10	22,611	7,693
Lease obligations and inducements	12	1,289	939
Warranty liabilities	13	295,594	274,137
Funds held as security	14	64,762	60,710
Employee future benefits liabilities	15	7,460	6,395
TOTAL LIABILITIES		391,716	349,874
EQUITY		288,960	266,412
TOTAL EQUITY AND LIABILITIES		680,676	616,286

Commitments and contingencies	11

See accompanying notes to financial statements.

Approved by the Board of Directors

S/D	***S/D***
Hari Panday. Director and Chair of the Board	Andy Kenins Director and Chair of Audit Committee

Tarion Warranty Corporation
Statement of Comprehensive Results of Operations
For the year ended December 31, 2019
($CAD thousands)

	Notes	2019	2018
REVENUE			
Gross home enrolment fees earned	13	50,765	47,126
Earned reinsurance premium	7	(442)	(376)
Net home enrolment fees earned		50,323	46,750
Builders' registration and renewal fees	2	3,346	3,254
Investment results			
Investment income/(expense)	16	46,799	(2,579)
Investment management fees		(1,522)	(1,646)
Other revenue		745	803
TOTAL REVENUE		99,691	46,582
EXPENSES			
Net claims incurred	13	13,404	10,481
Salaries and benefits		30,115	27,899
General and administrative		12,757	13,673
Depreciation and amortization	8, 9, 12	3,747	2,445
Interest expense	17	1,224	808
TOTAL EXPENSES		61,247	55,306
EXCESSS/(DEFICIT) OF REVENUE OVER EXPENSES BEFORE TRANSFORMATION COSTS		38,444	(8,724)
Transformation costs	11B	14,641	-
EXCESSS/(DEFICIT) OF REVENUE OVER EXPENSES		23,803	(8,724)
OTHER COMPREHENSIVE RESULTS OF OPERATIONS			
Amounts not subsequently classified to Statement of Results of Operations			
Actuarial gains/(losses) for employee future benefits	15	(1,063)	63
TOTAL COMPREHENSIVE RESULTS OF OPERATIONS FOR THE YEAR		22,740	(8,661)

See accompanying notes to financial statements.

Tarion Warranty Corporation
Statement of Changes in Equity
For the year ended December 31, 2019
($CAD thousands)

	Notes	2019	2018
Beginning of the year		266,412	275,169
Adjustment on initial application of IFRS 9	5B	-	(96)
Adjustment on initial application of IFRS 16	2A	(192)	-
Adjusted beginning balance		266,220	275,073
Excess/(Deficit) of revenue over expenses for the year		23,803	(8,724)
Other comprehensive result of operations			
Amounts not subsequently classified to Statement of Results of Operations			
Actuarial gains/(losses) for employee future benefits		(1,063)	63
TOTAL EQUITY, END OF YEAR		288,960	266,412

See accompanying notes to financial statements.

Tarion Warranty Corporation
Statement of Cash Flows
For the year ended December 31, 2019
($CAD thousands)

	Notes	2019	2018
NET INFLOWS (OUTFLOWS) OF CASH RELATED TO THE FOLLOWING ACTIVITIES			
OPERATING			
Home enrolment fees received		67,731	64,551
Builders' registration fees received		3,346	3,254
Recoveries from builders for claims and conciliation fees		6,858	7,453
Securities receipts from builders, net of releases		3,532	3,923
Payments to employees for salaries and benefits		(28,102)	(27,526)
Payments to suppliers for general and administrative expenses		(13,159)	(15,045)
Claims payments		(18,561)	(17,394)
Reinsurance premium paid		(1,200)	(1,400)
Interest expenses		(703)	(399)
Other miscellaneous fees received		199	556
Transformation costs	11B	(1,479)	-
Cash provided by operating activities		18,462	17,973
INVESTING			
Dividend received		16,325	11,342
Interest received		10,475	8,760
Proceeds from sale and maturity of investments		836,543	746,106
Purchase of investments		(868,362)	(778,172)
Investment management fees		(1,496)	(1,643)
Purchase of intangible assets		(2,227)	(4,361)
Purchase of equipment and leaseholds		(190)	(292)
Cash used in investing activities		(8,932)	(18,260)
FINANCING			
Payment on lease obligation		(979)	(268)
Cash used in financing activities		(979)	(268)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR		8,551	(555)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		4,215	4,770
CASH AND CASH EQUIVALENTS, END OF YEAR		12,766	4,215

See accompanying notes to financial statements.

1. CORPORATION OPERATIONS

Tarion Warranty Corporation (the "Corporation"), domiciled in Ontario, Canada, was designated in 1976 by the Government of Ontario to administer the Ontario New Home Warranties Plan Act (the "Act"). The objectives of the Act include consumer protection, builder regulation and providing consumers and builders with a broad range of services including information and education. The Corporation collects home enrolment and builder registration fees and invests available funds (guarantee fund) which is used for the purposes of settling warranty claims from homeowners, and providing for investigation, enforcement, and other administrative costs related to its responsibilities in administering the Act. Among other things, the Act affords new home buyers a right of compensation in respect of:

- loss of deposit if a builder cannot or will not complete the sale of a home, through no fault of the home buyer;
- specified builder construction and contractual warranties for defects in work or material; and
- the effects of delays in closing, under certain circumstances.

In December 2017, a provincial legislation was passed which mandates the separation of the activities of regulating new home builders and vendors into a separate regulatory authority, and activities of warranty administration for new homes in Ontario into a separate entity. Included in the legislation is an amendment to the Act that authorizes the Corporation to use the guarantee fund to make payments or loans to any corporation that is designated to administer any successor Act or that, according to the Minister, may be so designated.

In February 2019, the Government of Ontario announced its plan to continue transforming the Corporation and the Act including establishing a separate regulator, from the Corporation to license new home builders and vendors. As part of the Transformation support, the Corporation has entered into a funding agreement with the prospective regulator, Home Construction Regulatory Authority ("HCRA"), to provide financial support in the establishment of HCRA. See Note 11B for details.

While these changes may materially impact the mandate and operations, the Corporation intends to continue to deliver its current mandate until the above changes are finalized.

The Government of Ontario has designated the Corporation as a non-profit organization incorporated without share capital under the Act. The Corporation's equity is not traded in a public market and it represents the retained accumulation of excess of revenue over expenses and actuarial gains / (losses) for employee future benefits. The registered office is located at 5160 Yonge Street, 12th Floor, Toronto, Ontario, M2N 6L9.

As a non-profit organization, the Corporation is exempt from income taxes.

The Financial Statements for the year ended December 31, 2019, were approved by the Corporation's Board of Directors and authorized for issue on March 23, 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Statements of the Corporation have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The significant accounting policies used in the preparation of these Financial Statements are described below.

The Corporation has adopted IFRS 16 '*Leases*' for the periods beginning on January 1, 2019 as set out below. There are no changes to the accounting policies referred to in the 2019 financial statements except for the adoption below.

A. Changes to significant accounting policy – IFRS16 Leases

IFRS 16 '*Leases*' applies to the recognition, measurement, presentation and disclosure of leases. The Corporation adopted the standard using the modified retrospective approach, under which the cumulative effect of the adoption is recognized in the opening equity at January 1, 2019. The comparative information was not restated and continues to be reported under IAS 17.

A significant proportion of the Corporation's lease arrangements relate to office space and are negotiated through the Corporation's procurement function.

i. Policy applicable – January 1, 2019

The Corporation has elected not to recognize right-of-use assets and lease liabilities for short-term leases of office and IT equipment that have a lease term of 12 months or less and leases of low-value assets. The Corporation recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Lease liabilities are initially measured at the present value of the lease payments over the term of the lease contract. Where a lease contains an extension option which the Corporation can exercise without negotiation, lease payments for the extension period are included in the liability if the Corporation is reasonably certain that it will exercise the option. Lease payments are discounted using the incremental borrowing rate of the Corporation for a similar asset, unless the interest rate implicit in the lease can be readily determined.

The right of use asset resulting from a lease arrangement is initially measured at cost, which reflects the lease liability, initial direct costs and any lease payments made before the commencement date, less any lease incentives received.

The Corporation recognizes depreciation of right of use assets and interest on lease liabilities in the Statement of Comprehensive Results of Operations over the term of the lease contract. Repayments of lease liabilities are separated into a principal portion (presented within financing activities) and interest portion (presented in the operating activities) in the Statement of Cash Flows. Payments made before the commencement date are included within financing activities unless they in substance represent investing cash flows.

($CAD thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ii. Impact of the adoption of IFRS 16 *'Leases'*

For transition, as permitted by IFRS 16, the Corporation applied the modified retrospective approach to existing operating leases which are capitalized under the new standard (i.e. retrospectively, with the cumulative effect recognized at the date of initial application as an adjustment to the opening balance of equity with no restatement of comparative information in the financial statements).

For existing finance leases, the carrying amounts before transition represented the December 31, 2018 values assigned to the right of use asset and lease liability.

For leases transitioned, the lease liability was measured at January 1, 2019 as the present value of any future lease payments discounted using the appropriate weighted average incremental borrowing rate calculated at 4.5%.

	2019
Operating lease commitments at 31 December 2018 as disclosed under IAS 17 in The Corporation's financial statements	2,059
Discounted using the incremental borrowing rate at 1 January 2019	1,965
Finance lease liabilities recognised as at 31 December 2018	476
- Recognition exemption for leases of short-term/low-value assets	(170)
Lease liabilities recognised at 1 January 2019	2,271

On transition to IFRS 16, The Corporation recognized additional right-of-use assets and additional lease liabilities, recognizing the difference in equity. The impact on transition is summarized below:

	2019
Property, plant and equipment	1,137
Lease liabilities	(1,329)
Equity	192

Due to the transition methods chosen by the Corporation in applying IFRS 16, comparative information throughout these financial statements were not adjusted.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Cash and cash equivalents

Cash and cash equivalents comprises of cash on hand and at the bank, any short-term deposits with a maturity of up to three months on the date of purchase, net of any bank overdrafts payable on demand. Cash equivalents held for investment purposes are included in the fixed income portfolio.

C. Prepaid expenses and other assets

Prepaid expenses are measured at historical costs which approximates their fair value due to their short-term nature. Prepaid expenses are generally settled within one year.

Other assets include unsettled investment trade receivable. These are investments trades made within three business days of the end of the reporting period and are generally settled immediately after the end of the reporting period.

D. Financial Instruments

Financial assets are classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are measured either at amortized cost or fair value through profit or loss.

- Financial assets at fair value through profit or loss ("FVTPL")

  Cash and cash equivalents, the fixed income portfolio and the equity portfolio are classified as FVTPL. Financial assets at FVTPL are measured initially at fair value with any gains / (losses) arising on subsequent measurement recognized in the Statement of Comprehensive Results of Operations, in investment income.

  Transaction costs are recognized in the Statement of Comprehensive Results of Operations as incurred. Interest income on the fixed income portfolio is included in investment income as earned using the effective interest method. Dividend income on the equity portfolio is recognized as of the declaration date in investment income. The gains / (losses) from currency translation are recognized in the Statement of Comprehensive Results of Operations in investment income.

- Financial assets at amortized cost

  Trade and other receivables from vendors and builders are measured at amortized cost less accumulated impairment. The carrying value is based on management's best estimate of the recoverable value determined by considering past collection experience, the amount of security held, the existence of guarantees, other forward-looking information and the time value of money.

  Under IFRS 9, loss allowances will be established for all financial assets impaired based on a 12-month expected credit losses or life-time expected credit losses if the credit risk increases significantly.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Corporation has elected to apply the IFRS 9 Simplified Approach, which measures expected credit losses based on a lifetime expected loss allowance. This represents expected credit losses that result from all possible default events over the expected life of a financial instrument.

Where there is objective evidence that there is impairment in these amounts, the impairment charge is recognized in the Statement of Comprehensive Results of Operations in impairment loss on trade and other receivables as part of the net claims incurred, at an amount that reduces the carrying value of the financial assets to their recoverable amounts. See note 5C Movement in Trade Receivables for impairment charge.

- Other financial liabilities

Accounts payable and accrued liabilities, and funds held as security, are measured at amortized cost using the effective interest method.

E. Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment. The assets' residual values, useful lives and the method of depreciation are reviewed at the end of each reporting period, and adjusted as necessary on a prospective basis. The depreciation expense on property, plant and equipment is disclosed separately in Note 8 to the Financial Statements and included in the Statement of Comprehensive Results of Operations.

Depreciation is provided at the following rates:

Recognized in accordance to IAS 16 – PPE:

Computer equipment	Straight-line over three years
Furniture and office equipment	Declining balance at 20% a year
Leasehold improvements	Straight-line over the shorter of its estimated useful life and the lease term

Recognized in accordance to IFRS16 – Leases:

Right of use assets	Straight-line over the shorter of its estimated useful life and the lease term

Right of use assets

The Corporation recognizes right of use assets at the commencement date of the lease. Right of use assets are measured at cost, less any accumulated depreciation and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease inducements receivable. Unless the Corporation is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right of use assets are depreciated on a

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

straight-line basis over the shorter of its estimated useful life and the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any. If the right of use asset is impaired, the Corporation reduces the carrying amount of the asset to its recoverable amount and recognizes that impairment loss in the Statement of Comprehensive Results of Operations.

Short-term leases and leases of low-value assets

The Corporation applies the short-term lease recognition exemption to its short-term leases (i.e. those lease that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases. Lease payments on short-term leases and leases of low-value assets are recognized as a General and Administrative expense as incurred.

The gains / (losses) arising on the disposal or retirement of an item of equipment and leaseholds is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognized in the Statement of Comprehensive Results of Operations in other revenue.

F. Intangible assets

Intangible assets consist of acquired software and applications and internal software enhancements related to the customization of these software systems and applications. These intangible assets have finite lives and are amortized over their useful economic life. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The amortization expense on intangible assets are disclosed separately in Note 9 to the Financial Statements and included in the Statement of Comprehensive Results of Operations.

Software and applications	Straight-line over three years
Internal software enhancements	Straight-line over three years

G. Leases

Lease liabilities

Prior to January 2019, under IAS 17, at the commencement date of the lease, the Corporation recognizes lease liabilities measured at the present value of lease payments to be paid over the contract term of the lease. The lease payments include fixed payments less any lease inducements receivable, variable lease payments that depend on an index or a rate.

Upon adoption of IFRS 16, in calculating the present value of lease payments, the Corporation uses the incremental borrowing rate at the measurement date if the interest rate implicit in the lease is not readily determinable. The lease liabilities are increased to reflect the accreted interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities will be remeasured if there is a modification, a change in the lease term, a change in the in-substance of fixed lease payments or a change in the assessment to acquire the underlying asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Warranty liabilities

Warranty liabilities include estimates of costs for claims reported and in process, provisions for claims incurred but not yet reported at the Statement of Financial Position date where it is anticipated that costs will be incurred by the Corporation, and deferred home enrolment fees to be taken into revenue as earned based on the expected claims experience over the warranty period.

The warranty period spans seven years and significant periods of time can elapse between the incurrence of claims liabilities and their settlement. Accordingly, the estimation of the liabilities involves significant measurement uncertainty, which is further described in Note 3. Annual reviews are performed by management and reviewed by the appointed actuary to assess whether warranty claims liabilities recorded for homes and condominiums, and deferred home enrolment fees are adequate relative to future claims and related administration costs to administer claims.

The warranty claims liabilities are discounted to reflect the investment income expected to be earned over the period between the incurrence and settlement of claims. The discount rate reflects the expected future yield from the fixed income investments. Provisions for adverse deviation are added to allow for the inherent measurement uncertainty that arises because actual investment yields may differ from the discount rate; because the actual settlements may occur at amounts that differ from expected settlement amounts; and because the actual timing of settlements may differ from expected timing.

Net claims incurred include claims recoveries, and changes in the provisions for claims reported and in process and for claims incurred but not yet reported.

Claims recoveries include amounts recovered in the current year from builders on claims incurred during the current or previous years, and changes in the estimate of amounts recoverable from builders on outstanding warranty claims liabilities. Estimated amounts recoverable from builders are presented on the Statement of Financial Position in trade and other receivables from vendors and builders as described in Note 5.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Excess loss reinsurance premium

Benefits to which the Corporation is entitled under its reinsurance contract are recognized as reinsurance assets. Amounts recoverable are dependent on the expected claims and benefits arising under the related reinsured new home warranty contracts. Reinsurance liabilities are primarily premiums payable for reinsurance contracts. The reinsurance premium paid are recognized as an expense over the terms of coverage they provide. The enrolment-based policy is expensed based on the same earnings pattern recognized for the home enrolment over the life of the warranty period.

The Corporation assesses its reinsurance assets for impairment on an annual basis. If the reinsurance asset is impaired, the Corporation reduces the carrying amount of the reinsurance assets to its recoverable amount and recognizes that impairment loss in the Statement of Comprehensive Results of Operations. A reinsurance asset is impaired if there is objective evidence, which is determined using the same approach adopted from non-financial assets.

The Corporation reflects reinsurance balances on the Statement of Financial Position on a gross basis to indicate the extent of credit risk related to reinsurance and its obligations to homeowners and on a gross basis in the Statement of Comprehensive Results of Operations to indicate the results of home enrolment fees earned.

J. Provisions

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account of the risks and uncertainties surrounding the obligation. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as a separate asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. Expenses related to any provision are presented in the Statement of Comprehensive Results of Operations net of any reimbursement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Employee future benefits liabilities

The Corporation offers a (i) defined contribution pension plan and (ii) a post-employment medical and dental benefits plan for its employees.

Effective April 30 2018, the Corporation applied to the Financial Services Commission of Ontario to wind up the defined benefit component of an "Old Plan" which consisted of a fully vested and closed defined benefit component and, an active defined contribution component. As a result of this wind up, a new defined contribution pension plan ("New DC Plan") was established from May 1, 2018 and contains the same terms and provisions as the defined contribution provisions of the Old Plan.

- Members who participated under the defined contribution component of the Old Plan became a member of the New DC Plan at May 1, 2018. On January 17, 2019, the Corporation received approval from FSCO to transfer all existing assets of the defined contribution component under the Old Plan to the New DC Plan. The assets transfer of $21,746 was made on March 8, 2019.

- Members who participated under the defined benefit component of the Old Plan as at April 30, 2018 were provided with an option form that describes their wind-up entitlements and the options available to them. On March 8, 2019, the Corporation received approval from FSCO to wind up the Old Plan. Please see note 15D for details of the windup.

The costs of other post-employment benefits earned by employees are actuarially determined using the projected unit credit valuation method. This takes into account management's best estimates of retirement ages of employees and expected health care costs.

Actuarial gains / (losses) are recognized in the Statement of Comprehensive Results of Operations in the period they occur. They are not reclassified to excess of revenue over expenses in subsequent periods.

The Corporation accrues its obligations under employee benefit plans and the related costs, net of plan assets. The defined benefit asset or liability comprises the net present value of the defined benefit obligation less the fair value of the plan assets, out of which obligations are to be settled. Plan assets are held in a trust and are not available to creditors of the Corporation, nor can they be paid directly to the Corporation. Fair value is determined based on market price information.

The Corporation's contributions to the defined contribution pension plan are expensed in the Statement of Comprehensive Results of Operations in the year to which they relate and are included as part of salaries and benefits expenses.

L. Revenue recognition

Home enrolment fees are remitted by builders during the year. These fees are deferred to the Statement of Financial Position as warranty liabilities and taken into revenue as gross home enrolment fees earned based on the expected claims experience over the warranty period. The earning patterns are reviewed annually. When the initially selected patterns for prior years' enrolments differ from the actual claims emergence, the patterns are updated prospectively. If claims experience indicates that home enrolment fees collected will not be sufficient to discharge related liabilities, a provision for premium deficiency is included in the warranty liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Builders' registration fees are recorded as revenue upon registration and renewal fees are recorded as revenue in the year in which they are due. The Corporation's obligation is to review the application and determine whether the builder satisfies all the conditions to grant the license. Fees are only refunded when builders request for a withdrawal of their application prior to grant of license.

Other revenue comprises of various administration fees charged for services generally related to the handling of claims and licensing and underwriting. These fees are recorded as earned upon the delivery of the services. Within other revenue are homeowner conciliation fees which are refundable if the conciliating item is found to be warrantable as well as builders conciliation fees which are charged if items are found warrantable and the builders failed to repair or resolved the item(s) during the applicable repair period. These fees are deferred to the Statement of Financial Position as a liability and earned into revenue when the conciliation inspection results in unwarrantable items. The Corporation has recorded the contract liability under accounts payable and accrued liabilities.

M. Interest expense

Interest expense is recognized in the Statement of Comprehensive Results of Operations as it accrues and is calculated by using the effective interest method. Accrued interest is included within the carrying value of the interest-bearing liability.

N. Impairment of non-financial assets

The Corporation assesses at each reporting date for any indication that an asset may be impaired. The Corporation reviews and considers both internal and external sources of information that indicate any events or changes in circumstances causing the carrying amount of the non-financial assets to not be recoverable.

O. Currency translation

The Corporation's Financial Statements are presented in Canadian dollars, the functional currency of the Corporation and the currency of the primary economic environment in which the Corporation operates. Transactions in foreign currencies are initially recorded at the functional currency exchange rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the period-end rate. The translation impact is recorded in the Statement of Comprehensive Results of Operations in the period in which they arise. Currency exchange gains / (losses) on financial assets at fair value through profit or loss are reported as part of investment income in the Statement of Comprehensive Results of Operations.

Revenue and expense items in a foreign currency are translated into Canadian dollars at the exchange rate on the transaction date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Future accounting changes

IFRS 17 – Insurance Contracts

On May 18, 2017 the IASB issued *IFRS 17 – Insurance Contracts* ("IFRS 17").

The new standard is effective for annual periods beginning on or after January 1, 2021. IFRS 17 will replace IFRS 4 Insurance Contracts. This standard introduces consistent accounting for all insurance contracts. The standard requires a company to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts. Additionally, IFRS 17 requires a company to recognize profits as it delivers insurance services, rather than when it receives premiums. There will be new financial statement presentation for insurance contracts and additional disclosure requirements.

IFRS 17 is to be applied retrospectively. Where full retrospective application is impracticable, the modified retrospective or fair value methods may be used.

In response to concerns and challenges raised by stakeholders, the IASB published Exposure Draft Amendments to IFRS 17 in June 2019, which proposed a number of targeted amendments for public consultation. At its deliberation meeting on March 17, 2020, the IASB agreed to further defer the effective date of IFRS 17 to annual reporting periods beginning on or after 1 January 2023.

The Corporation is currently assessing the impact of IFRS 17 on its financial statement and will continue to monitor IAS's future development related to IFRS 17.

3. KEY ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of Financial Statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and disclosure of contingent assets and liabilities as at the reporting date. Actual amounts could differ from those estimates.

A. Key management judgments

In the process of applying the Corporation's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the Financial Statements:

Internally generated software enhancements

Internally generated software enhancements costs are capitalized if, and only if, all of the following criteria are met:
- the technical feasibility can be demonstrated;
- management has the intention to complete the intangible asset and use it;
- management has the ability to use the intangible asset;
- the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and use the intangible asset; and
- expenditures attributable to the intangible asset can be measured reliably.

Legislative Changes

The legislative developments identified in Note 1 represent material uncertainties that may significantly impact the structure of the Corporation in future years. While these changes are finalized and implemented, the Corporation will continue to deliver its mandate as a going concern.

B. Key management estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Valuation of warranty claims liabilities

Warranty claims liabilities involve a high level of estimation uncertainty as described in Note 2. The amount of claims liabilities equals the present value of cash flows on account of claims and related expenses incurred before the reporting date. The ultimate cost of outstanding claims is estimated by using actuarial valuation techniques, taking into account the Corporation's claims handling practices, actuarial assessments, the judgment of management, difference between actual and expected settlement amounts, historical precedents and trends, prevailing legal, economic, social and regulatory environments and expectations of future developments.

3. KEY ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Details of the key assumptions used in the estimates are contained in Note 13. The warranty liabilities amounts presented for these claims are stated at the amounts expected to be paid directly by the Corporation to settle its obligations which reflect the amounts paid in the normal course of operations.

Valuation of trade and other receivables from vendors and builders

As described in Note 2, trade and other receivables are measured at amortized cost less accumulated impairment, which approximates fair value. The carrying value is based on management's best estimate of recoverable value determined by considering past collection experience, financial condition of the builders, security held, legal action sought and judgments awarded. Details of the key assumptions used in the estimates are contained in Note 5.

Revenue recognition of home enrolment fees earned

Home enrolment fees are deferred and taken into revenue as earned based on the expected claims experience over the warranty period. The deferred portion of home enrolment fees is included in warranty liabilities. The results are subject to significant uncertainty based on the actual claims experience over the warranty period. Details of the key assumptions used in the estimates are contained in Note 13.

Valuation of employee future benefits liabilities

The costs of other post-employment medical benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these benefits such estimates are subject to significant uncertainty. Details of the key assumptions used in the estimates are contained in Note 15G.

4. CASH AND CASH EQUIVALENTS

At December 31, 2019, cash and cash equivalents was solely cash at the bank and on hand of $12,766 (2018: $4,215) with no short-term deposits or bank overdrafts payable on demand.

The Corporation also has a $2,000 (2018 $2,000) unsecured demand operating facility it can draw on of which the amount outstanding at December 31, 2019 is nil (2018: Nil).

($CAD thousands)

5. TRADE AND OTHER RECEIVABLES FROM VENDORS AND BUILDERS

Trade and other receivables from vendors and builders consist of three types of receivables:

- Trade receivables from vendors and builders represent amounts receivable arising from warranty claims that the Corporation has paid out on behalf of vendors and builders during the remediation process. Trade receivables from vendors and builders are measured at amortized cost less accumulated impairment. Amounts receivable from registered builders are classified as financial assets. All the amounts are due immediately.
- Amounts recoverable from vendors and builders represent the estimated amounts recoverable from vendors and builders in respect to the outstanding warranty claims recognized under the warranty liabilities. Amounts are invoiced to the vendors and builders only when the Corporation has paid out monies for the claim.
- Other receivables from vendors and builders represent other receivables such as enrolment and registration fees.

	2019	**2018**
Gross trade receivables	27,485	31,292
Less: Allowance for impairment	(23,508)	(28,648)
Trade receivables	3,977	2,644
Amounts recoverable from vendors and builders	7,396	5,305
Other receivables from vendors and builders	520	503
Total trade and other receivables from vendors and builders	**11,893**	**8,452**

Before accepting registration for any vendor and builder, the Corporation undergoes an underwriting process that typically includes obtaining an external credit score to assist in assessing the applicant's credit quality, an assessment of the applicant's construction expertise, the applicant's business acumen and where applicable, the merits of the applicant's proposal to construct a building or project. Terms and conditions of registration vary from applicant to applicant but typically include limits on the volume and type of new home construction, and a requirement to provide security and/or indemnitors. Assessments are revisited annually at the point of registration renewal or earlier if additional risk factors surface.

As at December 31, 2019, there was five vendors and builders (2018: one vendor and builder) whom represent more than 5% of the balance of trade receivables net of allowances. However, due to trade receivables being almost fully reserved, the overall net exposure of the Corporation to these vendors and builders as at December 31, 2019 was limited to $2,350 (2018: $189).

As described in Note 14, the Corporation obtains security from builders to minimize its financial losses from future warranty claims. At December 31, 2019 there is $5,234 (2018: $3,111) of cash and non-cash security held associated with the trade and other receivables from vendors and builders.

($CAD thousands)

5. TRADE AND OTHER RECEIVABLES FROM VENDORS AND BUILDERS (continued)

A. Unregistered vendors and builders

Warranty coverage is also available for homes which were built by unregistered builders. However, under the Act, unregistered builders are deemed to be building illegally, subject to prosecution and are required to indemnify the Corporation for any financial loss the Corporation incurs with respect to the homes the unregistered vendors and builders built. Included in the total trade and other receivables from vendors and builders as at December 31, 2019 are amounts recoverable from unregistered vendors and builders of $112 (2018: $268).

B. Expected credit losses and impact on discounting

In determining the lifetime expected credit losses of trade and other receivables from vendors and builders, the Corporation individually assesses accounts that are greater than $50 based on the credit history of the vendor and builder, their current and expected financial condition, security held, legal action sought and judgment awarded. Other forward-looking information such as ongoing builder interactions is also considered during the assessment to determine the builder's financial outlook. For accounts less than $50, a historical recovery rate is applied. The rate used depends on the account status as to whether it is in collection litigation or active collection. The recoverability rates are based on trailing averages. The Corporation has determined that incorporating forward-looking information to the recovery rate will have an immaterial impact on the net trade receivables balance.

Actual recovery on these balances may differ if the financial health of the vendor and builder changes, if the guarantors / indemnitors financial situation changes and / or if the court or tribunal's decision differs from that of the Corporation. The objective evidence of impairment for the amounts recoverable from builders includes the Corporation's past collection experience, financial condition of the builders, security held, legal action sought, judgments awarded, and other forward-looking information.

As at December 31, 2019, the trade and other receivables from vendors and builders includes $2,753 (2018: $1,410) that are greater than 90 days past due but not considered to be impaired. The Corporation considers registered builders who have past due but not impaired balances to be able to pay their debts. In addition, the credit quality of these builders' receivables is enhanced by the existence of indemnities and / or guarantees. The trade receivables may take significant time to settle and collect due to complex claims cases and / or when litigation is involved. A discount rate of 4.95% (Prime + 1%) has been applied on the trade receivables balance greater than 360 days, which is consistent with the fair value measurement of funds held as securities.

	2019	**2018**
1 to 90 Days	1,224	1,234
91 to 360 Days	1,954	1,012
Over 360 Days	799	398
Total trade receivables	**3,977**	**2,644**

($CAD thousands)

5. TRADE AND OTHER RECEIVABLES FROM VENDORS AND BUILDERS (continued)

C. Movement in trade receivables

	2019	**2018**
Gross Trade Receivables		
Beginning of year	31,292	31,795
New Bills Issued	16,011	13,811
Write-offs Processed	(12,960)	(6,861)
Recoveries	(6,858)	(7,453)
End of year	27,485	31,292
Allowance for Impairment		
Beginning of year	(28,648)	(29,306)
Amount adjusted through opening equity (IFRS 9)	-	(96)
Adjusted Beginning of year	(28,648)	(29,402)
Expected Credit Loss Allowance	(7,820)	(6,107)
Write-offs Processed	12,960	6,861
End of year	(23,508)	(28,648)
Total trade receivables, end of year	**3,977**	**2,644**

The Corporation employs various methods to collect its receivables which could extend over multiple years. Trade receivables are written off when the likelihood of further collection is considered remote, or when a settlement agreement is reached. Until such time, an allowance for impairment is carried; included in the 2019 change in allowance is a reversal of $12,618 (2018: $5,700) which relates to write-offs.

6. FINANCIAL INSTRUMENTS

Investments in the fixed income portfolio and the equity portfolio represent accumulated proceeds from the enrolment and builder registrations fees. These investments are made by the Corporation in accordance with the Statement of Investment Policies and Procedures, and represent the guarantee fund which supports:

i. Ability to fulfil current and future estimated warranty obligations: Investments held support the Corporation's ability to fulfil current and future estimated warranty obligations. Due to the long warranty coverage period of up to seven years and to other factors explained in Note 13, warranty obligations are subject to a high level of measurement uncertainty and variability;

ii. Funds held as security from the builders: The Corporation receives security in the form of cash, letters of credit and other guarantees from builders in order to reduce the risk of financial loss related to future warranty claims from homeowners, as noted in Note 14. Security received in cash is invested as part of the Corporation's investment portfolio, and is recorded at amortized cost on the Statement of Financial Position as a liability; and

iii. Financial stability of the Corporation: Financial stability of the Corporation is achieved by applying the capital management framework, as noted in Note 18, which has been modeled after the framework used by the property and casualty insurance industry in Canada. Carried capital of the Corporation has been determined by management to be sufficient to cover possible losses from future catastrophic events, and is supported by the annual dynamic capital adequacy testing

6. FINANCIAL INSTRUMENTS (continued)

performed by the Corporation's appointed actuary during the year and reflects the Corporation's inability to raise capital in traditional ways.

A. Fair value

Fair value represents the amount that would be exchanged in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Corporation's cash and cash equivalents and investments are measured at fair value.

The Corporation has classified the fixed income portfolio and the equity portfolio as FVTPL financial assets. Both classes of assets are reported at fair value based on quoted bid prices in active markets on the Statement of Financial Position. The fair values of bonds and equities denominated in foreign currencies, if any, are translated into Canadian dollars at the exchange rate in effect as at the reporting date.

The fair value of trade and other receivables from vendors and builders approximates carrying value; there is no external active market for this type of asset and the inputs required to value these are primarily based on the Corporation's assumptions about the credit quality of the vendors and builders, and the availability of collateral for the receivable. See Note 5 on the valuation methodology used.

The carrying value for accounts payable and accrued liabilities approximates fair value due to their short-term nature. Under *IFRS 13 – Fair Value Measurement*, the fair value of financial liabilities measured using amortized cost has to be disclosed and categorized according to a fair value hierarchy. The fair value of the funds held as security is calculated based on discounted cash flow. The key inputs include cash flow received from builders as security, the estimated duration periods of such funds by building types and a discount rate of 4.95% (2018: 4.95%).

Fair value hierarchy

Fair value measurements are classified using a three-level fair value hierarchy, described below, for disclosure purposes. Each level reflects the types of inputs used to measure the fair values of financial assets and financial liabilities:

- Level 1 – inputs are unadjusted quoted prices of identical instruments in active markets.
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – inputs used in a valuation technique are based on unobservable market data.

The following table discloses the categories of financial instruments measured at fair value and classified by fair value hierarchy as at December 31, 2019:

($CAD thousands)

6. FINANCIAL INSTRUMENTS (continued)

	2019			2019
	Level 1	**Level 2**	**Level 3**	**Fair Value**
Financial assets measured at FVTPL				
Fixed income portfolio:				
Federal, provincial and municipal government bonds	-	157,817	-	157,817
Financial institution bonds	-	120,927	-	120,927
Other corporate bonds	-	109,665	-	109,665
Treasury bills and short-term notes	-	19,133	-	19,133
MortgageTrust Fund	-	11,655	-	11,655
Fixed income portfolio	-	419,197	-	419,197
Equity portfolio	50,120	174,672		224,792
Total investments	50,120	593,869	-	643,989
Cash and cash equivalents	12,766			12,766
Total financial assets	62,886	593,869	-	656,755
Financial liabilities measured at amortized cost				
Funds held as security	-	-	59,864	59,864
Total financial liabilities	-	-	59,864	59,864

	2018			2018
	Level 1	**Level 2**	**Level 3**	**Fair Value**
Financial assets measured at FVTPL				
Fixed income portfolio:				
Federal, provincial and municipal government bonds	-	157,001	-	157,001
Financial institution bonds	-	130,126	-	130,126
Other corporate bonds	-	84,116	-	84,116
Treasury bills and short-term notes	-	6,812	-	6,812
MortgageTrust Fund	-	11,112	-	11,112
Fixed income portfolio	-	389,167	-	389,167
Equity portfolio	49,697	153,398	-	203,095
Total investments	49,697	542,565	-	592,262
Cash and cash equivalents	4,215			4,215
Total financial assets	53,912	542,565	-	596,477
Financial liabilities measured at amortized cost				
Funds held as security	-	-	56,079	56,079
Total financial liabilities	-	-	56,079	56,079

There were no transfers among Levels 1, 2 and 3 in the year ended December 31, 2019 (2018: Nil).

($CAD thousands)

6. FINANCIAL INSTRUMENTS (continued)

B. Market risk

To manage the risks in the investment portfolio, management regularly monitors the performance of investment managers who are required to operate within specific investment criteria related to credit quality, diversification and to maximize yield within those constraints.

Market risk is comprised of three risks that may impact the fair value of a financial instrument as described below.

Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Corporation is exposed to interest rate risk on its fixed income portfolio and its funds held as security. Details of the Corporation's fixed income portfolio with interest rate exposure as at December 31 are disclosed below:

	2019				
Terms of Maturity (1)	**Due within one year**	**Due one through five years**	**Due five through ten years**	**Due after ten years**	**Total**
Government					
Federal	13,358	111,292	-	-	124,650
Yield to Maturity (YTM)	1.8%	1.8%	0.0%	0.0%	1.8%
Provincial	-	10,659	18,775	-	29,434
YTM	0.0%	1.9%	2.1%	0.0%	2.0%
Municipal	-	1,875	1,449	-	3,324
YTM	0.0%	2.2%	2.2%	0.0%	2.2%
Treasury Bills	19,109	-	-	-	19,109
YTM	1.7%	0.0%	0.0%	0.0%	1.7%
Total Government	32,467	123,826	20,224	-	176,517
YTM	1.7%	1.9%	2.1%	0.0%	1.9%
Financial Institutions	162	119,912	-	-	120,074
YTM	2.0%	2.2%	0.0%	0.0%	2.2%
Other Corporate	15,034	88,844	4,990	-	108,868
YTM	2.1%	2.2%	2.5%	0.0%	2.2%
Mortgage Trust Fund	2,272	5,384	3,279	720	11,655
YTM	2.1%	3.5%	3.5%	3.5%	3.4%
Total Fixed Income	49,935	337,966	28,493	720	417,114
Accrued Interest	2,083	-	-	-	2,083
Total Fixed Income with Accrued Interest	**52,018**	**337,966**	**28,493**	**720**	**419,197**
YTM	**1.8%**	**2.1%**	**2.3%**	**3.5%**	**2.1%**

(1) The timing of actual maturities may differ from the contractual maturities shown above, since borrowers may have the right to prepay obligations with or without prepayment penalties.

($CAD thousands)

6. FINANCIAL INSTRUMENTS (continued)

	2018				
Terms of Maturity (1)	**Due within one year**	**Due one through five years**	**Due five through ten years**	**Due after ten years**	**Total**
Government					
Federal	4,126	129,122	133	-	133,381
Yield to Maturity (YTM)	1.8%	2.1%	1.9%	0.0%	2.1%
Provincial	-	23,217	-	-	23,217
YTM	0.0%	2.4%	0.0%	0.0%	2.4%
Treasury Bills	6,801	-	-	-	6,801
YTM	1.6%	0.0%	0.0%	0.0%	1.6%
Total Government	10,927	152,339	133	-	163,399
YTM	1.7%	2.1%	1.9%	0.0%	2.1%
Financial Institutions	5,415	123,828	90	-	129,333
YTM	1.5%	2.3%	2.6%	0.0%	2.2%
Other Corporate	12,956	67,567	2,657	-	83,180
YTM	2.9%	2.8%	3.2%	0.0%	2.8%
Mortgage Trust Fund	2,459	5,715	2,868	69	11,111
YTM	1.6%	3.5%	3.6%	3.7%	3.2%
Total Fixed Income	31,757	349,449	5,748	69	387,023
Accrued Interest	2,144	-	-	-	2,144
Total Fixed Income with Accrued Interest	**33,901**	**349,449**	**5,748**	**69**	**389,167**
YTM	**2.1%**	**2.3%**	**3.4%**	**3.7%**	**2.3%**

(1) The timing of actual maturities may differ from the contractual maturities shown above, since borrowers may have the right to prepay obligations with or without prepayment penalties.

Equity price risk

Equity price risk is the risk that the value of a financial instrument will fluctuate due to changes in equity markets. The Corporation is exposed to equity price risk on its equity portfolio, including through its pooled fund investments. The Corporation's equity portfolio is diversified and invested in well established, active, liquid markets.

	2019		2018	
Financials	55,402	25.0%	53,885	27%
Industrials	37,867	17.0%	28,310	14%
Materials	26,345	12.0%	21,019	10%
Consumer Discretionary	24,316	11.0%	18,685	9%
Energy	23,661	11.0%	19,855	10%
Consumer Staples	15,465	7.0%	16,116	8%
Information Technology	14,647	7.0%	14,372	7%
Telecommunication	14,221	6.0%	12,803	6%
Health Care	6,939	3.0%	7,809	4%
Cash	3,192	1.0%	5,546	3%
Utilities	1,710	0.0%	2,731	1%
Real Estate	1,027	0.0%	1,964	1%
Total equity portfolio	**224,792**	**100.0%**	**203,095**	**100%**

6. FINANCIAL INSTRUMENTS (continued)

Foreign currency risk

Foreign currency risk is the risk of loss due to adverse movements in foreign currency rates versus the Canadian dollar. The equity portfolio contains investment in pooled funds along with investment in individual securities. The Corporation is exposed to currency risk on its global pooled fund and U.S. denominated investments. As at December 31, 2019, the Corporation had approximately 20.7% (2018: 20.0%) of its fair value of the total investments with foreign currency risk; the largest foreign currency exposure was to the U.S. dollar of 8.6% (2018: 6.6%) of the total portfolio. The Corporation manages its foreign currency exposure by limiting the foreign content in the investment portfolio.

To mitigate the foreign currency risk the Corporation has access to a foreign currency hedging facility and various hedging strategies are initiated when certain pre-determined foreign exchange fluctuations occur. During the year, the Corporation did not utilize the foreign currency hedging facility since those pre-determined thresholds were not reached.

Sensitivity analysis on market risk

The table below shows the potential impact on the Statement of Comprehensive Results of Operations and Statement of Changes in Equity as a result of specific stress scenarios applied to financial assets and financial liabilities (excluding warranty liabilities). The analysis reflects management's view of key sensitivities. The actual results may differ from this sensitivity analysis and the difference could be material.

The stress scenarios for 2019 are:

- Interest rate risk: a shift of -25/+25 basis points in interest rates for all maturities. Funds held as security are credited at floating interest rates (Prime less 2%) and are changed semi-annually to calculate the interest paid on security. The annual interest paid impact on a -25/+25 basis points change in interest rates is applied on the carrying value of the funds held as security excluding accrued interest as disclosed below.
- Equity price risk: an increase/decrease of 10% in equity market prices.
- Foreign currency risk: a strengthening/weakening of 5% in the Canadian dollar relative to all foreign currencies in the portfolio.

($CAD thousands)

6. FINANCIAL INSTRUMENTS (continued)

2019

	Fair Value	Interest Rate Risk -25 BP	Interest Rate Risk +25 BP	Equity Price Risk -10%	Equity Price Risk +10%	Foreign Exchange -5%	Foreign Exchange +5%
Financial Assets							
FVTPL investments:							
Fixed income portfolio	419,197	2,803	(2,777)				
Equity portfolio							
Canadian Dollar	91,351			(9,126)	9,126		
United States Dollar	55,645					(2,782)	2,782
Great Britain Pound	18,548					(927)	927
Euro	17,881					(895)	895
Other currencies	41,367					(2,068)	2,068
Foreign	133,441			(13,344)	13,344	(6,672)	6,672
Financial Liabilities							
Funds held as security	59,864	150	(150)				

2018

	Fair Value	Interest Rate Risk -25 BP	Interest Rate Risk +25 BP	Equity Price Risk -10%	Equity Price Risk +10%	Foreign Exchange -5%	Foreign Exchange +5%
Financial Assets							
FVTPL investments:							
Fixed income portfolio	389,167	2,530	(2,508)				
Equity portfolio							
Canadian Dollar	84,771			(8,465)	8,465		
United States Dollar	39,284					(1,964)	1,964
Great Britain Pound	17,275					(864)	864
Euro	14,317					(716)	716
Other currencies	47,448					(2,372)	2,372
Foreign	118,324			(11,832)	11,832	(5,916)	5,916
Financial Liabilities							
Funds held as security	56,079	147	(147)				

For the above scenarios, the Corporation has assumed that interest rates, equity prices, and currency moved independently.

C. Credit risk

Credit risk arises from the possibility of financial loss occurring as a result of a default by a counterparty on its obligation to the Corporation. Financial instruments that potentially subject the Corporation to concentrations of credit risk consist of investments, and trade and other receivables from vendors and builders. The carrying value of financial assets, including investments and trade and other receivables from vendors and builders, represents the maximum credit exposure. The Corporation has adopted the following strategies to mitigate this risk:

- The Corporation's investment policies, limits the concentration in any one investee or related group of investees, except for financial instruments issued by the Government of Canada for which there is no limit.

6. FINANCIAL INSTRUMENTS (continued)

- The Corporation only deals with counterparties believed to be creditworthy and actively monitors credit exposure, requiring minimum credit ratings of A for debt securities at the time an investment is purchased. At December 31, 2019, 99.8% of the debt securities have a rating of A or better (2018: 99.7%).
- Cash and cash equivalents and investments are placed with governments, well-capitalized financial institutions and other creditworthy counterparties.
- The Corporation assesses the builders' risk profile, including their financial position, during the registration and renewal processes. Based on the assessment, a builder may be licensed and as disclosed in Note 13, security is obtained in the form of cash, letters of credit, and other guarantees from the builder in order to reduce the risk of financial loss related to future warranty claims from homeowners.

D. Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation is exposed to daily cash requirements from settlement of claims, operating expenses and cash security releases. The settlement of claims have no fixed terms and is dependent on the timing of the repair work involved. The cash security release has no fixed terms and is contingent upon fulfilment of certain requirements (see Note 13). Liquidity risk is considered low as a significant percentage of the investment portfolio is traded in an active market and can be readily converted into cash.

The Corporation also has a $2,000 (2018: $2,000) unsecured demand operating facility it can draw on of which the amount outstanding at December 31, 2019 is nil (2018: Nil).

7. EXCESS LOSS REINSURANCE PREMIUM

The Corporation entered into a reinsurance contract on an "excess-of-loss" basis for premiums of $1,200 (2018: $1,400). The reinsurance contract limits the Corporation's exposure by providing a maximum of $45,000 in coverage on claims from specified enrolment years in excess of the retained amount of $75,000. The reinsurance contract does not relieve the Corporation of its primary warranty obligation to homeowners.

In 2019, the reinsurance premium earned was $442 (2018: $376). The unearned reinsurance premium at the end of the year was $3,698 (2018: $2,939) which is recorded on the Statement of Financial Position. The reinsurance asset for recoveries under the contract as at December 31, 2019 was nil (2018: Nil).

($CAD thousands)

8. PROPERTY, PLANT AND EQUIPMENT

Equipment and leaseholds consist of the following as at December 31:

	Right-of-Use Assets	Computer Equipment	Furniture and office equipment	Leashold improvements	Computer & office equipment under finance lease	Total
At cost						
Balance at January 1, 2018	-	1,283	1,563	2,445	1,474	6,765
Additions	-	291	-	-	513	804
Disposals	-	-	-	-	(1,077)	(1,077)
Balance at December 31, 2018	-	1,574	1,563	2,445	910	6,492
Balance at January 1, 2019	-	1,574	1,563	2,445	910	6,492
Recognition of right-of-use asset on initial application of IFRS 16	2,327	-	-	-	(910)	1,417
Adjusted balance at January 1, 2019	2,327	1,574	1,563	2,445	-	7,909
Additions	-	190	-	-	-	190
Disposals	(5)	(174)	-	(1,242)	-	(1,421)
Balance at December 31, 2019	**2,322**	**1,590**	**1,563**	**1,203**	**-**	**6,678**
Accumulated depreciation						
Balance at January 1, 2018	-	1,008	1,423	1,825	1,101	5,357
Depreciation expense	-	249	28	195	270	742
Disposals	-	-	-	-	(953)	(953)
Balance at December 31, 2018	-	1,257	1,451	2,020	418	5,146
Balance at January 1, 2019	-	1,257	1,451	2,020	418	5,146
Recognition of right-of-use asset on initial application of IFRS 16	418	-	-	-	(418)	-
Adjusted balance at January 1, 2019	418	1,257	1,451	2,020	-	5,146
Depreciation expense	836	219	22	65	-	1,142
Disposals	-	(172)	-	(964)	-	(1,136)
Balance at December 31, 2019	**1,254**	**1,304**	**1,473**	**1,121**	**-**	**5,152**
Carrying amount						
Balance at January 1, 2018	-	275	140	620	373	1,408
Balance at December 31, 2018	**-**	**317**	**112**	**425**	**492**	**1,346**
Balance at December 31, 2019	**1,068**	**286**	**90**	**82**	**-**	**1,526**

Property, plant, and equipment includes right-of-use assets of $1,068 (see note 12A)

($CAD thousands)

9. INTANGIBLE ASSETS

The Corporation's intangible assets are comprised of externally purchased software and applications and internally developed software enhancements.

	Software and applications	Internal software enhancement	Total
At cost			
Balance at December 31, 2018	17,758	5,195	22,953
Additions	1,972	255	2,227
Balance at December 31, 2019	19,730	5,450	25,180
Accumulated amortization			
Balance at December 31, 2018	12,071	4,385	16,456
Amortization expense	2,253	352	2,605
Balance at December 31, 2019	14,324	4,737	19,061
Carrying amount			
Balance at December 31, 2019	**5,406**	**713**	**6,119**
Balance at December 31, 2018	**5,687**	**810**	**6,497**

Development costs were recognized as an expense under general and administrative in the Statement of Comprehensive Results of Operations during the year amount to $1,876 (2018: $2,346).

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

These amounts are expected to be settled within one year from December 31:

	2019	2018
Salaries and benefits	4,467	2,973
Trade and supplier accruals	1,979	1,744
Amounts due to vendors and builders	1,275	1,044
Contract liabilities	553	498
Other liabilities	1,175	1,434
Payable to HCRA (Transformation costs)	13,162	-
Total accounts payable and accrued liabilities	**22,611**	**7,693**

11. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Corporation is a party to a number of lawsuits as the administrator of the Act. To the extent that lawsuits relate to disputes of warranty coverage, provisions for loss are included in warranty liabilities on the Statement of Financial Position.

A. Indemnification

In the normal course of operations, the Corporation executes agreements that provide for indemnification to third parties in transactions such as service agreements, leases and purchases of goods. Under these agreements, the Corporation agrees to indemnify the counterparty against loss or liability arising from the acts or omissions of the Corporation in relation to the agreement. In addition, the Corporation has also agreed to indemnify its directors and certain of its officers and employees in accordance with the Corporation's by-laws.

These indemnification provisions will vary based on the nature and terms of the agreements. The nature of these agreements precludes the possibility of making a reasonable estimate of the maximum potential amount the Corporation could be required to pay as the agreements often do not specify a maximum amount and the amounts are dependent on the outcome of future contingent events, the nature and likelihood of which cannot be determined. Historically, the Corporation has not made significant payments under such indemnification agreements. Accordingly, no amounts have been accrued related to these agreements as at December 31, 2019 and 2018.

B. Transformation Costs

In December 2017, the Ontario New Home Warranties Plan Act was amended to authorize the Corporation to use the Guarantee Fund to make payments or loans to any corporation that is designated to administer any successor Act or that, according to the Minister, may be so designated. A funding agreement was executed between the Corporation and Home Construction Regulatory Authority ("HCRA") on May 31, 2019. The funding commitment by the Corporation to HCRA consists of three funding phases: the *Initial start-up phase*, the *Build out phase*, and *Post-doors open phase*; the Post-doors open phase funding support shall be a minimum of one calendar year following the regulatory designation in which HCRA revenues may or may not meet HCRA's anticipated operating costs and expenses. The funding support by the Corporation is conditional upon that the aggregate sum of the Funds requested by HCRA and advanced by the Corporation in any given year will not materially negatively impact the capital requirements of the Guarantee Fund and be of such an amount as to compromise the Corporation Board's fiduciary obligation to prudently manage the Guarantee Fund in accordance with the ONHWP Act and the risk framework adopted by the Corporation Board.

In 2019, the Corporation advanced $1,377 to HCRA as part of their commitment to support the creation of the new regulation during its Initial start-up phase. The Board also approved $13,162 of funding in December 2019 to cover the *Build out phase* which was paid in January 2020. The commitment was accrued in *Accounts Payables and Accrued Liabilities*. The Transformation is in its *Build out phase* and at this time, both the timing and further funding for the *Post-doors open phase* are not determinable.

($CAD thousands)

12. LEASES

A. Right-of-use assets

The Corporation has existing leases in place which on adoption of IFRS 16 – 'Leases' have transitioned from operating leases to right of use assets per the new requirement in IFRS 16. The cost of the right of use assets arising from office space, computer and office equipment is reported as property, plant and equipment on the Statement of Financial Position and includes deductions for lease inducements receivable. The total value of the right of use assets as at December 31, 2019 is $1,068. See section B. Lease Liabilities for further information.

I. Right-of-use assets

	Office building	Computer and office equipment	Total
2019			
Balance at adoption of IFRS 16	1,417	492	1,909
Depreciation charge for the year	(644)	(192)	(836)
Additions to right-of-use assets	-	-	-
Derecognition of right-of-use assets	-	(5)	(5)
Balance at 31 December	773	295	1,068

II. Amounts recognized in Statement of Comprehensive Results of Operations

	2019
2019 - Leases under IFRS 16	
Interest on lease liabilities	81
Expenses relating to short-term leases	153
Expenses relating to low-value lease assets, excluding short-term leases of low-value assets	17
2018 - Operating leases under IAS 17	
Lease expense	102

III. Amounts recognized in Statement of Cash Flows

	2019
Financing Activities - cash outflow for finance lease liabilities	(979)
Operating Activities	
Cash outflow for finance lease liabilities - interest expense	(81)
Cash outflow for short-term and low-value leases	(170)
Total cash outflow for leases	(1,230)

($CAD thousands)

12. LEASES (continued)

B. Lease liabilities

The balance of the right of use asset obligations arising from office space, computer and office equipment are reported as lease liabilities and inducements on the Statement of Financial Position, and include deductions for lease inducements receivable.

The total value of the right of use asset obligations as at December 31, 2019 is $1,068. Interest expense of $81 was incurred during 2019 (2018: $11) on the leases and is reported in the Statement of Comprehensive Results of Operations.

These leases have renewal options for either single or multi-years. They may contain purchase options and escalation clauses. Renewals are at the option of the Corporation. The Corporation has not exercised the renewal option nor included it in lease liabilities.

Future minimum lease payments and the present value of the net minimum right of use asset obligations are as follows:

	2019	
	Minimum lease payments	Present value minimum lease payments
Within one year	1,053	966
Between one and five years	328	323
	1,381	1,289
Less amounts representing finance charges	92	-
Present value of minimum lease payments	**1,289**	**1,289**

($CAD thousands)

13. WARRANTY LIABILITIES

A. Components of warranty liabilities

The following table summarizes the components of the warranty liabilities as at December 31:

	2019	2018
Deferred home enrolment fees, beginning of year	248,872	231,447
Fees received	67,731	64,551
Fees earned	(50,765)	(47,126)
Deferred home enrolment fees, end of year	265,838	248,872
Warranty claims liabilities, beginning of the year	25,265	26,559
Claim losses incurred:		
Relating to current occurrence year	19,654	17,015
Relating to prior occurrence years	3,019	(697)
Change in provision for adverse deviation impact	106	(83)
Change in discounting and inflation impact	273	(136)
	23,052	16,099
Claim losses paid:		
Relating to current occurrence year	(6,906)	(5,953)
Relating to prior occurrence years	(11,655)	(11,440)
	(18,561)	(17,393)
Warranty claims liabilities, end of year	29,756	25,265
Total warranty liabilities, end of year	**295,594**	**274,137**

Claim losses incurred relating to prior occurrence years developed unfavorably in 2019 primarily on account of unfavorable experience in warranty on high-rise condominiums and freehold homes enrolled in previous years.

Claims losses incurred during the year are recorded net of recoveries in the Statement of Comprehensive Results of Operations as noted below:

	2019	2018
Change in provisions	23,052	16,099
Recoveries net of impairment		
Relating to current occurrence year	(5,113)	(3,320)
Relating to prior occurrence years	(4,535)	(2,298)
Total recoveries	(9,648)	(5,618)
Net claims incurred for the year	**13,404**	**10,481**

Amounts recoverable from vendors and builders are included in trade and other receivables on the Statement of Financial Position and are described in Note 5.

B. Warranty coverage and policy

The warranty coverage begins when the home is enrolled, providing deposit protection and compensation for delayed closing and occupancy. Once the new owner takes possession of the home, there are three periods of warranties: one-year, two-year and seven-year warranty, each with different indemnity scopes and limits of settlement covering defects that are prescribed under the Act.

13. WARRANTY LIABILITIES (continued)

C. Significant risks and assumptions relate to warranty claims liabilities and deferred enrolment fees

The market in which the Corporation participates is unique. The Corporation is the sole provider for mandatory warranty coverage on new homes in the province of Ontario. The Corporation was designated in 1976 by the Government of Ontario to administer the Act. The primary objectives of the Act include consumer protection, builder regulation and homeowner and builder education. An overview of the Corporation's risk management framework and assumptions with regards to the warranty liabilities are summarized below.

Earnings pattern

As home enrolment fees are collected, they are deferred and taken into revenue over the period of the warranty that the fees cover. The rate at which these fees are recognized in revenue is based on the expected pattern of incurrence of claim costs over the warranty period, or 'earning pattern'. The actual emergence of claims may differ from the initial expected pattern. The earnings pattern is reviewed annually. When an update of the pattern is required for prior years' enrolments, it will result in the estimate change for the unamortized deferred enrolment fees not yet recognized into revenue. The impact of changes in the earnings pattern is set out in the sensitivity analysis in Note 13F.

The earnings patterns in 2019 for high-rise and low-rise were updated to extend the earning period from 10 years to 12 years based on the changes in claims experience of severity and frequency; freehold home types earning period remains at 10 years.

Insurance risk

As the administrator of the Act, the Corporation is exposed to insurance risk similar to a property and casualty insurance company. The insurance risk is the risk of loss if the Corporation pays compensation from the guarantee fund because builders have failed to perform their warranty obligations to the new homeowners. For major structural defect warranty coverage after June 30, 2012, the insurance risk for the Corporation for the three to seven years of the warranty is the loss arising from the failure of builders to perform their warranty obligations; post-2012, builders are fully responsible for major structural defect warranties but have the option to elect a co-share payment where the costs are shared by the builder and the Corporation according to a set formula. Generally, the Corporation is primarily concerned with the number and nature of the warrantable events and the uncertainty of the amount of the potential resulting claims and loss.

Insurance risks are managed through the Corporation's builder regulation and licensing strategy. Annual licensing assessments are performed on new and existing registered builders to verify that they have the technical experience, customer service capabilities and financial capacity required to build new homes in compliance with the terms and conditions of the Act. The Corporation has entered into an excess loss reinsurance contract with a third-party insurance company to reinsure its insurance risk for warrantable claims for specified enrolment periods in accordance with the Corporation's risk management framework starting in 2016. The reinsurer has a rating of A++ as at December 31, 2019. (2018: A++)

13. WARRANTY LIABILITIES (continued)

The Corporation also maintains a proactive claims management program to ensure the adequacy of the warranty liabilities:

- Collection of home enrolment fees from builders prior to construction of each home to help discharge the related liabilities;
- Obtain securities in the form of cash, letters of credit and other guarantees from the builders during the registration and renewal process to reduce risk of financial loss related to the claims;
- Experienced claims service representatives work closely with homeowners and builders to assess the adequacy of the claims in accordance to the Act;
- Processes exist to ensure that all claims are captured, reviewed and updated on a timely basis with a realistic assessment of the ultimate settlement costs;
- Engage qualified actuaries annually to review and assess the adequacy of the warranty liabilities and the provisioning amounts; and
- The appointed actuary determines assumptions used to measure warranty liabilities in accordance with the process recommended by the Canadian Institute of Actuaries. Management reviews the assumptions recommended by the actuary.

The establishment of warranty liabilities is based on established actuarial practice, management judgment and experience. Actual settlements may also differ significantly from the estimates of these liabilities due to the measurement uncertainty involved in establishing assumptions for such variables as future rates of claim frequency, severity, inflation, the ability of builders to fulfill their obligations to home buyers, recoveries from builders and administrative costs. The Corporation is exposed to the following claims provisioning risks in the process of administering the Act:

- *Future claims adjustment cost* – This assumption reflects the costs generally related to claims administration, including claims staff salaries and a related share of facilities overhead and rent, none of which are allocated to individual claim files. An actuarially estimated cost percentage of the future claim cost is applied to the outstanding claims at the end of the reporting period. This assumption is reviewed annually by the Corporation's actuary.

- *Incurred but not reported claims* – Actual claim settlements may differ from estimated claim settlements and claims may exist of which the Corporation is unaware. These claims are estimated based on historical patterns of fluctuations in claim estimates and settlements. In general, the longer the period of time between the incidence of loss and the settlement of the related claim, the greater the potential for actual settlement amounts to differ from the recorded estimates. The impact of changes in incurred but not reported claims is set out in the sensitivity analysis in Note 13E.

- *Adverse deviation* – The liability has inherent measurement uncertainty that arises because:
  (i) actual investment returns may differ from the discount rate used in actuarial calculations; and
  (ii) actual claims settlements may occur for amounts or at times that differ from estimates (claim risk), which can occur due to actual experience differing from the experience assumed.

- *Discounting and Inflation* – As claims will be settled in the future, the cost to settle the claims will be subject to inflationary pressure. Accepted actuarial practice requires that warranty claims be discounted to reflect the time value of money over the periods between the reporting date and the settlement date.

($CAD thousands)

13. WARRANTY LIABILITIES (continued)

The developments of assumptions for future claims are based on the Corporation's experience and known cases or potential issues. Such assumptions require a significant amount of professional judgment; therefore, actual experience may be materially different than the assumptions made by the

Corporation. Home builder payment patterns, renewals, withdrawals and surrender activities can be influenced by many factors including market and general economic conditions. Their behavior also has an impact on assessing future claims. The impact of changes in adverse deviation is set out in the sensitivity analysis in Note 13E.

Concentration of insurance risk

The Corporation's exposure to concentration of insurance risk is mitigated by the establishment of a diversified portfolio of competent builders through the Corporation's strong regulating and licensing strategy.

Builders' registration and renewals are assessed annually. The table below shows the warranty claim liabilities by claim types as at December 31:

	2019			
	Freehold	**High-rise Condo**	**Low-rise Condo**	**Total**
Unpaid claims	6,125	9,480	480	16,085
Incurred but not reported	3,073	801	48	3,922
Provision for adverse deviation	1,041	1,623	80	2,744
Unallocated loss adjustment expense	3,464	2,887	213	6,564
Discount and inflation impact	(245)	662	25	442
	7,333	5,973	366	13,672
Total warranty claim liabilities	**13,458**	**15,453**	**846**	**29,757**

	2018			
	Freehold	**High-rise Condo**	**Low-rise Condo**	**Total**
Unpaid claims	6,299	6,099	532	12,930
Incurred but not reported	2,681	723	45	3,449
Provision for adverse deviation	1,152	1,381	103	2,636
Unallocated loss adjustment expense	3,267	2,607	207	6,081
Discount and inflation impact	(195)	348	16	169
	6,905	5,059	371	12,335
Total warranty claim liabilities	**13,204**	**11,158**	**903**	**25,265**

($CAD thousands)

13. WARRANTY LIABILITIES (continued)

Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with warranty liabilities. The Corporation is exposed to daily cash requirements from settlement of claims, cash security releases and operating expenses. Liquidity risk is considered low as the majority of its investment portfolio are traded in a highly liquid market and can be readily converted to cash.

Market risk

Market risk is the risk that the fair value or future cash flows of the warranty liabilities will fluctuate because of changes in market prices. This risk is comprised of:

- *Interest rate risk*
  Interest rate risk is the risk that the value of future cash-flows of a financial instrument will fluctuate because of changes in market interest rates. Warranty claims liabilities are discounted to reflect the time value of money over the periods between the reporting date and settlement date based on accepted actuarial practice. The discount rate used is based on market yield of the fixed income portfolio supporting the warranty claims liabilities. The impact of changes in interest rate is set out in the sensitivity analysis in Note 13E.

- *Inflation rate*
  The cost to resolve claims are subject to inflationary pressure. The Corporation used the Construction Price Index as the basis of inflationary index, adjusted by expected economic and housing industry implications based on management's past experiences and expertise. The impact of changes in inflation rate is set out in the sensitivity analysis in Note 13E.

D. Excess of loss reinsurance

During 2019, no claims expenses exceeded the retention of $75,000 layer of the reinsurance coverage, as such, no claims and claims expenses included in the Statement of Comprehensive Results of Operations were decreased on account of the reinsurance arrangements. Such reinsurance arrangements limit the Corporation's liability in the event of large losses in excess of $75,000 (2018: $75,000), up to $45,000 (2018: $55,000) for each enrolment year; the corporation currently has policies in force for enrolment years 2016 to 2019.

E. Sensitivity analysis and maturity profile on warranty claims liabilities

The following table illustrates the assumptions used in developing the adequate warranty claim liability required for the Statement of Financial Position:

	2019	2018
Discount rate	2.6%	2.9%
Inflation rate	5.0%	5.0%
Future claims adjustment costs	23.0%	24.0%

($CAD thousands)

13. WARRANTY LIABILITIES (continued)

Sensitivity analysis on warranty claims liabilities

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact to warranty claims liabilities, comprehensive results of operations, and equity.

	Change in assumption	Impact on warranty liability		Impact on comprehensive results of operations		Impact on equity	
2019		Increase	Decrease	Increase	Decrease	Increase	Decrease
Discount rate	1.0%	(572)	591	572	(591)	572	(591)
Inflation rate	1.0%	411	(404)	(411)	404	(411)	404
Future claims adjustment costs	1.0%	196	(196)	(196)	196	(196)	196
2018							
Discount rate	1.0%	(432)	446	432	(446)	432	(446)
Inflation rate	1.0%	297	(292)	(297)	292	(297)	292
Future claims adjustment costs	1.0%	185	(186)	(185)	186	(185)	186

Maturity profile of warranty claims liabilities

The table below summarizes the maturity profile of the warranty claims liabilities. The maturity profiles are determined based on estimated timing of net cash outflows from the recognized warranty liabilities.

	Due within one year	Due one through five years	Total
2019	18,154	11,602	29,756
2018	17,678	7,587	25,265

F. Sensitivity analysis on deferred home enrolment fees

Shifts in claims patterns affect the earning pattern and how enrolment fees are recognized. The analysis below is performed for reasonably possible movements in the earning pattern with all other assumptions held constant, showing the impact to warranty liabilities, comprehensive results of operations, and equity. Below is the sensitivity analysis of a +/- 2.5% change in the 2019 earning factors for all enrolment years, presented net of reinsurance:

	Change in assumption	Impact on warranty liability		Impact on comprehensive results of operations		Impact on equity	
2019		Accelerated	Decelerated	Accelerated	Decelerated	Accelerated	Decelerated
Earning Pattern	2.5%	(11,769)	11,133	11,769	(11,133)	11,769	(11,133)
2018							
Earning Pattern	2.5%	(10,699)	10,699	10,699	(10,699)	10,699	(10,699)

($CAD thousands)

13. WARRANTY LIABILITIES (continued)

G. Claims history

Claims are classified, managed, analyzed and reserved for based on specific known cases and potential cases and the liability is adjusted for adverse deviation. The following table illustrates the past experience related to the claims before reinsurance that the Corporation has settled; there was nil reinsurance impact in 2019:

	All prior years claims with outstanding liability	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
Estimate of ultimate claims											
All prior years	54,523										
At end of occurrance year		14,599	7,581	8,420	11,256	15,391	18,001	16,102	17,015	19,655	
One year later		15,095	6,534	6,538	9,505	13,448	17,501	15,547	17,530		
Two years later		15,160	6,387	6,411	10,044	13,837	17,369	17,697			
Three years later		13,677	6,026	6,487	10,328	14,055	18,166				
Four years later		11,455	6,485	6,747	10,348	13,843					
Five years later		10,587	6,209	6,762	10,305						
Six years later		9,941	6,459	6,749							
Seven years later		9,409	6,779								
Eight years later		8,977									
Current estimate of ultimate claims reported	54,523	8,977	6,779	6,749	10,305	13,843	18,166	17,697	17,530	19,655	**174,224**
Claims paid											
All prior years	54,254										
At end of occurrance year		3,628	2,267	3,047	3,474	4,776	5,270	3,881	5,953	6,906	
One year later		2,635	1,877	2,333	3,689	5,290	5,703	8,195	6,946		
Two years later		681	905	585	1,832	1,948	2,239	2,695			
Three years later		1,149	485	275	855	443	1,579				
Four years later		508	288	13	132	196					
Five years later		25	228	41	22						
Six years later		12	158	19							
Seven years later		104	103								
Eight years later		8									
Cumulative claims paid	54,254	8,750	6,311	6,313	10,004	12,653	14,791	14,771	12,899	6,906	**147,652**
Current reported provision before discounting	269	227	468	436	301	1,190	3,375	2,926	4,631	12,749	**26,572**
Provision for adverse deviation impact	20	24	79	12	24	141	479	264	669	1,031	**2,743**
Discounting and inflation impact	12	7	30	1	10	43	205	79	48	7	**442**
Present value recognized on the Statement of Financial Position											**29,756**

14. FUNDS HELD AS SECURITY

The Corporation receives security in the form of cash, letters of credit and other guarantees from builders in order to reduce the risk of financial loss related to future warranty claims from homeowners. The funds held as security do not have any fixed contractual maturities and are to be returned to the builders or released only upon satisfactory completion of certain requirements, such as there being no or minimal deposit or financial loss risk and the completion of outstanding warranty obligations under the Act.

Security received in cash is invested as part of the Corporation's investment portfolio. As at December 31, 2019, the funds held as security of $64,762 (2018: $60,710), presented at amortized cost on the Statement of Financial Position as a liability are the potentially refundable security deposits received in cash, including cumulative accrued interest thereon to December 31, 2019 of $2,411 (2018: $1,890).

The fair value of the funds held as security is $59,864 as at December 31, 2019 (2018: $56,079). Letters of credit and other guarantees are available to be drawn upon to settle known claims. Such drawn amounts would reduce the amounts recoverable from builders in the Statement of Financial Position.

During the year, the Corporation incurred interest of $1,143 (2018: $797) on cash security deposits. Interest is calculated based on Prime less 2%, adjusted every sixth months.

15. EMPLOYEE FUTURE BENEFIT PLANS

The Pension Plan for the Employees of Tarion Warranty Corporation was comprised of a defined benefit component and a defined contribution component which were closed to further accruals ("Closed Pension Plan"). The Closed Pension Plan was wound up as at April 30, 2018. The wind-up report was approved by Financial Services Regulatory of Authority on March 8, 2019. All benefits were settled and assets were distributed in June 2019.

The Defined Contribution Pension Plan for Employees of Tarion Warranty Corporation ("New DC Plan") was set up effective May 1, 2018 upon the wind up of the Old Plan. See note 15A.

In addition, the Corporation provides other post-employment benefits ("OPEB"), primarily health and dental coverage, on an unfunded basis.

A. Defined contribution plan

The New DC Plan is open to all full-time employees of the Corporation, subject to meeting certain eligibility conditions. Under the terms of the New DC Plan, employees contribute a percentage of eligible earnings per year. The Corporation makes contributions for each contributing employee in amounts that vary dependent upon the employee's age and the number of years of eligible service.

There also exists a Supplementary Executive Retirement Plan ("SERP") that operates on an unfunded basis for senior management. The purpose of the SERP is to offset the limitation on contributions otherwise payable under the registered pension plan resulting from the application of the maximum contribution limits specified under the Income Tax Act (Canada). The SERP provides only for benefits in excess of those payable under the Registered Plan. See note 15F for the notional contribution and liabilities relating to the SERP.

15. EMPLOYEE FUTURE BENEFIT PLANS (continued)

B. Old Plan and Other post-employment benefits

The defined contribution component of the Old Plan was fully vested and closed to new employees effective April 30, 2018. Plan participants and new hires participate in the New DC Plan as at May 1, 2018. An application to transfer the assets of the defined contribution component of the Old Plan into the New DC Plan was approved by the regulator on January 17, 2019. All assets were transferred to the New DC Plan on March 8, 2019. The assets transfer of $21,746 was completed on March 8, 2019

The Corporation has a December 31 measurement date for financial reporting purposes. The results of the OPEB were based on the extrapolation of a valuation as at December 31, 2017. The next valuation of the OPEB will be performed as at December 31, 2020. A wind-up valuation of the defined benefit component of the Old Pension Plan were based on the actual cost to purchase annuities for all pensioners and members who elected a pension and updated commuted value amounts with interest to June 1, 2019. The defined benefit component of the Old Pension Plan was fully settled in June 2019.

C. Pension plan regulatory framework

The Old Plan was registered with the Financial Services of Ontario (# 0594754) and with the Canada Revenue Agency.

The New DC Plan is registered with the Financial Services Regulatory Authority of Ontario (# 1322577) and with the Canada Revenue Agency. The expected Employer contributions in respect of current accruals to the New DC Plan in 2020 are $1,167 (employee contributions are expected to be $646).

D. Defined Benefit Plan Wind Up

Further to the wind up of the defined benefit component of the Old Plan discussed in Note 2K, an updated wind up valuation was performed effective April 30, 2019. The Corporation funded the remaining deficit of $406 and settled the pension liabilities according to choices made by the defined benefit members. Members who elected to receive lump sum transfers of their benefits received the commuted value of their pension benefits. Immediate and deferred annuities were purchased from an insurance company to settle the pension liabilities for pensioners and any other members who elected an annuity option. The asset transfer to the insurance company and final distribution to all members was completed by June 2019. The windup resulted in a settlement gain of $179 which was recognized in the salaries and benefits line while the net actuarial losses of $103 as a result of the remeasurement was recognized in the Actuarial losses for employee future benefits in the Other Comprehensive Results of Operations.

E. Plan governance

The Human Resources & Compensation Committee and the Investment Committee are responsible for the management and administration of the New DC Plan, which it delegates to various providers. Manulife Financial is the custodian and is responsible for maintaining the assets, receiving contributions and investment income, paying out benefits and expenses as instructed. Morneau Shepell, the actuary and pension consultant, is responsible for providing actuarial, administrative and

($CAD thousands)

15. EMPLOYEE FUTURE BENEFIT PLANS (continued)

consulting services to the plan. Aon Hewitt provides investment consulting services to the New DC Plan. All external providers report to the plan administrator.

F. Significant risks to which the plan exposes the Corporation

The Corporation has adopted a Liability driven investment strategy for the defined benefit component of the Closed Plan to minimize interest rate risk. In addition to the traditional risks (interest rate risk, market risk, credit risk, currency risk, longevity risk, etc.), the plan exposes the Corporation to no other unusual risk. The amounts recognized in the Statement of Financial Position for employee future benefits liabilities at the reporting date are shown in the table below:

		2019			2018	
	DB Plan	OPEB & SERP	Total	DB Plan	OPEB & SERP	Total
Fair value of DB assets	-	-	-	4,318	-	4,318
Present value of the defined benefit obligation	-	(7,460)	(7,460)	(4,734)	(5,979)	(10,713)
Net Defined benefit surplus (obligation)	-	(7,460)	(7,460)	(416)	(5,979)	(6,395)
Impact of asset ceiling	-	-	-	-	-	-
Accrued liability	**-**	**(7,460)**	**(7,460)**	**(416)**	**(5,979)**	**(6,395)**
Employer contributions	406	113	519	213	104	317
Employee contributions	-	-	-	-	-	-
Benefit Payments and transfers to other plans	4,989	113	5,102	176	104	280

($CAD thousands)

15. EMPLOYEE FUTURE BENEFIT PLANS (continued)

The DB Plan benefits were fully settled, and assets were distributed in June 2019. The present value of the SERP obligation as at December 31, 2019 was $1,158 (2018: $979), which is included in the OPEB & SERP amount in the table above. The benefit payments from the SERP paid during the year ended December 31, 2019 were $37 (2018: $31). For the year ended December 31, 2019, the employer contributions to the DC Plan were $1,144 (2018: $1,113), and the employee contributions to the DC Plan were $634 (2018: $584). The net notional employer contributions for the SERP were $79 (2018: $52).

The employee benefits amount for the current and previous years are as follows:

	2019	**2018**
Fair value of DB assets	-	4,318
Accrued Benefit Obligation, DB Plan	-	(4,734)
Deficit DB Plan	-	(416)
Accrued Benefit Obligation, OPEB	(6,302)	(5,000)
Accrued Benefit Obligation, SERP	(1,158)	(979)
Net Employee Benefits Obligation Reported	**(7,460)**	**(6,395)**
Financial/Experience adjustments on employee future benefits liabilities	(1,313)	309
Experience on defined benefit obligation settlement	179	n/a
Financial/Experience adjustments on pension assets	250	(246)

As of December 31, 2019, the current liabilities were $76 (2018: $72) with respect to the OPEB plan and $74 (2018: $31) with respect to the SERP plan.

($CAD thousands)

15. EMPLOYEE FUTURE BENEFIT PLANS (continued)

The movements in the present value of accrued benefit obligation are as follows:

	2019			2018		
	DB Plan	OPEB & SERP	Total	DB Plan	OPEB & SERP	Total
Beginning of year	(4,734)	(5,979)	(10,713)	(4,699)	(5,972)	(10,671)
Current Service Cost	-	(295)	(295)	-	(311)	(311)
Past Service Cost	-	-	-	-	-	-
Interest Costs	(81)	(339)	(420)	(157)	(163)	(320)
Benefit Payments	162	113	275	176	104	280
Actuarial Gain/(Loss) arising from plan experience	-	-	-	(114)	-	(114)
Actuarial Gain/(Loss) arising from changes in demographic assumptions	-	-	-	-	-	-
Actuarial Gain/(Loss) arising from changes in financial assumptions	(353)	(960)	(1,313)	60	363	423
Actuarial Gain/(Loss) arising from settlement	179	n/a	179	n/a	n/a	n/a
Curtailments/Settlements	4,827	-	4,827	-	-	-
Accrued Obligation, end of year	**-**	**(7,460)**	**(7,460)**	**(4,734)**	**(5,979)**	**(10,713)**

The movements in the fair value of plan assets are as follows:

	2019			2018		
	DB Plan	OPEB & SERP	Total	DB Plan	OPEB & SERP	Total
Beginning of year	4,318	-	4,318	4,558	-	4,558
Contributions by Employer	406	113	519	213	104	317
Expected Income on Plan Assets	75	-	75	156	-	156
Actuarial Gains/(Losses)	250	-	250	(246)	-	(246)
Benefits Payments (including Settlement)	(162)	(113)	(275)	(176)	(104)	(280)
Administration Costs*	(60)	-	(60)	(187)	-	(187)
Curtailments/Settlements	(4,827)	-	(4,827)	-	-	-
DB Plan Assets, end of year	**-**	**-**	**-**	**4,318**	**-**	**4,318**

* Paid from plan assets and excluding cost of managing plan assets

($CAD thousands)

15. EMPLOYEE FUTURE BENEFIT PLANS (continued)

The major categories of plan assets at the end of the reporting period for each category are as follows:

	Fair Value of DB Plan Assets	
	2019	**2018**
Canadian equity securities	-	-
International and US equity securities	-	-
Bonds	-	100%
Cash	-	-
	-	**100%**

The expected income on the DB Plan assets net of investment expenses is determined based on the liability discount rate at the beginning of the year (i.e. 3.50% for 2019 and 3.40% for 2018). The actual return on the DB Plan assets net of investment expenses was $325 in 2019 (2018: $90).

The DB Plan benefits were fully settled and all assets were distributed in June 2019.

A discount rate of 3.250% per annum was used for the disclosures at December 31, 2019 for the OPEB. Specifically, the discount rate was determined as the single discount rate that would produce the present value of obligations determined by discounting the plan cash flows using Corporate AA spot rates at December 31, 2019.

($CAD thousands)

15. EMPLOYEE FUTURE BENEFIT PLANS (continued)

The amounts recognized in the Statement of Comprehensive Results of Operations in respect of the employee benefits liabilities are as follows:

	2019			2018		
	DB Plan	OPEB & SERP	Total	DB Plan	OPEB & SERP	Total
Current Service Costs	-	295	295	-	311	311
Administration Costs (non-investment related)	60	n/a	60	187	n/a	187
Past service cost (including curtailment)	-	-	-	-	-	-
Loss (gain) on settlement	(179)	-	(179)	-	-	-
Service Cost	**(119)**	**295**	**176**	**187**	**311**	**498**
Interest Cost on the defined benefit obligation	81	339	420	157	163	320
Expected income on plan assets	(75)	-	(75)	(156)	-	(156)
Interest on the effect of the asset ceiling	-	-	-	-	-	-
Net interest on the net defined benefit liability (asset)	**6**	**339**	**345**	**1**	**163**	**164**
Expense (income) recognized in profit or loss	**(113)**	**634**	**521**	**188**	**474**	**662**
Remeasurements of the net defined benefit liability (asset)						
Actuarial loss (gain) on the defined benefit liability (asset)	353	960	1,313	54	(363)	(309)
Return on plan assets less expected income on plan assets	(250)	-	(250)	246	-	246
Change in the effect of the asset ceiling (excluding interest)	-	-	-	-	-	-
Total amount recognized in Other Comprehensive Income	**103**	**960**	**1,063**	**300**	**(363)**	**(63)**

The net expense for the SERP in 2019 was $215 (2018: $55) included in the OPEB & SERP amounts above. The net expense for the DC Plan in 2019 was $1,144 (2018: $1,113).

Service cost is reported as part of the Corporation's salaries and benefit expense in the Statement of Comprehensive Results of Operations.

($CAD thousands)

15. EMPLOYEE FUTURE BENEFIT PLANS (continued)

G. Significant assumptions

The discount rate was determined with reference to market interest rates of AA corporate bond yields. As per *IAS 19R – Employee Benefits*, the expected income on DB Plan assets net of investment expenses is determined based on the discount rate used for determining the accrued benefit obligation. The principal actuarial assumptions used in determining the pension benefit obligation for the Corporation's plans are as follows:

	2019		2018	
	DB Plan	OPEB	DB Plan	OPEB
Accrued Benefit Obligation as of December 31:				
Discount rate	N/A	3.20%	3.50%	3.90%
Salary Increase	N/A	N/A	2.10%	N/A
General Inflation	N/A	2.10%	2.10%	2.10%
Mortality	N/A	New Canadian Pensioner Mortality Priv Table (CPM2014Priv), with improvement Scale B	New Canadian Pensioner Mortality Priv Table (CPM2014Priv), with improvement Scale B	New Canadian Pensioner Mortality Priv Table (CPM2014Priv), with improvement Scale B
Form of benefit elected	N/A	N/A	Lump-sum payment for all active and deferred vested members	N/A
Benefit Cost for the Period:				
Discount rate	3.50%	3.90%	3.40%	3.60%
Salary Increase	2.10%	N/A	2.15%	N/A
General Inflation	2.10%	2.15%	2.15%	2.15%
Mortality	New Canadian Pensioner Mortality Priv Table (CPM2014Priv), with improvement Scale B	New Canadian Pensioner Mortality Priv Table (CPM2014Priv), with improvement Scale B	New Canadian Pensioner Mortality Priv Table (CPM2014Priv), with improvement Scale B	New Canadian Pensioner Mortality Priv Table (CPM2014Priv), with improvement Scale B

The DB Plan was fully settled and all assets were distributed in June 2019 and a discount rate of 2.8% was used to measure the obligations prior to the settlement.
The assumptions used to determine the settlement liabilities of the DB Plan were disclosed in the Wind-up Valuation Update as at April 30, 2019 and May 29, 2019 report.

	2019 DB Plan	2019 OPEB	2018 DB Plan	2018 OPEB
Assumed Health Care Cost Trend Rates				
Initial health care cost trend rate	N/A	6.00%	N/A	6.00%
Cost trend rate declines to	N/A	4.50%	N/A	4.50%
Year that the rate reaches the rate it is assumed to stay at	N/A	2025	N/A	2025

($CAD thousands)

15. EMPLOYEE FUTURE BENEFIT PLANS (continued)

H. Sensitivity analysis for OPEB

Assumed health and dental care cost trend rates and discount rates have a significant effect on the amounts reported for the health and dental care plans. The following demonstrates the impact of a one-percentage change in these assumptions to the accrued benefit obligation:

		1% Change in Health and Dental Care Trend Rates		1% Change in Discount Rate	
	Valuation Assumptions	Increase	Decrease	Increase	Decrease
Accrued benefit obligation as at December 31, 2019 at 3.20% per annum	6,302	1,870	(1,377)	(1,307)	1,797

		1% Change in Health and Dental Care Trend Rates		1% Change in Discount Rate	
	Valuation Assumptions	Increase	Decrease	Increase	Decrease
Accrued benefit obligation as at December 31, 2018 at 3.90% per annum	5,000	2,325	(1,970)	(1,125)	1,170

16. INVESTMENT INCOME/(LOSS)

	2019	2018
Realized and change in unrealized gains / (losses) of equity portfolio	17,198	(21,317)
Dividends from equity portfolio	16,298	11,331
Realized and change in unrealized gains / (losses) of fixed income portfolio	2,817	(2,057)
Interest income from fixed income portfolio	10,486	9,464
Total investment income/(Loss)	**46,799**	**(2,579)**

17. INTEREST EXPENSE

	Notes	2019	2018
Interest on funds held as security	14	1,143	797
Interest on lease obligations	12	81	11
Total interest expense		**1,224**	**808**

($CAD thousands)

18. CAPITAL MANAGEMENT

The Corporation's capital consists of its equity. Although there is no external regulatory requirements imposed on the Corporation's capital, management has adopted a capital management framework modeled after the framework used in the property and casualty insurance industry in Canada and modified to reflect the Corporation's circumstances including its inability to raise capital in traditional ways. This framework incorporates the business requirements for sufficient capital throughout the variations of the new home building cycle, including possible losses from a future catastrophic event. It also reflects the relatively high-risk profile of the Corporation's warranty operations, including the high level of measurement uncertainty inherent in its warranty liabilities due to the long warranty period of up to seven years and to other factors explained in Note 13. As part of the Corporation's capital management framework, reinsurance arrangement was put in place since 2016; the excess loss limits from the reinsurance arrangement were established after a review of large historic claim losses of other jurisdictions.

In applying the framework, the total equity of the Corporation as at December 31, 2019 and 2018 has been determined by management to be sufficient to cover possible losses from plausible future event as supported by the annual dynamic capital adequacy testing performed by the Corporation's appointed actuary during the year.

19. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Corporation provides a broad range of services to homeowners and builders based on its mandate to administer the Act. Accordingly, the Corporation may enter into transactions with builders related with the Corporation's Board of Directors through a relationship of principal, director, officer and/or guarantor.

As at December 31, 2019, there are no collection and litigation account receivables and cash securities recognized due from related parties (2018: Nil). Letters of credit and other guarantees lodged by related parties are recognized in the Financial Statements only to the extent they are expected to be drawn upon to settle known claims. Transactions between related parties are made at normal market prices.

The Corporation pays an oversight fee to the Government of Ontario for each calendar year. Prior to February 2019, the fee was calculated based on the estimated number of enrolments by home purchasers in the Act during the fiscal year of the Government of Ontario (April 1 to March 31) at five dollars per enrolment. Post February 2019, the fee payable is set by the Government of Ontario based on its cost recoverability. In 2019, the Corporation incurred a fee of $378 (2018: $266).

Key management personnel compensation

The key leadership personnel of the Corporation are members of the board of directors and the corporate management leadership team. Compensation for these leadership personnel includes the following expenses:

	2019	2018
Short-term employee benefits	2,790	3,211
Board of directors fees	460	535
Post-employment benefits	1,600	345
Termination benefits	575	-
Compensation for key leadership personnel	**5,425**	**4,091**