



Annual Report 2022

Supporting Your **New Home Warranty**

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Introduction

Overview of the Organization

As an independent and not-for-profit organization, Tarion provides Ontario's new home buyers and owners with peace of mind that their purchase is safeguarded through the province's new home warranty and protection program. Tarion advances consumer protection by providing free tools, guides and resources to help homeowners understand their builder's warranty and navigate warranty claims with confidence.

If a builder fails to meet their warranty commitments, Tarion offers guidance to help homeowners receive the coverage they're entitled to and, when necessary, steps in to help resolve warranty claims with financial compensation.



New Visual Identity

As part of Tarion's evolution as a modern administrative authority, we have introduced a new visual identity that more clearly reflects our consumer-focused mission and the role we play in Ontario's new home industry. Our new logo design represents the diversity of new housing types in development today, including detached houses, townhomes and high-rise condos. The visual identity was developed and validated with input from consumer and other stakeholder groups. This change is just one of many that we've made in recent years to help make Ontario's new home warranty program the best in Canada. The new visual identity also sets the stage for more consumer education initiatives that will help Ontario new home buyers understand their warranty protection and the support that Tarion can provide. The roll-out of this new visual identity has been timed to support the new regulatory landscape and the launch of the New Home Construction Regulatory Authority in 2021.

Tarion's Mandate

Tarion's mandate is set by the government and is described in the *Ontario New Home Warranties Plan Act (ONHWP Act)* and the Administrative Agreement entered into with the Minister of Public and Business Service Delivery. Our mandate includes:

- ✓ Assisting in the resolution of disputes between vendors and homeowners;
- ✓ Promoting the resolution of claims as soon as is reasonably possible;
- ✓ Resolving issues directly with homeowners when the builder is unable or unwilling to do so;
- ✓ Managing a Guarantee Fund to provide homeowners with compensation when necessary;
- ✓ Requiring new home builders and vendors to enroll every new home in the warranty program;
- ✓ Improving communications between builders, vendors and owners of new homes;
- ✓ Promoting the construction of properly built homes;
- ✓ Maintaining a fair, safe and informed new home marketplace; and
- ✓ Promoting the protection of the public interest, particularly consumers.



Our Vision

All new home buyers in Ontario have peace of mind that they are getting the home they were promised.

Our Mission

To give Ontario home buyers consumer protection and confidence that their new homes are properly built. We do this through fair issues resolution, education and outreach. We want homeowners to receive excellent customer service and the best new home warranty program in Canada.

Our Values

Tarion's core values are the foundation upon which we are able to deliver on our mandate and achieve our mission and vision. Our core values are more than our culture and the behaviours we value – they define who we are.

Service Oriented

We are all committed to upholding consumer protection in the actions and decisions we make every day. Our strong commitment to health and safety is a cornerstone of our ability to protect consumers and each other.

Continuously Improving

We nurture a learning culture in which we constantly seek personal and professional growth and embrace new ideas to improve our processes.

Solution Seeking

We strive for positive results in all that we do and focus on finding resolutions to the issues we encounter.



Inclusive

We foster an inclusive culture and believe a diverse workforce allows Tarion to better represent the people and communities we serve.

Caring

We are committed to fostering an encouraging and supportive environment in which colleagues care about each other as individuals, and we regularly demonstrate to our stakeholders that we care about their concerns. We are community oriented and care about being responsible corporate citizens.

Trustworthy

We share our knowledge and experience to empower new homeowners to navigate the new home ownership journey. We operate in an ethical, reliable and proficient manner, which builds trust in our guidance as experts in our field. We are professional, responsive and timely in our interactions with our stakeholders.

The Ontario New Home Warranties and Protection Plan

Ontario's comprehensive warranty program is called the Ontario New Home Warranties and Protection Plan (the Plan). As part of the *ONHWP Act*, the Plan ensures that all consumers automatically receive statutory home warranty protection as soon as they purchase a home. Homeowners can be further reassured knowing that the Plan is administered by Tarion, a not-for-profit organization that operates independently from builders.

Under the Plan, Ontario builders must provide new home buyers and new home owners with protections before and after they take possession of their new home. The Plan covers defects in work and materials, water penetration and major structural defects. It also provides deposit protection and compensation for delayed closing occupancy.

A new home is a newly constructed home – not previously occupied – where all of the work and materials for the construction of the home have been supplied by the builder. The Plan does not cover renovations to previously constructed components of the home, seasonal homes, rental or other types of residential homes for temporary periods or homes that do not have permanent foundations.

The minimum statutory warranty coverage for all new home purchases includes:

Before Possession:



- Deposit protection of up to \$60,000 on homes with a purchase price of \$600,000 or less, and up to \$100,000 on homes over \$600,000 (for agreements of purchase signed on or after January 1, 2018);
- Deposit coverage of up to \$20,000 for condominium units (condominium deposits are also protected by the trust provisions of the *Condominium Act*);
- Coverage for delayed closing/occupancy of up to \$7,500; and
- Financial loss for contract homes for up to \$40,000. Contract homes are those where the land is owned by the consumer and only the construction of the building is provided by the vendor.

One-Year Warranty:



- Defects in work and materials;
- Unauthorized substitution of materials;
- Fitness for habitation; and
- Ontario Building Code violations.

Two-Year Warranty:



- Ontario Building Code health and safety violations;
- Water penetration through the basement or foundation;
- Defects in work or materials that result in water penetration into the building envelope;
- Defects in the electrical, plumbing or heating systems; and
- Defects in the exterior cladding.

Seven-Year Warranty:



- Major defects in the structural load-bearing elements of the building;
- Defects that materially and adversely affect the use of a significant portion of the home; and
- Environmentally harmful substances or hazards which render the home unfit for habitation.

Condominium Common Element Coverage:



- Condominiums also have separate coverage for the common elements of the building. This coverage has one-, two- and seven-year categories like those described above.
- The common elements of a condominium are shared areas such as garages, lobbies, fitness facilities or party rooms.

What Are the Roles of Builders, Homeowners and Tarion under the Warranty?



The Builder's Role

- Ensure that a home is built in accordance with Ontario's Building Code, is fit for habitation, and is free from defects in work and materials and major structural defects;
- Provide the homeowner with information about their warranty coverage at the time of purchase;
- Conduct a pre-delivery inspection (PDI) with the homeowner on or before the closing date and explain how the home's various systems work;
- Provide the homeowner with a warranty certificate upon their home's completion which indicates when the new home warranty takes effect;
- Be reasonably accessible to the homeowner to address customer service issues, including investigating issues with the home to determine if they are covered by the warranty; and
- Resolve valid warranty requests in a timely manner by performing repairs or offering an acceptable alternative resolution.



The Homeowner's Role

- Understand their home's warranty coverage and the process for making warranty service requests and claims;
- Participate in the pre-delivery inspection (PDI) by identifying incomplete, damaged or missing items and learning how to operate the home's systems;
- Properly maintain the home;
- Bring any warranty service requests to the builder's attention in writing as soon as possible;
- Provide the builder with reasonable access to the home to investigate and address warranty service requests; and
- If warranty assistance is needed from Tarion, submit the claim to Tarion within the appropriate timelines and with sufficient detail.



Tarion's Role

- Be an independent authority assisting in the fair resolution of disputes between homeowners and builders over warranty coverage, repairs or customer service;
- Assess warranty claims to determine if they are valid, either through an on-site inspection or an alternative method of investigation;
- In cases where a builder fails to address a valid warranty claim, resolve the claim directly with the homeowner;
- Manage a Guarantee Fund that provides compensation to the homeowner for warranty claims;
- Educate new homeowners and builders about the warranty process; and
- Work proactively, through targeted inspections and the monitoring of customer service performance, to encourage improved building quality and customer service in the province.

Message from the Chair

Tarion has steadily advanced its transformation under the *Ontario New Home Warranties Plan Act* and the Administration Agreement (AA) made between Tarion and the Minister of Public and Business Service Delivery setting out the outline of our new mandate.

As an Administrative Authority we have redefined our customer service standards and a warranty protection plan dealing with repair needs of new home buyers who purchase their homes from builders licensed in Ontario.

This past year the organization faced a variety of compounding circumstances that affected our operations, including, labour shortages, strikes, and supply chain issues affecting the building industry, implementing a hybrid work environment, staff retention and competition for talent in the job market, significantly elevated market risks driven by unforeseen geopolitical crises, rising interest rates with an inverted yield curve and inflationary pressure not seen in recent memory. All these factors converged within a short time period, but did not preclude us from delivering on our business plan and progressing on our undertakings to implement recommendations from the Auditor General of Ontario and the Standing Committee on Public Accounts.

Concurrently, we rolled-out what we call 'Tarion 2.0' implementing our new vision, mission, values, visual identity and a three-year strategic plan. This strategy plan is built on concrete steps taken in the preceding three years by our highly experienced management team and staff that is committed to operating and strengthening Ontario's New Home Warranties and Protection Plan (the 'Warranty Plan') that is the best in the country.

Tarion's aspirations continue to be focussed on building confidence and trust in homeownership and the new homebuilding industry. Within the boundaries of the Warranty Plan structure, it is important to recognize that the entire home building and buying cycle involves many stakeholders, such as, new home buyers, municipalities, engineers, architects, inspectors, material suppliers, builders and others – each one must demonstrate satisfactory performance and is critical to delivering a home promised by an Ontario builder. At the end of

the home buying cycle Tarion stands behind the builder's original warranty on materials and work, providing peace of mind in the event a licensed Ontario builder fails to meet its responsibilities under the Warranty Plan. This necessitates greater accountability from builders, municipalities and all those stakeholders in the building supply chain that are responsible for fulfilling their roles and responsibilities.

Tarion's accountabilities are an integral part of our three-year Business Plan that was approved by the Board this year. The Business Plan is dynamic and resilient in dealing with the present environment and has been stress-tested for risk conditions covering next three years: including Ontario's diversity, immigration patterns, mortgage lending rules, demographic shifts that lean towards an aging population as well as future buyers, rise in home construction activity outside of the GTA-region, and emerging issues that we anticipate over the course of our projection period. Management has invested significant time and energy working on this new Business Plan since 2021, and we are confident that we have the necessary blueprint and the tools for its execution.

In practical terms Tarion has designed and is administering the best Warranty Plan while delivering innovative customer service that homeowners need and expect. This is proven by our investment in new technologies, training, policy framework, ongoing monitoring and focus on complaint resolution – all leading towards becoming a modern administrative authority that is smart, meets the needs of a homeowner today and tomorrow, and has a culture that is solution-oriented and dedicated to continuous improvements and learnings.

Our endeavours have empowered homeowners with more flexibility in the new home warranty process and provide full benefits of an expanded warranty coverage, particularly for expensive repair items.

Tarion 2.0

We began implementation of changes needed to make 'Tarion 2.0' a reality. This will take us farther as new technologies emerge, such as deployment of artificial intelligence at Tarion, and skills that are concurrently developed. In this new reality our visual identity encapsulates our key theme – “Supporting Your New Home Warranty” and a new user friendly website launched recently in 2023 that is focussed on showcasing Tarion’s operations, performance and achievements in a transparent manner, and bring the descriptor and core mission to life.

Our board and management teams are regularly balancing Tarion’s business to succeed in a changing world with the need to manage short-term pressures and challenges, as noted earlier. As part of the organization’s renewal under 'Tarion 2.0', there is also an enhanced focus on homeowners’ literacy and more resources have been allocated in the coming years, including multi-lingual brochures and call centre assistance, to help homeowners and newcomers to Canada have access to Tarion and understand their rights and responsibilities under the Warranty Plan.

As we look forward, Tarion has noted the current housing supply issues. We are committed to helping the government address the housing supply crisis and working to get more quality homes built to meet Ontario’s housing needs.

Customer Service Standard

The Customer Service Standard (CSS) is the key process for how warranty claims are handled and how homeowners can seek assistance from Tarion. In this spirit of continuous improvement of our operations, we undertook consultations throughout the Province with our stakeholders, including new homeowners, builders, vendors and others. Frequently we sought advice from our Consumer Advisory Council and Industry Advisory Council, for example, to allow flexibility for homeowners in reporting timelines

and repair period obligations for builders. Thanks to all those who participated in helping develop the new CSS to date and keep an eye out for further updates in 2023.

Warranty enhancements

During this year, Tarion also held consultations on two key improvements to the warranty coverage. The first planned change is to increase the overall maximum warranty limit for freehold homes from \$300,000 to \$400,000 to better reflect the cost of new home construction in Ontario. This new limit will help future homeowners receive more overall coverage and make Ontario’s coverage for freehold homes the highest available in Canada. The second change is to implement a new Temporary Relocation Warranty for cases where Tarion assesses a home to be uninhabitable due to health and safety issues. This enhancement is to help homeowners cover certain costs associated with temporary accommodations. These new warranty enhancements will be in effect on July 1, 2023 for agreements of purchase and sale entered into on or after that date.

Governance and Oversight

A critical role of Tarion’s Board is to ensure the organization has the necessary guidance and resources to operate at all times, regardless of the environment, and to properly manage any economic issues that could pose a risk to consumers. This is a perpetual effort and during the year we further fine-tuned our board policies, risk management practices and updated the internal controls in order to satisfy ourselves that Tarion has a robust foundation.

Our governance structure provides us with a direct line of sight through our standing committees, the industry and consumer advisory councils, the New Home Ombuds office and a board and meeting schedule that meets the corporate needs of Tarion, ably managed by our Corporate Secretary. We actively manage our Guarantee Fund with necessary discipline and risk mitigation strategies to preserve this safety net for approximately 400,000 Ontario homes and condominiums in case of a catastrophic event. This fund is overseen by the Board’s Investment Committee in accordance with Tarion’s investment policy under the guidance of seven prominent professional asset management firms. The adequacy of the fund is subject to an annual evaluation by our independent actuary.

In charting Tarion's future, the Board has been attentive in striking the right balance between driving current operating performance and Tarion's evolving business in future. This is visible in our organization's digital strategy, a dynamic monitoring and reporting regime that includes periodic performance assessment throughout the year. Tarion has consolidated many software packages and simplified our digital framework, thereby bringing greater efficiency and deliver vastly improved customer-service capabilities for both consumers and builders.

Another important governance item on our governance agenda is the implementation of the accounting standard, known as IFRS-17 Insurance Contracts. IFRS-17 issued by the International Accounting Standards Board and adopted by the Chartered Professional Accountants of Canada will provide better measurement and disclosure of our financial results for all users of our financial statements, and will be in line with other organizations in Canada and internationally that have an insurance element in their business. Therefore, Tarion has this important project underway with the necessary budget allocation, as well as a dedicated team of experts in place that has conducted a comprehensive analysis and is leading completion of this extremely intricate work in time for the Fiscal 2023 reporting timeline.

GTA Employer Award

The Board is delighted to share the announcement in 2022 that Tarion was named as one of Greater Toronto's Top Employers for 2023. The award made note of several workplace innovations, including its retirement planning assistance, a defined contribution pension plan, wellness subsidies, and a home-office allowance as part of its hybrid work program. All of these programs speak to Tarion's workplace culture of respect and support that the Board has cultivated over the years.

In closing, I would like to say that Tarion's Board actively debates on all key issues affecting Tarion. We are ready to adapt to longer-term threats and trends, and navigate in an increasingly challenging time for the organization's success in this complex environment. We are forward-looking, centred on modernizing our operations with a bias for execution, reducing burden for those we regulate, while maintaining the Warranty Plan and responding to the changing needs of our stakeholders.

For me, it has been an honour to serve as Tarion's Chair for the past three years and nine years in total as a director – it has been a time of incredible change and reorganization. I am proud to have had the pleasure of leading an organization that has fully embraced its role in providing the best possible consumer protection and an improved customer service for new home owners as corroborated by our homeowner surveys. Our employees are the real asset and their dedication is evident in their day-to-day work and their personal philanthropic commitments.

I would like to thank all our stakeholders, the leadership at the Ministry of Public and Business Service Delivery and finally, the Board members for their solid support of my leadership over the years. And, on behalf of the Board, I would like to thank management and staff for their hard work, innovation and dedication in delivering protections for consumers in 2022. I am confident that Tarion is destined for even greater accomplishments in the years ahead.

Sincerely,



Hari Panday,
FCPA, FCGA, ICD.D, NACD.DC
Chair of the Board

Message from the CEO and Registrar

This past year was one of significant accomplishments by our team at Tarion. Even as we continued to manage the impact of the pandemic on our operations, we delivered many key innovations that improve consumer protection and allow us to play an important role in helping the Ontario government deliver on its housing plan.

With the passage of Bill 23, the *More Homes Built Faster Act, 2022*, the Province has set the stage for the construction of 1.5 million new homes by 2031. These homes will come with the comprehensive warranty that we administer, and I am pleased to say that this warranty is well-positioned to protect these new home buyers. Tarion is a critical backstop for the housing industry, and we will work with all stakeholders to help Ontario consumers have peace of mind that their homes are backed by a best-in-class builders' warranty.

In 2022, Tarion also continued its focus on service delivery improvements, and two areas stand out for me. First, we made great progress in addressing service backlogs that flowed from pandemic restrictions. A few issues remain and we expect to resolve them in 2023. And second, our digital strategy has produced huge improvements in our operations – especially our digital portals for homeowners and builders – allowing us to deliver faster, more efficient and better service. We look forward to building upon this strategy in 2023 to bring even greater service improvements to our customers.

Our investments in customer service have not gone unnoticed. Each year we retain an independent survey of thousands of new home buyers to determine their level of satisfaction with Tarion. In 2022, we scored 85.5 per cent on homeowner satisfaction, which was the highest in the last 11 years of survey results. This positive trend tells us we are on the right track. And it reflects well on the positive efforts of all of our staff who are committed to making Ontario a better place to live.

As a final note, I would like to thank the Board of Directors, the Executive Team and all Tarion employees for their hard work, innovation and dedication in 2022. I want to thank Hari Panday in particular for his leadership as Board Chair over the past three years.

Sincerely,

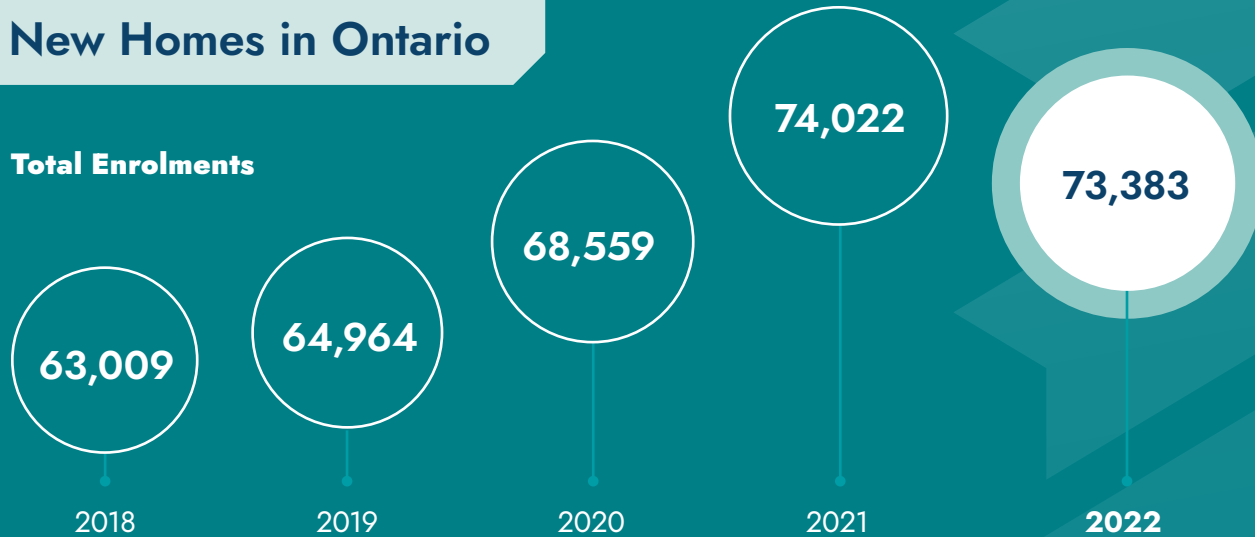


Peter Balasubramanian
President & CEO

By the Numbers

New Homes in Ontario

Total Enrolments



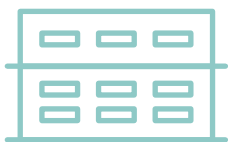
Condo Enrolments

2022	41,732
2021	33,118
2020	34,645
2019	32,827
2018	33,429



High-Rise Condo Enrolments

2022	36,636
2021	28,702
2020	31,976
2019	30,755
2018	31,169



Low-Rise Condo Enrolments

2022	5,096
2021	4,416
2020	2,669
2019	2,072
2018	2,260



Freehold Enrolments

2022	31,651
2021	40,904
2020	33,914
2019	32,137
2018	29,580



New Home Possessions* (restated)

2022	53,704
2021	57,405
2020	58,299
2019	52,234
2018	56,357

* The numbers are based on the year of possession and restated every year.

Strategic Objectives

To align our priorities and activities toward achieving our vision, Tarion developed four strategic objectives. Each objective is described below and includes major activities that were undertaken in 2022 in support of these objectives. Our performance against specific targets related to these objectives is reported in the Performance Measurement section on [page 30](#).

STRATEGIC OBJECTIVE 1

Enhancing Consumer Outcomes

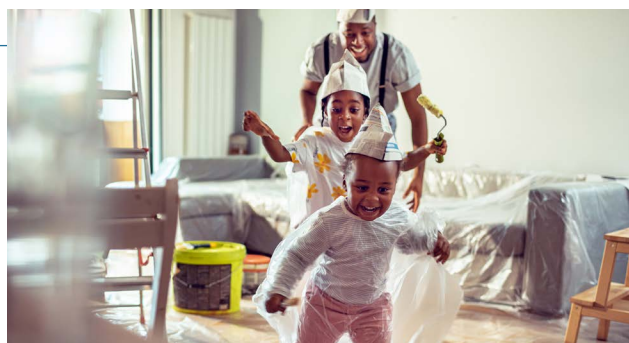
Enhancing consumer outcomes is a collective goal of all stakeholders involved in the new home ownership process, including builders who want to provide their homeowners with a great home and after-sales service. Enhancing consumer outcomes is critical to achieving our vision. For Tarion, this involves making fair and consistent decisions and being transparent about these decisions so that the outcomes are easily understood. It also involves ensuring the statutory warranty remains relevant to the needs of the Ontario market and that our stakeholders are informed about their rights, responsibilities and the scope of consumer protection that is available.

Activities in 2022 that supported this objective include:

2022 Annual Public Meeting

With the easing of public health restrictions, Tarion was able to hold a hybrid Annual Public Meeting in 2022 which allowed attendees to participate in person or online. More than 384 people registered to attend online and 82 registered to attend in person.

The meeting featured presentations by Tarion's Chair of the Board, CEO and Chief Financial Officer. Following the presentations, the full panel — including the VP of Underwriting and the VP of Warranty Services — participated in a Q&A with both online and in-person attendees. Following the formal part



of the meeting, Tarion staff were on hand to answer more file-specific questions from attendees. A recording of the Annual Public Meeting along with a Q&A were posted online after the meeting for those that were not able to attend.

Evenings of Conversation

As part of Tarion's direct outreach to homeowners, Tarion's Stakeholder Relations team continued a series of virtual information sessions for homeowners in their first year of ownership to educate them about their statutory warranty, their role in the process and home maintenance tips. These webinars, led by Tarion's CEO, were developed with input from Tarion's Consumer and Industry Advisory Councils. Homeowners were invited to a session that focused on either freehold or condominium unit ownership. The condo sessions were delivered in partnership with the Condominium Authority of Ontario (CAO). All began with a short presentation by Tarion's CEO followed by a Q&A with homeowners. Along with providing information to new homeowners, these sessions allowed Tarion to hear directly from homeowners about any concerns or questions they had about their warranty. In 2022, 7,622 homeowners were invited to participate in these sessions.

Consumer Shows

In 2022, Tarion returned to in-person home and trade shows, attending six events. Our trade show booths provided us with an opportunity to chat informally with purchasers and homeowners, home inspectors, realtors, industry stakeholders and others about Tarion and the statutory new home warranty.

Outreach to Purchasers

Under a new requirement put in place in 2021, new home builders must share the contact information for their purchasers with Tarion shortly after the purchase agreement is signed. Tarion uses this information to help purchasers gain awareness and understanding of their warranty protections prior to them taking possession of their home.

In 2022, Tarion sent out over 31,000 emails and letters to new home purchasers with an introduction to our organization, important warranty information and links to resources. The welcome email had an open rate of 84 per cent and prompted recipients to connect to additional educational content, including Tarion's Your Home Matters e-newsletter and the homeowner Learning Hub on [Tarion.com](https://www.tarion.com).

Consultations

Tarion conducted a series of consultations in 2022 on proposed changes to the Customer Service Standard, an increase to the warranty compensation limit and the creation of a new temporary relocation warranty. The consultations included written submissions from stakeholders as well as virtual roundtable discussions with homeowners, builders and other stakeholders.

The resulting activities from these consultations are discussed in the Auditor General Progress Report on [page 18](#).

STRATEGIC OBJECTIVE 2

Being a Trusted Resource

Being a trusted resource to all stakeholders involved in new home ownership is vital to Tarion's success. The Ministry of Public and Business Service Delivery and our stakeholders – especially homeowners and builders – must have confidence that Tarion is fulfilling its mandate, including working in a targeted way to help improve the new home construction industry. Tarion must also demonstrate financial soundness and comply with relevant financial standards, be transparent and protect privacy. Tarion is also committed to working in partnership with our partners to achieve its vision and mission.



Tarion's independent governance structure and its not-profit status are key foundational elements to its trusted position as Delegated Authority. Tarion's Board of Directors is made up of a non-industry two-thirds majority. As a not-profit organization, surplus funds remain in the Guarantee Fund for the benefit of Ontario consumers and are not paid out to shareholders. Finally, as an independent authority, Tarion's mandate is to serve the public – we do not have one specific stakeholder as a client. These structural elements set Tarion apart from typical insurance providers and help build confidence in the role it plays as a fair referee in warranty disputes.

Other activities in 2022 that supported this objective include:

Risk-Based Inspection Program

Tarion's Risk-Based Inspection (RBI) program consists of onsite inspections conducted by Tarion at key stages during new home construction. It applies to all low-rise builders.

The program was originally launched as a pilot project in 2020. It is now a permanent program with four full-time staff.

The goal of the program is to work with builders to identify root causes of deficiencies and encourage the improvement of construction practices to reduce the risk of future problems. These inspections do not replace municipal inspections required under the Ontario Building Code.

There are two types of inspections conducted under the program:

✔ Site and Practices Inspections

These are proactive, routine inspections on a representative sample of units under construction. They are intended to educate builders and to identify emerging trends and construction methods used by a builder that may lead to future warranty claims. While site and practices inspections apply to all builders, priority is given to new builders, builders with an unsatisfactory compliance record, and builders who demonstrate one or more of Tarion's risk factors.

✔ Targeted Construction Inspections (TCI)

These inspections are reactive and more focused. They may be used when a serious issue (for example, structural or health and safety) is identified during the site and practices inspection or when a potential issue is reported to Tarion. A TCI may also be scheduled when a builder agrees to mitigate an identified risk or when Tarion deems an inspection is appropriate.

In 2022, Tarion inspectors met with approximately 45 to 50 builders per month, for a total of 557 inspections: (516 site and practices inspections and 41 targeted construction inspections).

IFRS 17 Accounting Standard

Tarion follows the International Financial Reporting Standards (IFRS) for the accounting and reporting of its financial statements. A new insurance accounting standard — IFRS 17 — has been issued by the International Accounting Standards Board (IASB) to be effective January 1, 2023. This new accounting standard significantly changes how insurance contracts are measured and reported and will affect the recognition of enrolment fees and expenses associated with the insurance contracts. The added complexity will require new data and system updates or new systems to support the calculations and measurement of insurance contracts.

Tarion is in the last stages of execution of this new standard and anticipates it will be fully implemented in 2023. When the project is completed, Tarion's financial statements will meet the applicable international standards for transparency.

Cybersecurity Enhancements

Tarion continued to enhance its cybersecurity capabilities in an ever-evolving digital world. A dedicated security team was created in 2022 to manage all aspects of the cybersecurity Zero Trust Model, including staff education, perimeter protection and device management, end-point protection, network access control and segmentation, and mobile device management.

A key focus of this new team is the education and training of employees with mandatory training activities each month. Phishing simulations are conducted regularly to ensure that employees are prepared for real-world scenarios, and the results are analyzed to identify areas for improvement in training. Management also participated in tabletop breach simulations to test and refine the security event response plan.

Tarion also subscribes to a third-party rating service that provides a data-driven measurement of an organization's cybersecurity performance. The rating provides a benchmark in 20 major risk categories and identifies areas of concern with real-time notifications of changes or exposures in the security posture.

STRATEGIC OBJECTIVE 3

Empowering Our Stakeholders

Tarion is committed to empowering our stakeholders by making it simpler to work with us and by providing accessible self-serve options, education and easy-to-use tools. We believe that by making sure we are easy to do business with and providing the ability for our stakeholders to communicate and access information using well-designed digital channels, we will enhance the quality of their experience.

Activities in 2022 that supported this objective include:

MyHome

MyHome is the digital portal that is used by 97 per cent of new homeowners to communicate with Tarion and their builder about their warranty claims. In 2021, MyHome was migrated to the new Salesforce platform, and this allowed Tarion to make several upgrades to the portal in 2022, making it easier for homeowners and Tarion to manage warranty matters. Some improvements include:

- A new design and interface that makes MyHome easier to navigate; there is no longer a need for homeowners to download a separate app for mobile use.
- A streamlined MyHome registration process with a single-page registration;
- Simplifying forms and the submission process: it is easier for a homeowner to understand which form they should be working on, and easier for a homeowner to list their year-end items starting right after the 30-day submission is complete (the system completes the submission at year end);
- Automatic merging of forms of the same type that are received through different channels, reducing wait times for a homeowner to see an updated form on MyHome;



- Providing Tarion employees with a single view of the deficiencies submitted and items in progress/not submitted; and
- The creation of the MyHome Registration Widget on the enrolment page, allowing staff to readily identify the MyHome user and access related records.

BuilderLink

BuilderLink is the digital portal used by 86 per cent of builders to enrol new homes with Tarion and to connect with MyHome. In 2022, Tarion enhanced BuilderLink's functionality with new features that automated key builder processes, extended reporting and analytics capabilities, and provided builders with greater self-service capability. Improvements include the following:

- BuilderLink now recognizes which agreement the vendors/builders need to sign based on their current designation;
- Builders can preview documents without having to download them;
- Search capabilities within BuilderLink have been enhanced and users can export the information; and
- Builders can now see confirmation of a conciliation inspection at a glance.

Enrolment Enhancements

Tarion introduced enhancements to the new home enrolment process that make it quicker and more seamless for vendors, builders and Tarion. These measures help streamline our process by focusing both Tarion and vendor/builder resources where they are needed most, while maintaining oversight and protecting consumer confidence in the new home building sector.

One of the most significant changes was permitting vendor/builders to submit a Qualification for Enrolment (QFE) application to Tarion while their license application with the HCRA is pending approval. Tarion's staff sets up the vendor/builder with a temporary status which allows Tarion to proceed with reviewing and underwriting the application up to the point at which a Notice of Proposal with conditions could be issued. Once the vendor/builder receives their HCRA licence, their application can be approved. From the initiation of this new process in October 2022, Tarion has set up 153 vendor/builders with temporary status. On average this new process has saved vendor/builders 31 days of processing time in order to obtain the QFE confirmation that they need to go to market or begin construction.

Additional enhancements to our processes have included:

- Allowing vendors/builders to update their own information via BuilderLink; and
- The introduction of a new Deposit Electronic Funds Transfer (EFT) Agreement Request in BuilderLink. Vendors and builders are now able to receive EFT refunds for enrolment and security-related fees owed to them in a more timely and efficient manner.

Website Project

In 2022, Tarion began the task of revamping its website to provide a better user experience and to make it easier for our stakeholders to get the information that they need. Updating this key communication tool involved a thorough process that included an audit to better understand our users and their goals; a redesign of the site to better organize content and improve navigation; user testing; and content migration. A tactical project team consulted with a wide range of internal and external stakeholders at key checkpoints of the project to provide direction and to approve updates to the website.

Official launch of the new website is planned for March 2023.

STRATEGIC OBJECTIVE 4

Supporting Our People and Culture

Supporting Tarion's staff and a culture empowering them to administer the program will drive consumer protection forward. Tarion is committed to providing development opportunities to staff to create an experienced and enabled workforce, and to fostering an innovative and inclusive culture that represents the ever-changing and diverse needs of new home buyers in Ontario.

Activities in 2022 that supported this objective include:

COVID-19 Measures

Even as public health restrictions eased in 2022, COVID-19 continued to have an impact on Tarion's operations. Throughout the year, we consistently followed public health guidance to reduce the spread of COVID-19 and other respiratory illnesses.



Tarion employees based in the corporate office were able to return to a hybrid work environment in which they were in the office two days a week and working remotely for three days. Respecting Toronto Public Health Guidelines, Tarion asked these employees to answer screening questions before entering the corporate office, a requirement that was removed early in the fall in line with public health guidance.

Employees were also asked to stay home if they were ill, and Tarion provided guidance to all employees about self-isolation during periods of illness, contact tracing and preventing the spread of the virus.

Other COVID-19 measures in 2022 included:

- Requiring employees to wear a mask when in the office or at conciliations/inspections. Tarion followed Toronto Public Health's lead on this measure and modified it over the year, eventually making mask-wearing optional;
- Restricting the number of people to be present at conciliations/inspections. This measure was also modified and cancelled later in the year;
- Providing masks for all employees and reimbursing inspections employees for purchasing masks;
- Providing other protective equipment for inspection staff, such as gloves, wipes and sanitizer; and
- Regular cleaning of touchpoints at the corporate office and monthly deep electrostatic cleaning.

Evolve Project

The Evolve project — the introduction of the new customer relationship management platform — was fully rolled out in 2022 after its initial launch in late 2021. The software manages about 90 per cent of Tarion's daily warranty management functions. Employees in warranty services used the new platform for the first six to nine months before they were asked for feedback on how the new system works. Their response has generated improvements that will be addressed in 2023.

The new platform provides many enhancements that allow employees to provide better and more efficient service through automation. These include:

- New dashboards that show various warranty activities and information at a glance;
- Automatically generated reports that advise warranty inspectors of a cancellation of a service appointment;
- Automatic updates of work order line items (WOLIs) on new work orders. This ensures that employees can be confident that the line item they imported into a new work order has the most up-to-date status, thus reducing confusion, ensuring consistency, and saving considerable time and effort; and
- The ability for more warranty employees (and not just the Warranty Services Manager) to provide mass updates on WOLIs after a report is issued on a work order, eliminating a significant bottleneck to other employees.

Introduction of Tarion's New Vision, Mission and Values

During 2022, Tarion introduced to all employees a new vision, mission and values. The vision and mission establish a clear, unified purpose for employees' work across all areas of our business. Our values set a foundation for the culture and behaviours that allow us to deliver on the mission and vision for our stakeholders.

Tarion introduced the new statements at a townhall led by the CEO and CAO, followed by training sessions on how they will guide Tarion going forward. All employees were invited to participate in a series of discussions about how we could better bring our vision, mission and values to life in our workplace. Hundreds of ideas were generated, and we are in the process of prioritizing and implementing the suggested improvements.

Tarion also launched the We Are Tarion Award to recognize employees who consistently demonstrate the values in action, and we shared the details of all stories that employees submitted about their colleagues living our values and demonstrating their commitment to the vision and mission.

Auditor General's Report and Other Consumer Protection Initiatives

Increase to the Warranty Compensation Limit

In February 2021, the Standing Committee on Public Accounts reviewed the Auditor General's report on Tarion and made the following recommendation: *"Tarion Warranty Corporation [should] increase the maximum limit of \$300,000 paid to homeowners when builders do not honor their warranty, to better reflect the costs of home construction in Ontario."*

Following a policy consultation at the beginning of 2022, Tarion conducted a regulatory consultation on the proposal to increase the warranty compensation limit from the current \$300,000 to a new limit of \$400,000 for homes that do not benefit from additional common element protections. The regulation will come into effect July 1, 2023, and the new warranty cap will be available for consumers who enter into agreements of purchase and sale on or after July 1, 2023.

New Temporary Relocation Warranty

In some instances, homeowners must leave their home when an issue with repair or remediation of a warranted item makes their home uninhabitable for health and safety reasons. These homeowners may incur expenses for temporary accommodation, food and other costs. Relocation has not previously been covered in the statutory warranty. However, recognizing this is an important aspect of consumer protection, Tarion consulted with stakeholders and is now in the process of implementing a new temporary relocation warranty of \$150 per day, up to \$15,000. This new warranty will provide additional protections for homeowners when they need it and will be in force on July 1, 2023.

Improvements to the Customer Service Standard

Tarion's Customer Service Standard (CSS) is the key process for how claims are handled. The Auditor General's Recommendation #6 suggested ways to improve the process, and in 2019 to 2022, Tarion conducted a series of regulatory consultations and is planning to announce the final changes later in 2023.

Operational Highlights

In 2022, Tarion continued to strengthen its customer service and warranty resolution processes and resources in support of both homeowners and builders.

Independent Mediation

Tarion's mediation program gives homeowners the option of having an independent, third-party mediator help resolve a dispute regarding a Tarion warranty assessment. Any homeowner can take advantage of mediation, and the standard fees are paid by Tarion.

This type of mediation is covered by a provincial regulation that came into effect on July 1, 2021 and is a confidential service. The process involves just the homeowner and Tarion. It does not involve the builder unless both Tarion and the homeowner agree that the builder be invited to participate. The builder is not required to attend.

A homeowner can request mediation for issues regarding warranty assessments. It is not available for issues related to deposit protection, financial loss or delayed occupancy/delayed closing claims.

The mediation process is a user-friendly and voluntary option which supplements a homeowner's range of appeal options. These options include having a manager review their claim or applying to have their claim reviewed by the Licence Appeal Tribunal, the province's independent warranty claim appeal body.

In 2022, 97 mediations were offered to homeowners and 66 agreed to the process. Fifty were completed in 2022 with the balance to be done in 2023.

Dispute Resolution Improvements – Early Intervention

Sometimes a homeowner and a builder will disagree on whether a warranty claim that a homeowner has filed is covered by the statutory warranties. Or, there could be a delay in repairs, a breakdown in communication, or some other problem that is affecting the warranty process. Tarion has made many improvements to its dispute resolution process to help resolve these

issues quickly. One of these was the establishment of the Early Resolution Team whose purpose is to intervene early when communication or relationship issues have arisen between the builder and homeowner.

The Early Resolution Coordinator may decide to work with the builder and homeowner on shortened timelines for a resolution or determine that the dispute should go directly to inspection or conciliation. The whole process aims to resolve issues more quickly or flag a bigger issue before it gets out of hand.

In 2022, Tarion held 505 early intervention meetings – in person, on conference call or virtually – and was successful in resolving 363 of the disputes (72 per cent) through this process.

Early Intervention Case Study

A homeowner had submitted several warranty forms and expected a timely resolution of these claims but was frustrated by the response from the builder. Tarion was asked to intervene and determined that a breakdown of communication and trust between the homeowner and the builder had occurred due to builder staff turnover during the warranty periods and apparent promises made by some of the builder's employees who were no longer employed with the builder.

Both the builder and homeowner contacted Tarion to ask for assistance in resolving the disputes without conciliation or a tribunal appeal or litigation. As a result of our early intervention efforts, a settlement agreement was reached and the matter was resolved. Both the homeowner and the builder were thankful for Tarion's assistance.

Qualification for Enrolment

Since 2021, Tarion has been responsible for administering the Qualification for Enrolment (QFE) process for vendors and builders. Once a vendor/builder has received a licence from the Home Construction Regulatory Authority (HCRA), they must apply to Tarion for QFE confirmation for a home they are considering selling and an Enrolment Confirmation for a home they are considering building. Tarion monitors vendor/builder compliance of the enrolment conditions contained in the *Ontario New Home Warranties Plan Act* and its accompanying regulations. Tarion may propose additional conditions that must be satisfied prior to confirming that the proposed home has QFE or is enrolled in the Plan.

BuilderLink, Tarion's online builder portal, allows builders to apply to enrol homes electronically. Once the application is approved, Tarion will issue the Enrolment Confirmation and builders can begin construction of the home. In 2022, 1,718 QFE applications were confirmed, covering 88,500 homes.



Emergency Claims

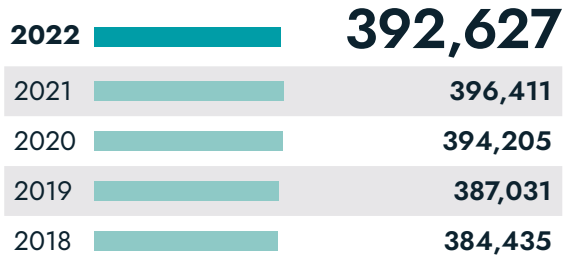
The Emergency Claims process is an important supplement to the Customer Service Standard. The emergency claims process allows homeowners to obtain help from Tarion in the event that they are dealing with a serious defect which either raises health and safety concerns or, if left unaddressed, could result in increased damage. Homeowners can raise claims of this nature to Tarion at any time after they have taken possession. In 2022, Tarion handled 124 emergency claims. Emergency claims must be related to a warranted builder defect, and examples include water penetration into the home from the outside, a total loss of heat in the winter, a complete failure of the electricity system, the presence of unhealthy levels of toxic mould throughout a major portion of the home, and structural defects that raise health and safety concerns.

Investigative Inspections

Tarion's warranty department conducted 111 investigative inspections in 2022. These inspections are done when we receive notice of an emergency or health and safety issue. These investigative inspections occur outside of the timelines set out in the Customer Service Standard and are meant to support the emergency claims process. If an emergency claim is made which requires an investigation, we are able to do so – and if we determine that the issue needs to be dealt with on an emergency basis, we can abridge the applicable repair periods and direct the builder to address the matter on a shortened timeline.

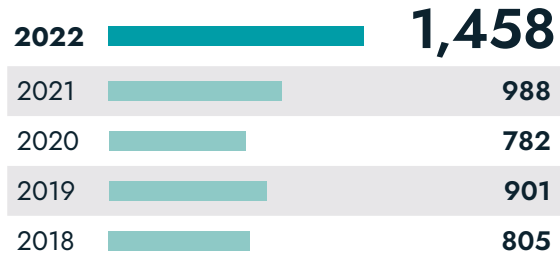
New Home Warranties & Protection Plan in Action

Total Homes Under Warranty*
(restated)

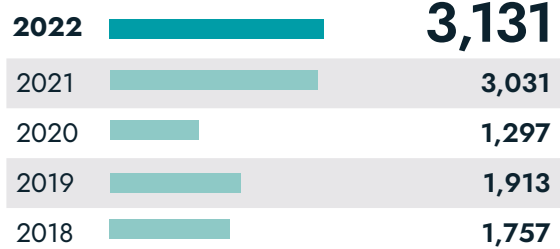


* The numbers are based on the year of possession and restated every year.

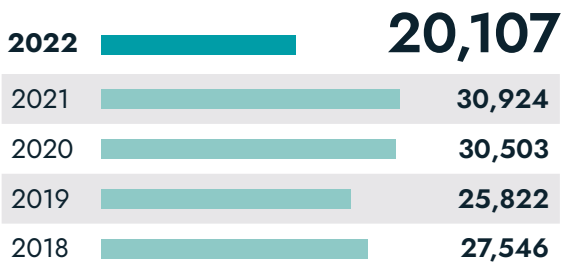
Number of Homes with Claims Paid



Number of Homes with an Inspection



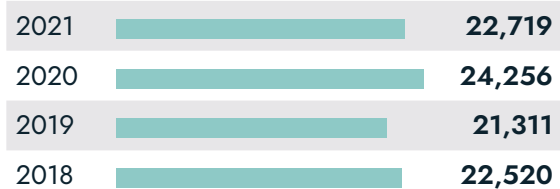
of 30-Day Forms Submitted*



% of Homes for which 30-Day Forms Submitted



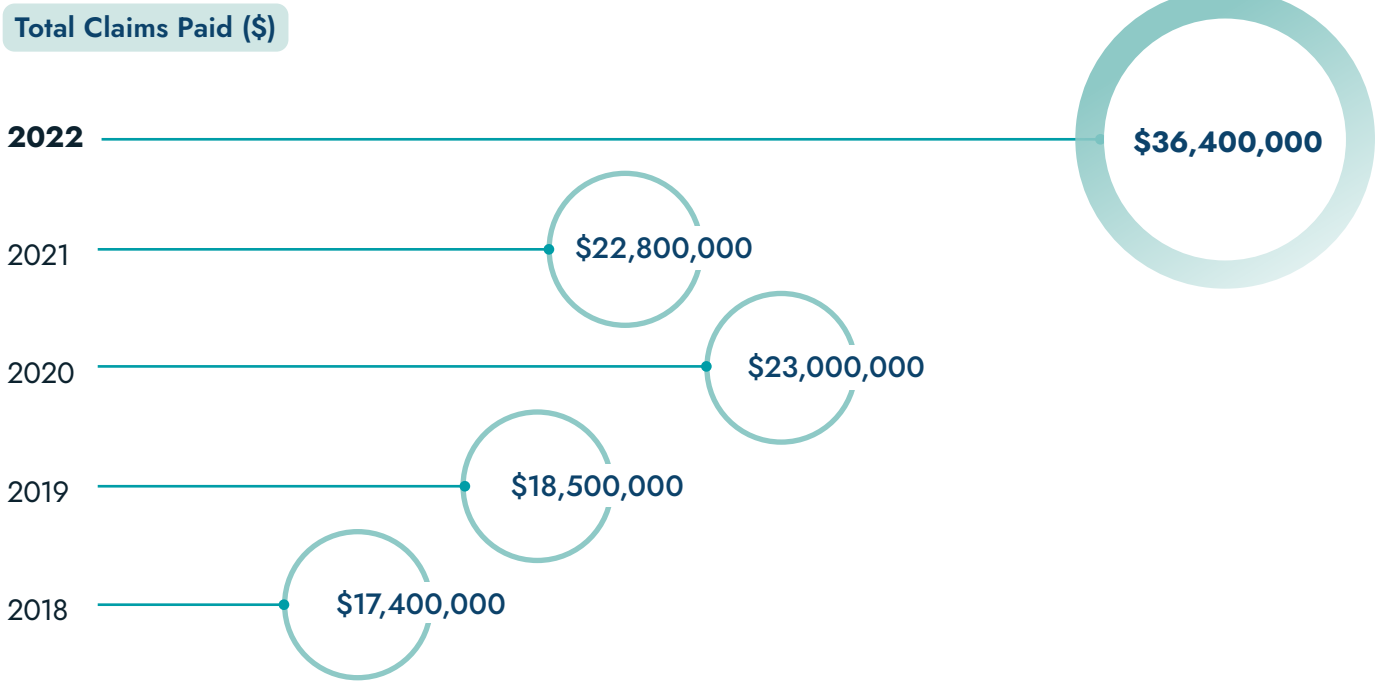
of Year-End Forms Submitted*



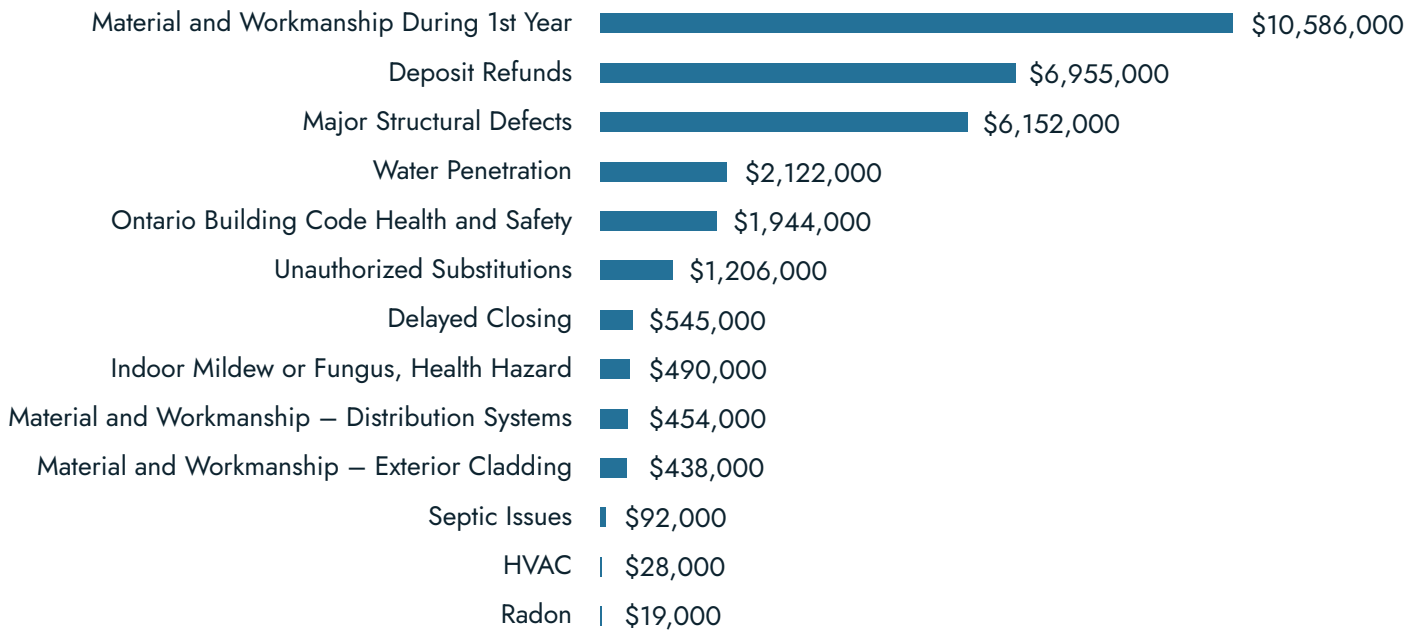
% of Homes for which Year-End Forms Submitted*



* The numbers are based on the year of possession and restated every year. Statistics for the Year-End Forms Submitted are not provided for the year 2022 because possessions for 2022 are not yet eligible for the year-end form submission.



2022 Homeowner Compensation Claim Payments by Type of Coverage*



* Values have been rounded and do not include administrative and other costs associated with claims processing.
Total Compensation Paid: \$36,414,000

How the Warranty Process Works

In Ontario, most new-built homes come with a statutory warranty that is provided by the builder. If you have any issues with your new home, you should first raise them with your builder. Most of the issues raised by homeowners with their builders are successfully dealt with by the builder working with the homeowner to resolve them.

When disputes arise over whether items are warranted, or if there are delays in repairs, communication breakdowns or other problems, Tarion staff can step in to get the warranty process back on track.

Here is how the claims process works for freehold homes and condominiums (note that common elements have a different process as common elements have a separate warranty):

1. Making a Claim

The builder, as provider of the warranty, is responsible for resolving warranty claims directly with the homeowner. The homeowner must notify the builder when an issue arises and give them an opportunity to review it and address it. As part of this process, the homeowner needs to provide the builder with access to the home to make any necessary repairs.

If the builder fails to resolve the claim or does not feel that the item is warranted, Tarion can step in. We assess the claim and, if warranted, will take steps to resolve the issue. To be eligible for Tarion's assistance, the homeowner must report the warranty claim within the relevant claim submission timeframe.

2. Builder Repair Period

Once a homeowner submits a warranty form, builders have a 120-day period to repair or resolve items on the form that are covered by the warranty. If the builder does not resolve the warranty items within that initial builder repair period, the homeowner can contact Tarion for assistance and request a conciliation.

Homeowners do not need to wait until the end of the builder repair period to ask for our help. However, the request must be made within 40 days (30 days + 10-day grace period) after the end of the builder repair period.

There are exceptions to the standard 120-day period. For example, an emergency situation may require a shorter timeframe for repair, while certain types of repairs – such as a major structural defect – may take longer than 120 days to fix.

Tarion may also determine that a builder is unwilling or unable to repair or resolve claim items covered by the warranty. If that happens, we can shorten or extend time periods in the statutory claims process and work directly with the homeowner to resolve the claim.

3. Conciliation

Conciliation is a process where Tarion assesses disputed items on a homeowner's warranty form and decides whether they are covered under the warranty set out in the *Ontario New Home Warranties Plan Act*.

Conciliation may also be used to assess:

- Whether we agree with the way a repair was done or offered to be done by the builder;
- Whether we agree that a settlement offer by the builder is reasonable; and/or
- What, if any, compensation or repair the owner is entitled to receive from the builder or Tarion.

In most cases, conciliation involves an inspection at the home with the builder's representative in attendance. The inspection is conducted by an impartial Tarion Warranty Services representative who may ask questions of the homeowner and builder; take notes, measurements and/or photographs; or bring in a specialist to help with an investigation. This process ensures that the Tarion Warranty Services representative has the information needed to assess the items and make a decision on the warranty claim.

The homeowner must pay a refundable deposit of \$282.50 (\$250 + HST) for a conciliation. Unlike a deductible on an insurance policy, the deposit is refunded if we determine that one or more items we assess is covered by the warranty.

4. Conciliation Assessment

Following the conciliation inspection, Tarion provides the homeowner and the builder with a Conciliation Assessment Report (CAR) that indicates whether the items assessed are covered under the warranty and need to be resolved by the builder.

If the report contains items that are covered by the warranty, the builder has 30 days to resolve them. Tarion will contact the homeowner 30 days after the date of the report to confirm that all the warranted items listed in the report have been repaired or otherwise resolved by the builder. If any of the warranted items remain outstanding at that time, we will work with the homeowner directly to resolve them.

If the report finds that some items are not covered by the warranty, the builder is not required to take any action on those items.

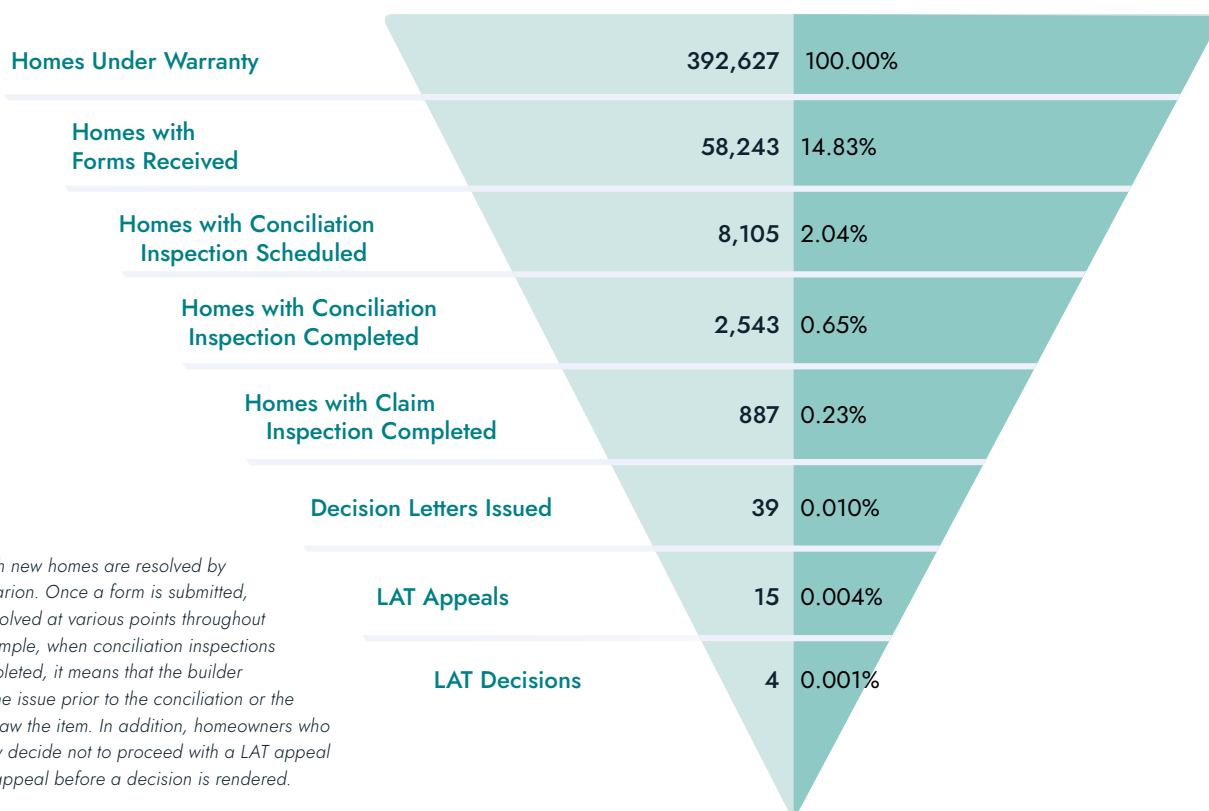
5. Resolution

If we determine that the builder failed to resolve a warranted claim, we will work with the homeowner directly and provide monetary compensation for the value of the repairs.

Tarion’s warranty assessment is typically documented in a Conciliation Assessment Report. Tarion will provide a copy of the most recent version of any third-party expert reports it may have used in making the assessment. If a homeowner disagrees with Tarion’s assessment, they can request that we arrange an independent mediation.

If the matter is not resolved at mediation or the homeowner elects not to engage in mediation, then the homeowner has the further option to appeal to the province’s independent tribunal, called the Licence Appeal Tribunal (LAT). For these proceedings, Tarion strives to make sure all relevant and available information has been considered to achieve a fair and reasonable resolution.

Tarion generally uses its internal legal resources to assist with these cases but may call upon outside counsel if, for example, there are scheduling issues, hearings that may result in major travel, or matters requiring special expertise.



* The majority of issues with new homes are resolved by builders without involving Tarion. Once a form is submitted, warranty claims may be resolved at various points throughout the claims process. For example, when conciliation inspections are scheduled but not completed, it means that the builder and homeowner resolved the issue prior to the conciliation or the homeowner chose to withdraw the item. In addition, homeowners who request decision letters may decide not to proceed with a LAT appeal or may withdraw their LAT appeal before a decision is rendered.

Customer Service Success Story

A homeowner contacted Tarion's Call Centre hoping to receive assistance with obtaining their Certificate of Completion and Possession. They were connected with one of Tarion's Call Centre Representatives who immediately impressed the homeowner with their positive attitude and willingness to help. The homeowner explained that they were looking for their Certificate of Completion and Possession for banking purposes and that it was required on an urgent basis.

The Tarion Call Centre Representative reassured the homeowner that they would get the requested document within minutes and the document was emailed to the homeowner as promised while they were still on the phone.

The homeowner was very satisfied with the Call Centre Representative's quick and supportive service and provided positive feedback on how satisfied they were with the service they had received from Tarion.

Accessibility

Consumer access to services is a key priority for Tarion. Typical accessibility requests include having a sign-language interpreter available for an inspection or modifying procedures (like a home inspection) for homeowners with environmental health issues. In 2022, Tarion responded to 23 requests for accommodations and fulfilled 21 of them. Two other requests were not fulfilled because the requested accommodations were not part of their agreement of purchase and sale with the builder.

French Language Services

Tarion strives to respond in French to all enquiries or requests for services received in French. Warranty Services employs bilingual staff who can provide French-language information to customers via emails, phone calls and in-person inspections. Tarion also hired a translation service provider in 2021 to improve our ability to deliver services in multiple languages for homeowners and builders who may not be fluent in English. When the need arises, a Tarion Customer Service representative simply calls the service and brings a translator on the line to be part of a three-way conversation. In 2022, there were 34 requests for French language service, 18 of them by phone and 16 by email. Tarion also had four requests for service in Mandarin or Cantonese that were accommodated through the translation service.

Complaints

Tarion's Customer Service team typically receives complaints by email or phone. When a complaint is logged, a service representative must first determine if the complaint is about Tarion. If it is not, and instead the complaint is about a builder, the builder's product (the new home), a question or inquiry, or some other issue, the Customer Service team will send it to the appropriate person, department, or other organization. Complaints related to illegal vending or building are referred to the HCRA, which is responsible for investigating and prosecuting these offences under the *ONHWP Act* on Tarion's behalf.

All complaints about Tarion are evaluated to determine the type of complaint so that it can be handled efficiently. Tarion's Complaint Policy that describes the steps involved can be found on [Tarion.com](https://www.tarion.com).

Tarion responded to 96 complaints in 2022 and all were resolved. An apology or assistance was provided in 39 cases; contact information for the appropriate authority was provided in 24 cases; 28 cases were resolved through investigations; three complaints about a builder were resolved by Tarion's underwriting department or the HCRA; and two complaints were withdrawn.

Legal Matters

As noted earlier in this Annual Report, Tarion's mandate extends among other things to administering the statutory warranty program, stewardship of the Guarantee Fund and the approval processes associated with new home enrolments. This broad mandate gives rise to a number of complex and varied legal issues which require both day-to-day legal guidance and specialized legal advice. This includes: warranty and claims administration and resolution, dispute resolution/litigation management (e.g. homeowner and builder challenges to warranty decisions, defence litigation and collection matters), employment and human resources, and organizational governance among other things. The legal work is accomplished through a combination of internal staff work as well the engagement of external legal counsel. The chart below reflects internal and external legal costs over the past three years:

The overall legal fees stayed level as between 2021 and 2022 and are about 12% higher over the three-year period since 2020. The increase reflects variations that occur in the legal resources needed from time to time depending upon the varied issues which arise. Increased costs reflect a combination of factors including inflationary costs relating to external legal services as well as general salaries and benefits, a small increase with respect to internal legal resources, and some shifts and increases in workload due to normal variances in the number and complexity of dispute resolution matters being handled at any given time and the types of legal advice needed by the organization.

Internal & External Legal Fees & Disbursement (\$)	2022	2021	2020
Operational cost	2,503,765	2,315,072	2,303,899
External legal fees	1,933,311	2,144,832	1,678,524
LAT external legal fees	—	434	—
Total	4,437,077	4,460,338	3,982,424

Consumer Education & Stakeholder Outreach

Home Buying and Warranty Education

Tarion provides consumers with free tools, guides and resources to help them understand their builder's warranty coverage and their responsibilities if they need to make a warranty claim. Throughout the year, we hold homeowner information sessions and also highlight warranty information and home buying how-tos through a variety of media to help consumers understand the responsibilities and processes involved. Throughout 2022, we published blogs, social media posts and articles covering topics ranging from the pre-delivery inspection and deposit protection to home maintenance and downsizing. We achieved 205 media placements with a reach of nearly eight million impressions in regional and local media outlets across the province.



To further expand our consumer education efforts, Tarion participated in a Mediaplanet First-Time Home Buyer special insert published in March in the *National Post*. The Tarion article (“Buying a New Home: Five Things Your Warranty Covers”), along with other content from industry experts, reached more than 600,000 Ontarians. In addition, leveraging earned and paid media as well as social media, a radon education campaign focusing on the importance of testing achieved 523,582 impressions.

Municipal Engagement

Tarion engaged with our municipal partners throughout the year, including the Ontario Building Officials Association (OBOA) and the Large Municipalities Chief Building Officials group (LMCBO). Tarion participated in OBOA's 2022 Annual Meeting and Training Session where Tarion's CEO and staff discussed important changes happening in the new home regulatory sector as well as highlighting Tarion's Risk-Based Inspections program. Tarion also held nine virtual and in-person information presentations at local OBOA chapters and the LMCBO.

Builder Updates

Semi-annual Builder Updates have long been a way for Tarion to reach the builder community to provide information about Tarion and to review any changes to the warranty's policies or processes. These sessions, held in the spring and fall, are always well attended by builders. In 2022, popular topics included Tarion's new application process for builders and vendors to build and sell new homes in Ontario, and our warranty refresher, which covers changes and emerging items.

Due to the impact of COVID-19, we hosted five spring Builder Updates via webcast; in the fall, we hosted in-person events in Toronto, Windsor, Ottawa, Thunder Bay, Niagara, Kingston and Sudbury, along with two webcasts for those builders who preferred this way of receiving the update. We also presented at industry meetings across the province, including Sarnia, Niagara, Guelph, Peterborough and Hamilton.

In addition to the Builder Updates, Tarion held 46 virtual and in-person sessions on changing warranty processes and best practices in 2022, with the goal of helping builders to better understand their warranty obligations. The topics of these webinars included:

- **COVID-19:** We hosted two webinars in February on the impact of the pandemic on delayed closings and material shortages;
- **Trades strikes:** Strikes by trade associations in 2022 had significant impacts on the new home building industry, and it was very important for Tarion to provide guidance to builders. We hosted two webcasts to review what the process was in the event of a strike and two more after the strikes became a reality;
- **Builder application process and BuilderLink:** Tarion hosted 17 dedicated sessions on the builder application process and BuilderLink. We also created three videos on the Tarion qualification for enrolment (QFE) process, which were broken down by construction type – freehold, contract homes and condominiums – to provide guidance on the new process builders must follow to gain permission from Tarion to build and sell homes;

Realtor Education

Whether helping their clients purchase a new or resale home, it's important that Ontario realtors understand the statutory warranties that come with almost every newly built home in Ontario. Tarion offers a Tarion 101 session to realtors and brokerages to review the warranties and the process and, in 2022, we presented to 14 different associations. Due to the ongoing impact of COVID-19, these sessions were hosted virtually, which enabled us to reach agents across the province.



Corporate Social Responsibility

Corporate social responsibility (CSR) is embedded in Tarion's culture. Each year, Tarion employees take pride in giving back to the community by supporting a variety of causes through volunteerism and donations. These efforts give all of us at Tarion a shared sense of purpose and the opportunity to make our communities better than we found them.

Tarion has three employee resource groups – Pride at Tarion, the Indigenous Alliance and the Women's Network – that promote equity, inclusion and belonging. Employees on our Ecological Committee support environmental sustainability.

Many of our employees also champion different social causes. As an organization, we want to help support those causes, and we do that through Tarion Cares. Each year, we ask our employees to tell us what local charities are important to them.

From there, Tarion Cares develops a plan to support these charities through the year. In 2022, these included: the Victorian Order of Nurses, Ernestine's Women's Shelter, Hill House Hospice, the Canadian National Institute for the Blind (CNIB), Central Toronto Youth Services, Bladder Cancer Canada, Canadian Alopecia Areata Foundation, the Terry Fox Foundation, the Daily Bread Food Bank and Ukraine Social Services.

Employees baked, crafted, ran, cycled and sold raffle tickets to support these charities. Through those efforts, we raised \$7,079 in cash donations for the designated charitable organizations.

Two other Tarion Cares initiatives deserve mention as well.

Earlier this year, we moved to new offices and found that some furniture, worth about \$6,335, didn't fit in the new space, so Tarion donated the items to the South Asian Autism Centre. This allowed the charity to forego purchase of furniture and freed up those funds to support the community. With this donation, we also diverted a substantial amount of furniture away from landfills.

Additionally, Tarion has been supporting not-for-profit builders, that provide affordable housing for almost 30 years. In 2022, Tarion waived \$77,575 in enrolment fees for 98 homes.



Performance Measurement

2022 Performance Measure Outcomes

The table below summarizes Tarion's 2022 performance measures with targets and outcomes:

2022 Performance Measures	2022 Target	2022 Outcome
STRATEGIC OBJECTIVE 1: Enhancing Consumer Outcomes		
New Homebuyer Satisfaction	● 84	● 85.5
Customer Interactions:		
a. Call Centre Interaction	● 90	● 90.9
b. Conciliation	● 85	● 87.3
STRATEGIC OBJECTIVE 2: Being a Trusted Resource		
AG Recommendations Implementation	● Project based	● Met all project objectives
SCOPA Recommendations Implementation	● Project based	● Met all project objectives
STRATEGIC OBJECTIVE 3: Empowering Our Stakeholders		
Call Response Time in Call Centre (seconds)	● 50	● 44
Inspection Completed to CAR Issuance (calendar days)	● 11	● 14
MyHome Redesign Initiative & Claims Process Changes	● Project based	● Met all project objectives
BuilderLink and Enrolment Enhancement	● Project based	● Met all project objectives
STRATEGIC OBJECTIVE 4: Supporting Our People & Culture		
Employee Satisfaction Score	● 78.5	● 81
Roll Out Vision, Mission, Values and Awareness	● Project based	● Met all project objectives

2022 Performance Measure Discussion

This section provides a brief description of each performance measure, its associated target and the resulting outcome.

Enhancing Consumer Outcomes

New Homebuyer Satisfaction (Target 84, Outcome 85.5)

Each year, Tarion engages a third-party data analytics company to conduct a province-wide customer satisfaction survey among first-year homeowners to better understand consumer experiences and satisfaction with Tarion and their builders. This year, 44,264 new homeowners were invited to complete a satisfaction survey. The results are based on responses received between September 1, 2022 and November 8, 2022. 4,773 completed responses were received, resulting in a completion rate of approximately 11%.

The New Homebuyer Satisfaction is a composite score based on the results of three key criteria:

- Tarion is accessible to new homeowners (result – 89.7);
- Tarion listens to the needs and concerns of new homeowners (result – 82.5); and
- Tarion is easy to do business with (result – 84.2).

The composite average response was 85.5, 1.5 points over the target score of 84. The average score over the past six years has been 83.6. Tarion has carried this Performance Measure forward in the 2023 Business Plan and left the target at 84.

Customer Interaction

Each year, Tarion conducts follow-up surveys of homeowners and builders after two key operational interactions: a) phone calls to our Call Centre; and b) conciliation inspections.

a. Call Centre Interaction (Target – 90, Outcome – 90.9)

After every phone call to our Call Centre, homeowners and builders are given the opportunity to complete a third-party survey evaluating the interaction from their perspective. There are typically 60,000 to 80,000 calls to the Call Centre each year. Approximately 98% of the callers are homeowners, with the remaining being predominantly builders.

At the end of 2022, the average rating was 90.9, slightly exceeding our target of 90.

b. Conciliation (Target – 85, Outcome – 87.3)

After each conciliation inspection, both homeowners and builders are given the opportunity to complete a third-party survey to provide their assessment of the interaction. Tarion entered 2022 with a large backlog of inspections as a result of COVID-19, and accordingly hired additional staff, and engaged third-party inspectors, to address both the regular workload as well as the COVID-19 backlog. The overall assessment showed a slightly more positive result than our target, and this can be attributed to the effectiveness of our contingency plans and the work of our field staff in dealing with the increased workload.

Being a Trusted Resource

Auditor General Recommendations Implementation (In progress and on target)

In the Auditor General's October 2019 special report, the Auditor General made a total of 32 recommendations, 25 of which related directly to Tarion's operations. This performance measure was to assess our progress on the Auditor General recommendations that were still outstanding at the beginning of the year based on what we anticipated completing by the end of 2022. At the end of 2021, the Auditor General issued a report assessing Tarion's progress with respect to the 2019 recommendations as being 86% complete. As of the end of 2022, Tarion's self-assessment is that 89% of the recommendations are complete, with significant progress being made on the recommendations relating to the Customer Service Standard.

SCOPA Recommendations Implementation (In progress and on target)

In addition to the Auditor General of Ontario, the Standing Committee on Public Accounts (SCOPA) made two recommendations relating to completing a review of the \$300,000 warranty cap as well as making changes to the disclosure in the Tarion Annual Report. In 2022 we completed the disclosure changes, which included appending the annual financial statements and including additional disclosure of legal fees, and these are reflected in this Annual Report. In addition, in 2022 we made significant progress on addressing the warranty cap review, completing both a market analysis and a public consultation which supported a recommendation to increase the warranty cap from \$300,000 to \$400,000 for freehold homes. This cap change will come into force on July 1, 2023.

Empowering Our Stakeholders

Call Response Time in Call Centre (seconds) (Target – 50 seconds, Outcome – 44 seconds)

The performance measure for call response time is the average measure (in seconds) between the time the caller calling into the general contact line is put into the call waiting queue, and the time an agent answers the call from that queue. In 2022, we exceeded expectations by achieving a wait time that was six seconds faster than our target.

Inspection Completed to CAR Issuance (calendar days) (Target – 11 days, Outcome – 14 days)

The performance measure for inspection completed to Conciliation Assessment Report issuance is the measure (in calendar days) between the day the conciliation inspection is completed and the day the corresponding Conciliation Assessment Report is issued. The target of 11 days was set based on pre-COVID norms, on the expectation that we would quickly address the COVID-19 inspection backlog. However, 2022 started with additional lockdowns and actually further increased our backlog. Tarion took several actions to address this backlog, including hiring additional inspectors and engaging a third-party to conduct inspections on our behalf. Unfortunately, in the latter case, this required that Tarion wait for the third-party report and then add in our own quality and consistency assessment before issuing the Conciliation Assessment Report, resulting in further delays. We will be monitoring this measure in 2023 to determine whether operational steps need to be taken to improve the timing of CAR delivery, or whether the metric returns to within acceptable parameters as the impacts of the pandemic fade.

MyHome Redesign Initiative & Claims Process Changes (In Progress and on Target)

In 2022, Tarion modernized the customer/user experience on MyHome and upgraded the platform. This change allowed Tarion to improve communication between the builder, homeowner and Tarion, and made it generally easier for homeowners to navigate the warranty management process. At the same time, adjustments were made to ensure the implementation of the revised claims process, as set out in the Auditor General of Ontario recommendations, will be simpler to implement once finalized.

The project was assessed based on a composite of budget, schedule and quality metrics. The updated MyHome was delivered one month ahead of schedule, while meeting budget and quality expectations.

BuilderLink and Enrolment Enhancement (In progress and On Target)

In 2022, BuilderLink functionalities were enhanced, and the Qualification for Enrolment process was improved to allow for parallel data intake and simultaneous application processing at the same time as the Home Construction Regulatory Authority (HCRA) licensing process.

Both projects were completed ahead of schedule, and follow-up surveys with stakeholder users showed overall satisfaction exceeding expectations.

Supporting Our People & Culture

Employee Satisfaction Score (Target – 78.5, Outcome – 81)

The employee satisfaction score performance measure has two components: engagement and enablement, both of which were equally weighted in the target and outcome scores.

- Engagement measures the commitment (are employees involved with the organization and planning to stay over the longer term) and discretionary effort (the willingness to go above and beyond formal job requirements) exhibited by employees.
- Enablement measures the extent to which employees feel their jobs make good use of their skills/abilities, job conditions, and the extent to which opportunities exist for employees to do challenging and interesting work.

The 2022 target was set at the higher end of the average score over the prior five years. The result exceeded the target and is one of the highest scores we have achieved since 2017.

Roll Out Vision, Mission, Values and Awareness (In progress and on target)

In the fall of 2021, Tarion announced its new vision, mission and value statements. This was followed by an internal roll-out which involved employee dialogue sessions and other engagement activities that allowed employees to consider how these statements could come to life via day-to-day interactions with stakeholders. All key project milestones were achieved, and the annual employee survey reflected a high level of adoption and endorsement of the new corporate values.



Annual Homeowner Surveys

Our annual customer satisfaction surveys give homeowners the opportunity to provide feedback on both their builder and Tarion based on their experience throughout the purchase, possession and after-sales stages of ownership. Homeowners are invited to participate in the surveys in the fall of each year. The surveys are conducted by a third-party professional

service provider. We use homeowner feedback about their builder to acknowledge best practices in customer service and to provide feedback to builders on how they can improve. Where responses are statistically valid, builders are provided with a copy of their results, as well as a comparison of their results to those in their category.

The following represents our survey sample and response rates for 2022.

Homeowner Satisfaction Survey	Number of Homeowners Invited to Take the Survey	Number of Survey Responses	Completion Rate
Homeowners in Year 1 of possession	44,264	4,773	10.7%
Homeowners in Years 2 to 7 of possession	253,039	13,842	5.5%

Homeowner Survey – Year 1

Survey results showed that over half of respondents (61 per cent) were first-time new home buyers as compared to 31 per cent who were repeat buyers. 64 per cent of homeowners felt that their builder had met or exceeded their expectations while 55 per cent would recommend their builder to family or friends. These results are very consistent with 2020. In general, the 'likelihood to recommend' trended downward for all sizes of builders over 2020 (decreases of 2 to 6 percentage points) with the exception of high-rise builders, which had a 2 percentage point increase. Across all builder categories, there were decreases in overall customer service satisfaction (3 to 7 percentage points) with micro builders scoring the highest at 60 per cent and high-rise builders the lowest at 42 per cent.

Satisfaction with Tarion – measured by the Service Orientation Index – continued its upward trend by increasing from 84.6 per cent in 2021 to 85.5 per cent in 2022. This index is based on three measurables: accessibility, listening and ease of doing business. Tarion continues to rate the highest on accessibility, but all three measures increased over the previous year.



Key Performance Indicator Elements	2022 (%)	2021 (%)	2020 (%)	2019 (%)	2018 (%)
Tarion is accessible to homeowners	89.7	88.7	87.9	85.0	87.4
Tarion listens to the needs and concerns of homeowners	82.5	81.7	80.5	78.1	81.9
Tarion is easy to do business with	84.2	83.6	81.9	78.5	82.0
Homeowner Service Orientation Index	85.5	84.6	83.4	80.5	83.8

Annual Homeowner Survey – Years 2 to 7

Homeowners in Years 2 to 7 reported very similar satisfaction levels as in previous years with regard to how their builder met expectations (61 per cent; unchanged from 2020) and with their builder’s commitment to customer service (71 per cent; unchanged from 2020). Half of all homeowners who responded to the survey would recommend their builder (unchanged from 2020).

Tarion’s scores on key indicators including accessibility, listening and ease of doing business continued to trend upward from 2020 and 2019. The majority of homeowners in Years 2 to 7 also report that Tarion’s customer service has remained consistent or improved, with 44 per cent reporting that it has improved.

Respondents Agree Tarion...	2022 (%)	2021 (%)	2020 (%)	2019 (%)	2018 (%)
Is accessible	86	83	81	84	84
Helps new homeowners understand their warranty rights and obligations	79	78	75	78	78
Listens to needs and concerns	76	74	70	74	74
Is easy to do business with	77	74	71	74	74
Makes sure new home builders fulfill their warranty obligations	73	70	69	72	72

Interaction Surveys

In 2022, the Customer Service team received 74,731 calls (20 per cent decrease compared to 2021) and fielded 86,439 emails (14 per cent decrease compared to 2021).

Our interaction surveys help gauge our customer service in real time by asking homeowners or builders to rate their satisfaction with the service they received after interactions with the Customer Service and Warranty Services teams – including elements such as professionalism, courtesy, ability to answer questions and follow-through. A total of 4,390 homeowners and 148 builders completed surveys on their Contact Centre interactions. Homeowners rated their satisfaction as 91.1 per cent (as compared to 92.4 per cent in 2021) and builders rated their satisfaction as 83.8 per cent as compared to 84.3 in 2021. Both homeowners and builders gave Tarion staff the highest marks on courtesy, professionalism and responsiveness.

In 2022, Tarion saw an increase in both responses and satisfaction scores from homeowners in particular for our post-conciliation surveys. A total of 400 homeowners and 196 builders completed the survey as compared to 281 homeowners and 219 builders in 2021. Overall satisfaction with the conciliation was 86.9 per cent for homeowners and 87.8 per cent for builders (as compared to 81.2 per cent and 90.2 per cent, respectively, in 2021). Both groups gave Tarion staff the highest rating for courtesy and professionalism, with homeowners also giving high marks for staff's ability to answer questions and builders highlighting staff's ability to understand their needs.

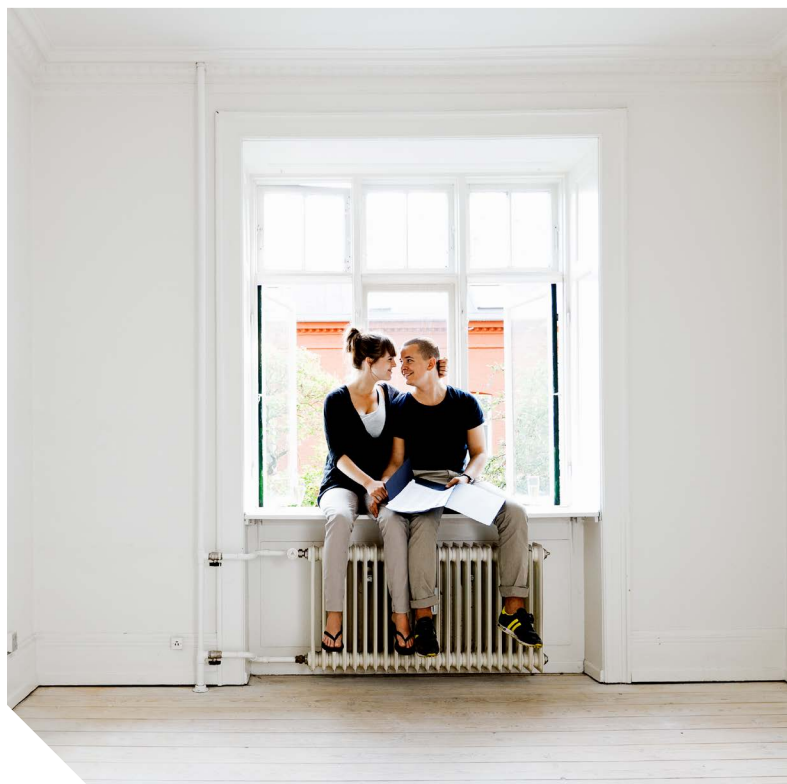
Risk Management

Tarion has adopted the Three Lines of Defence Model to ensure consistent application of risk management by all staff in the execution of strategy, achievement of business objectives and delivery of day-to-day operations. Tarion's risk management plan is outlined in detail in the 2023 Business Plan.

Risk Events Requiring Mitigation

Tarion is pleased to report that there were no significant actions during the year that required mitigation actions outside predetermined processes and procedures.

However, we do highlight that in response to the challenging global equity markets in 2022 negatively impacting the Guarantee Fund, Management reviewed its foreign exchange hedging strategy and revised it to neutralize as much foreign exchange risk as possible. This action helped to optimize the Corporation's capital levels and afforded Management the flexibility to reallocate capital requirements to maintain key investments and support operational activities.



Legislative and Policy Changes

Regulatory Changes

Following the significant legislative and regulatory changes that took effect in 2021, the changes in 2022 having specific impacts upon Tarion were more modest. Two important changes occurred.

First, the Ontario government amended regulations under the *Condominium Act, 1998* to set out a new interest rate calculation – based on the Bank of Canada policy rate – that condominium developers must use to pay purchasers of new homes interest on their money (deposits or other payments) when terminating purchase agreements, including for condo cancellations. The amendments came into force on January 1, 2023 and the new rate applies to terminations related to condo projects that start selling on or after January 1, 2023. (see O.Reg 504-22 amending O.Reg 48/1 under the *Condominium Act, 1998*). This new interest rate calculation would generally give purchasers more interest under these circumstances.

It correspondingly will impact rights of purchasers under the statutory addendum required to be attached to purchase agreements and also deposit protection under the *Ontario New Home Warranties Plan Act* as these protections incorporate the interest rate by reference.

The government also enacted an amendment to a regulation under the *Ontario New Home Warranties Plan Act* which impacts purchasers of new and pre-construction condos (O.Reg 445/22 amending General Regulation O.Reg 627/20). Those amendments require that Tarion provide information about condo cancellations and terminated purchase agreements to the Home Construction Regulatory Authority for posting to the Ontario Builder Directory. Additionally, Tarion's authority to require vendors and builders to provide information about cancelled condo projects and terminated purchase agreements (when they are terminated through no fault of the purchaser) has been clarified in regulation.

Policy Updates

The following chart summarizes updates to external-facing policies that were implemented in 2022.

Policy	Date of Update	Changes
Procurement Policy	November 2022	Administrative changes covering approvals and procurement processes as well as expansion of environmentally conscious practices and considerations.
Travel & Expense Reimbursement Policy	September 2022	Administrative changes covering mileage reimbursement and expensing guidelines.
Vaccination Policy	March 2022	Removal of Vaccination Policy.
Video & Audio Recording Policy	July 2022	Updated policy regarding video and audio recording of Tarion inspections and meetings.
Code of Conduct for Enforcement & Compliance Personnel	July 2022	Related guidelines are now cross-referenced.
Board of Directors Policies		
Board Remuneration and Expense Reimbursement Policy	December 2022	Updated to reflect new meal allowances and remuneration for committee chairs.

Registrar Bulletins (formerly Builder Bulletins)

One Registrar Bulletin was amended in 2022. In September 2022, Tarion updated Registrar Bulletin 10. The Bulletin was introduced in February 2021 to explain the new QFE and enrolment application process to builders. There are different versions of the Bulletin for freehold, contract and condominium homes. The 2022 changes to the Bulletins did not substantively change the existing application process. The changes were aimed at better explaining the existing application process based on questions commonly received from builders. The noteworthy changes included:

- Detail about the information and documents required to accompany the application, including links to Tarion’s website where builders can access sample documentation that they will encounter during the application process (e.g., the application itself, Vendor Builder Agreements, Guarantee & Indemnity Agreement, Condominium Profile Form and the Personal Net Worth Statement);
- Guidance on application timelines and factors that may cause delays;
- Clarification that an Notice of Proposal of Conditions does not require builder sign back to accept the conditions;
- Clarification about other sources of terms, conditions and obligations aside from those outlined in a Notice of Proposal of Conditions (e.g., *ONHWP Act*, Vendor Builder Agreements, Registrar Bulletins);
- Elaborated on the application process for separate vendors and builders working together to build a home;
- Explained the process for homes sold after construction commences;
- Added a section reminding contract home builders to be aware of the consequences of owners supplying significant work and materials, directing them to relevant HCRA advisories that speak to warranty eligibility issues, as well as ismyhomecovered@tarion.com for further eligibility questions.

Governance

Tarion is a Designated Administrative Authority (DAA) that administers the *Ontario New Home Warranties Plan Act* and reports to the Minister of Public and Business Service Delivery (MPBSD) for the Province of Ontario. In 2022, on multiple levels, Tarion continued to transform its operations in line with the new legislation; the administrative agreement; its by-laws, policies and procedures; financial reporting and disclosure standards; and many best practices suitable for an effective delivery under its new mandate. The governance framework at Tarion is overseen by a Board of 12 directors, representing equally in three categories: at-large, the industry and the MPBSD appointees. The Board oversaw its governance framework and successfully steered the organization in a climate full of macro-economic uncertainties, geopolitical challenges, volatile financial markets, abnormal inflationary conditions, supply chain setbacks in the new home building sector, changing stakeholder expectations, and an ever-shifting labour market, just to name a few challenges.

Tarion's governance framework design is reflective of a large, complex and financially sophisticated public service institution that provides surety on new homes built by the industry for Ontarians. Since inception, Tarion has underwritten this protection for more than two million homes. In recent years, Tarion has enrolled approximately 70,000 new homes and condos every year.

Given the seven-year coverage period under this program, at any given point, this warranty program reaches approximately 400,000 homes across Ontario – this leads to administering a maximum underwriting liability in the amount of \$1.2 trillion, and all the related risks. In overseeing this service, Board members bring a wide variety of skills and competencies encapsulating consumer protection, data privacy, cybersecurity, dispute resolution, financial literacy, risk management, housing industry know-how, communications, business and strategic planning, information technology and corporate governance.

The Board is responsible for the overall stewardship of the organization, including sound governance practices, the hiring and performance evaluation of the CEO, conducting regulatory oversight and taking a prominent role in setting the strategic direction of the organization. The Board has delegated day-to-day responsibility for operations to Management.

The following is a list of individuals who served on the Board for all or part of 2022.

Peter DeBiasio (resigned June 2022)

Marni Dicker, LL.B., B.C.L., ICD.D

RJ Falconi, B.Sc., J.D., ICD.D

Greg Graham, Pro.Dir, ICD

Andy Kenins, CPA, CA, ICD.D

Sheldon Libfeld, BBA (term expired April 2022)

John Macintyre, B.A., C.Dir, H.R.C.C.C

Sameer Malik, B.A, ITIL, TOGAF Certified

Hari Panday, FCPA, FCGA, ICD.D, NACD.DC

Marc Sammons

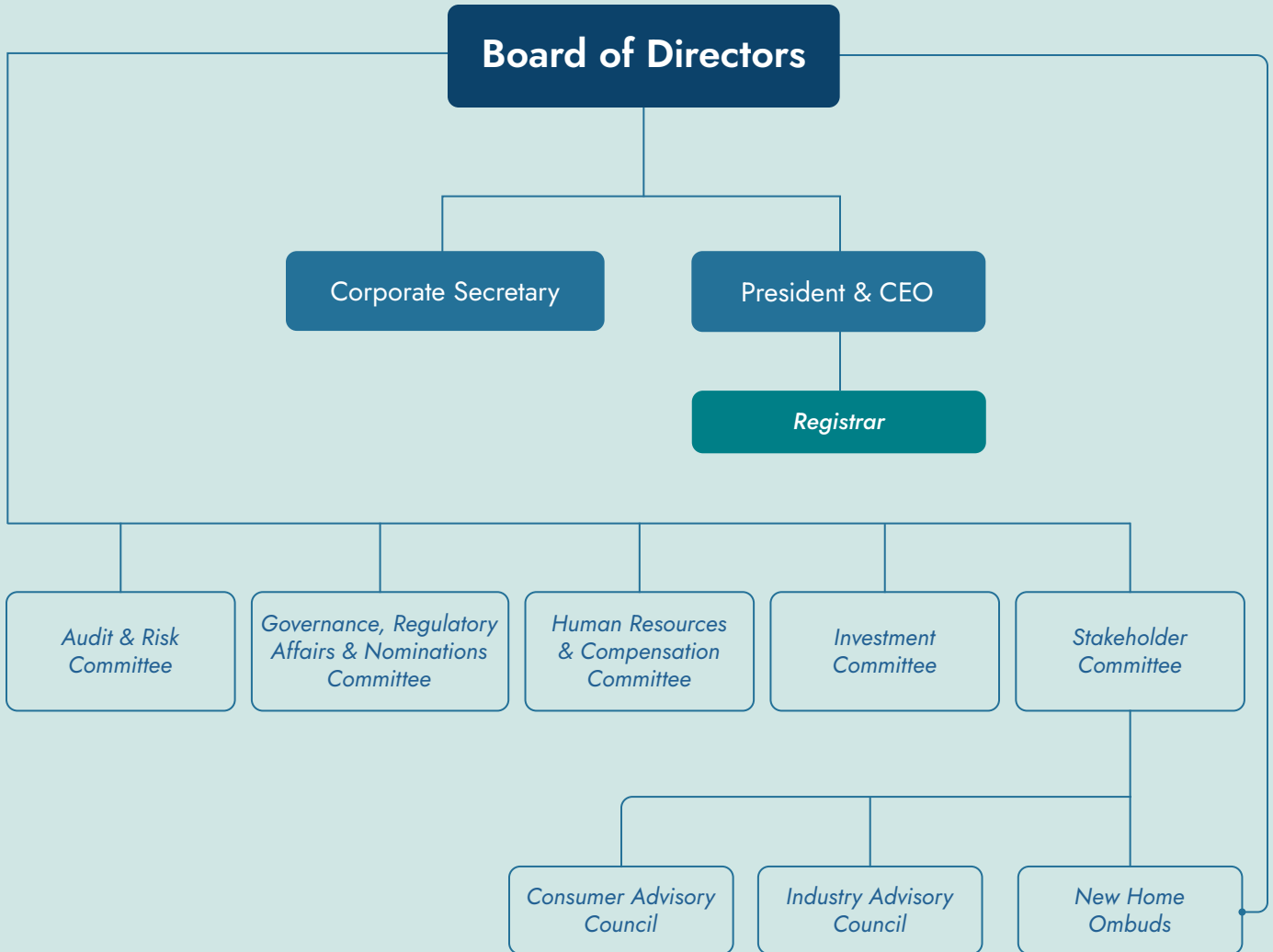
Toby Stolee

David Tsubouchi, B.A., J.D., LL.D, D.S.Litt., C. Dir

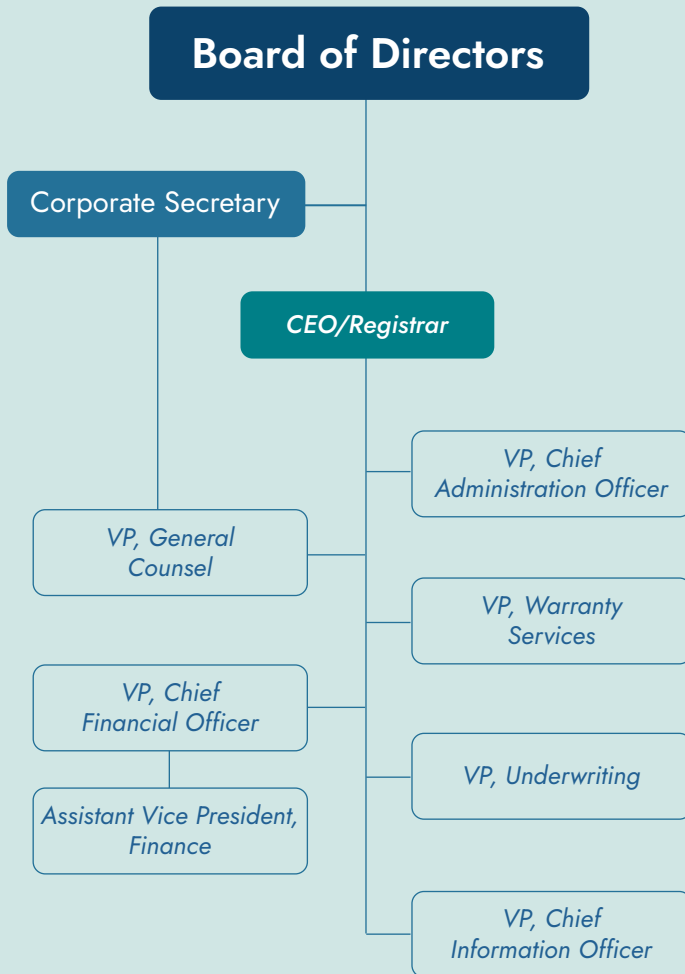
Amanda Walton, B.A., ICD.D

Board member profiles and terms are available on [Tarion.com](https://www.tarion.com).

Tarion's Governance Framework



Tarion's Corporate Leadership Team



Peter Balasubramanian
President & Chief Executive Officer, Registrar

Gena Argitis
Vice President, Chief Administration Officer

Kevin Brodie
Vice President, Underwriting

Edmond Lee
Vice President, Chief Financial Officer

Lesley Ross
Corporate Secretary

Tim Schumacher
Vice President, General Counsel

Tieu-Minh To
Assistant Vice President, Finance

Sophie Vlahakis
Vice President, Warranty Services

Bill Wallace
Vice President, Chief Information Officer

Profiles of the Corporate Leadership team are available on [Tarion.com/about/leadership-team](https://tarion.com/about/leadership-team).

Governance Structure, Policies & Practices

Tarion's Board has a governance structure that includes five standing committees, two stakeholder councils and the New Home Ombuds office. Its additional independent resources include the external auditor, internal auditor (a CPA firm), an actuary and other advisors when the Board sees the need for specialized know-how, strengthening corporate governance and rigorous internal control systems.

The organization has dynamic, forward-looking policies and practices that support the operations providing public service and is accountable to the Province of Ontario through the Minister of Public and Business Service Delivery (MPBSD).

Tarion's Board members are skills-based professionals who have extensive experience and specialized expertise that satisfies the demands under Tarion's mandate, its size and complexity. They understand the interests of key stakeholders, including new home buyers, builders, consumer advocates, the financial community, and the provincial and various municipal governments of Ontario.

The Board is responsible for the oversight of the organization, including promoting sound governance practices, conducting regulatory oversight and taking a leading role in setting the strategic direction of the organization in areas ranging from consumer protection to warranty administration and financial stewardship.

The Board acts in the best interest of the company (fiduciary duty), taking into account its consumer protection mandate and the interests of its stakeholders. Some highlights of the Board's current governance practices include the following:

Board Meeting and Performance

The Board, its standing and ad hoc committees and the two councils meet as often as necessary to handle the business needs and deliver on its mandate. For the Board, each committees and the two stakeholder councils, a meeting schedule is established every year by the Corporate Secretary. The prescribed meeting notice

periods are followed. The New Home Ombuds attends the Stakeholder Committee meetings and is formally empowered to call for a Board and/or Stakeholder Committee meeting at any time. In addition to the standard schedule, each one of these groups is free to meet as many times as necessary.

The Board Chair, Committee Chairs and the Council Chairs develop their agendas, with active support from the Corporate Secretary, in alignment with the by-laws, the Administrative Agreement and work plans captured in their respective Terms of Reference. Every meeting the Chair arranges for an information package to be sent to the attendees well in advance to allow them to be well prepared for each meeting. During the meetings, each director and the council member is expected to participate actively in discussion and decision making. To facilitate this, the meeting Chairs are accountable for fostering an environment of open discussion. Further, the meeting Chairs are free to hold "in-camera" sessions as necessary.

On a biennial basis, the Board undertakes a full Board performance assessment with the assistance of an outside facilitator. The assessment analyzes individual and combined performance on a confidential basis, and the key areas of attention are acted upon under the guidance of the Governance, Regulatory Affairs & Nominations Committee. In intervening years, this assessment is conducted by the Corporate Secretary, focusing on the standing committees and their respective Chairs.

Diversity and Independence

Diversity and independence are taken very seriously by the Board on an enterprise-wide basis. First, the Board does not have concentration of any single party with self-interest. Our Nomination Policy pays attention to electing independent directors fitting the approved competency framework and diversity and inclusivity policy. Next, the Board Chair is chosen by the elected directors, unless appointed by the Minister of Public and Business Service Delivery. The Board is comprised entirely of persons who are not employees of Tarion.

Code of Conduct & Governance Practices, Confidentiality & Conflict of Interest, and the Whistleblower Policy

The Board has a Code of Conduct & Governance Practices, Confidentiality & Conflict of Interest (the “Code”) and a Whistleblower Policy. Each member of the Board is required to sign it annually. These policies are intended to help the Board meet best practices, establish discipline and set the right tone from the top.

Tarion has a whistleblower policy in place and the program uses a third-party service provider where access is restricted to the designated case managers. The policy includes two key types of protection: (a) confidentiality and (b) protection against retaliation. Protections are included to encourage witnesses to participate in the investigation process. The protections are for a Tarion Director, employee, employment agency contractor, and independent consultant/contractor retained by Tarion. Complaints or tips can be reported (i) in as confidential a manner to the greatest extent possible; (ii) in an anonymous manner if the individual reporting so chooses; and (iii) without any fear of reprisal or adverse treatment for bringing such possible wrongdoing forward.

The Board and Senior Management take any allegation of wrongdoing very seriously. Reports of any wrongdoing and their remediation by Management are reported to, and overseen by, the Board. For any possible wrongdoing involving the President & CEO or a member of the Board, the policy provides for investigation to be undertaken by the Board Chair, the Chair of the Audit & Risk Committee and the Chair of the Human Resources & Compensation Committee.

Annual Business Plan, Budget and Strategic Planning

Under its Administrative Agreement with the Minister, Tarion’s Management develops its three-year operating plan, strategic priorities and the annual budget. In so doing, Tarion’s Board examines and stress tests the strategy plan, its assumptions and the environmental scan and approves those plans with any amendments where needed. During the year, the Board receives regular reports, monitors the performance throughout the year and advises on any course correction as well as strategies to mitigate any related or emerging risks.

Keeping our vision, mission, values and the legislated mandate in mind, each year the strategic planning process identifies long-term business opportunities, consumer protection and service standards, changes in the building industry’s environment, capital expenditures, digital transformation, succession planning, operational and financial and non-financial risks, emerging risks and key performance indicators. The Board oversees Management’s systems for managing business risk and periodically reviews reports about the strategic environment.

Governance Matters for 2022

In accordance with its annual Work Plan, the Board reviewed all of its policies, terms of reference and position descriptions for key Board roles, as they fall due. These documents are examined by the standing committees, the Governance, Regulatory Affairs & Nominations Committee and the Board to ensure they reflect the latest changes in legislation, expectations and their continued relevance. In addition, after an exhaustive review, analysis and consultations, the Board established fresh key performance indicators for the New Home Ombuds office, preserving a balance between the Board’s oversight and fiduciary duties and the New Home Ombuds office’s independence. During 2022, the Governance, Regulatory Affairs & Nominations Committee undertook a thorough review of By-Law #1 as we work towards compliance with the newly proclaimed *Ontario Not For Profit Act, 2010* (ONCA) that was proclaimed on October 19, 2021. Final changes to the By-Law are subject to approval by the MPBSD and this review is expected to be completed in 2023.

Responsibilities of the Committees of the Board

The Board has established the following standing committees, councils and the New Home Ombuds office:

1. Audit & Risk Committee
2. Governance, Regulatory Affairs & Nominations Committee
3. Human Resources & Compensation Committee
4. Investment Committee
5. Stakeholder Committee – directly reporting to the Stakeholder Committee are:
 - a. The Consumer Advisory Council (CAC);
 - b. The Industry Advisory Council (IAC); and
 - c. New Home Ombuds Office

The Board has articulated roles, responsibilities, duties of directors and any authorities delegated by the Board in the Terms of Reference for each of the Board Committees, New Home Ombuds Office and the two Councils.

Independent Ombudsperson

The mandate of the New Home Ombuds office is to investigate complaints from homeowners, independent of Tarion's Management and employees, about Tarion's conduct and to act as a source of information to help homeowners in getting assistance from Tarion. The New Home Ombuds has a completely independent office and its own website with direct and exclusive access to Ontario homeowners. Periodically, the Ombuds Office presents its reports to the Board/Stakeholder Committee. In the event of identifying systemic shortcomings, the New Home Ombuds makes and monitors implementation of those recommendations for improvements. Tarion's independent Ombudsperson plays a key role in the organization's overall commitment to consumer protection with due accountability, transparency and fairness.

For the New Home Ombuds office, we maintain a direct reporting relationship to the Board and an administrative reporting relationship with the Stakeholder Committee.

Audit & Risk Committee

Andy Kenins, CPA, CA, ICD.D, Chair

Marc Sammons, Vice Chair

Sameer Malik, B.A., ITIL, TOGAF Certified

David Tsubouchi, B.A., J.D., LL.D, D.S.Litt., C. Dir

The Audit & Risk Committee (ARC), composed of up to five members of the Board, reviews the quarterly financial statements and key performance indicators, the annual business plan and budget, the annual audited financial statements and financial operating performance reported in Tarion's Annual Report, the assessment of reserves and the results of capital adequacy testing. The Committee is also responsible for the development and monitoring of policies to address risk management, financial management as well as the framework for and system of internal control. It makes recommendations to the Board about the appointment of an external auditor, the internal auditor, the external actuary and any other independent assurance provider.

This Committee also provides advice on the external audit services and performs additional services, such as working jointly with the Human Resources & Compensation Committee to review Tarion's annual budget and to set corporate key performance indicators for the following year.

The Committee meets at least five times a year and at such other times as the Committee may determine.

The Committee meets without the presence of Management with the actuary and the internal and external auditors.

Risk Management

The ARC monitors, reviews and submits to the Board for approval the corporate policies that govern management of capital and the enterprise-wide integrated risk management framework, as well as compliance with company policies and regulatory requirements.

An executive risk management committee, composed of Tarion's senior executives, also identifies emerging issues and regularly reports to the ARC. On a monthly basis, Management assesses Tarion's operational experience against established risk appetite limits and reports any material breaches to the Board via the ARC, highlighting any need for mitigating actions. In addition, a comprehensive dashboard of key risk metrics is reviewed quarterly with the ARC and the Board.

The Board continues to apply and update Tarion's Risk Appetite Framework while utilizing as a best practice the Own Risk and Solvency Assessment guideline issued by the Office of the Superintendent of Financial Institutions (OSFI) for federally regulated insurers.

Governance, Regulatory Affairs & Nominations Committee

Hari Panday, FCPA, FCGA, ICD.D, NACD.DC, Chair

Toby Stolee, Vice Chair

RJ Falconi, B.Sc., J.D., ICD.D

Greg Graham, Pro.Dir, ICD.D

John Macintyre, B.A., C.Dir., H.R.C.C.C

The Governance, Regulatory Affairs & Nominations Committee (GRANC), composed of five Board members, provides recommendations to the Board about governance, regulatory and Board composition matters. It monitors compliance with Board governance policies, receives reports from Management or independent advisors, assesses any foreseeable governance risks and makes recommendations to the Board.

The Committee works with an external expert when it needs independent expertise on new legislative requirements, best practices, specific expectations of Administrative Authorities and the Board's performance self-assessment and peer evaluation. Further, the GRANC tracks each director's attendance as one of the criteria to support their annual re-election.

The Committee also assists the Board in: (a) periodically assessing the by-laws of Tarion; (b) fulfilling its oversight responsibilities pertaining to Tarion's regulation-making powers as provided under the *ONHWP Act*; (c) due diligence for the planning, research, stakeholder consultation and implementation of each proposed regulatory change; (d) evaluating the adequacy, alignment and effectiveness of current or proposed legislation or regulations to satisfy compliance with the mandate of the corporation; and (e) providing assistance in monitoring the implementation of its regulatory obligations and responsibilities as set out in Tarion's mandate.

Among its additional key responsibilities, the GRANC oversees matters related to Board composition, director selection according to the by-laws and ministerial orders, director onboarding and off-boarding, directors' continuing education, periodic peer evaluation, and compliance with the Code and Whistleblower policies. It submits its recommendations to the Board for approval and/or, in certain situations, for subsequent submission to the Members of the corporation.

Director Orientation (Onboarding) and Continuing Education

The GRANC is responsible for providing onboarding and charting out a continuing education program for the Board collectively and for directors individually. Newly elected and appointed directors attend orientation with our business and operations management to familiarize themselves with the organizational structure, governance framework, strategic plans, underwriting and claims activities, finances, investment policies, practices and methodologies applicable in Tarion's case, opportunities and risks. They are also provided with an online resource that contains detailed information to assist them with learning about the organization. They meet with senior management, the Board Chair and the Committee Chairs, and are asked to attend at least one meeting of each committee. Each director serves on at least one standing committee, but the most seasoned directors serve on at least two standing committees.

As part of ongoing education, Management personnel or outside experts make presentations to the Board throughout the year on specialized topics; new issues and developments in consumer protection; and legal, regulatory changes and industry initiatives.

Tarion is a corporate member of the Institute of Corporate Directors (ICD). This gives all directors and senior executives access to current research and ICD's director education programs as well as the latest information through their publications to enhance their current knowledge.

Nominations Committee

The Nominations Committee role is incorporated into the overall mandate of the GRANC.

Annually, the GRANC re-examines the position descriptions for each of these key roles within the Board structure: the Board Chair, Committee Chairs, all non-executive directors and members of the two stakeholder councils. In addition, the Board updates its competency criteria to align with the new legislation, administrative agreement, guidance and ministerial orders. In recent years, the importance of financial literacy skill has been significantly elevated due to recognition of the company's nature, business, complexity, new accounting standards, financial reporting and disclosures being similar to regulated property and casualty insurance companies.

In our nominations process, the Committee reaches out to a variety of sources including a search firm when needed, the Institute of Corporate Directors, Women in Capital Markets, Women in Construction, homeowners and professionals involved in the residential real estate services sectors. Tarion also posts details of any Board vacancies and the nomination materials on its website.

The Nominations Committee evaluates submissions from prospective candidates and invites successful candidates for either an in-person or a virtual interview. In addition to the information obtained, the Committee satisfies itself regarding the candidate's character, commitment to continuing Board education, time availability and diversity. Finally, the Committee recommends selected names to the Board for acceptance and approval by the Members.

In 2022, all vacancies were filled in compliance with our by-laws.

Human Resources & Compensation Committee

Marni Dicker, LL.B., B.C.L, ICD.D, Chair

Andy Kenins, CPA, CA, ICD.D, Vice Chair

Greg Graham, Pro.Dir, ICD.D

Sameer Malik, B.A., ITIL, TOGAF Certified

Amanda Walton, B.A., ICD.D

The Human Resources & Compensation Committee (HRCC) is composed of five members of the Board. The Committee oversees the implementation of talent management and Tarion-wide human resources issues, including corporate and labour legislation, remuneration policies and procedures, establishing or recommending to the Board the various components of compensation and key performance indicators for senior executives, and the Board's overarching company-wide compensation philosophy, which consists of base salary, annual incentives where applicable, benefit plans for all levels, pension plans and perquisites.

Additionally, the Committee leads the process of setting annual objectives for the President & CEO, the key performance indicators, performance valuation and compensation, benefits and incentives. It is responsible for making recommendations to the Board on the annual objectives for the President & CEO and for monitoring and evaluating performance against those objectives. The Committee works with external expert compensation advisers to satisfy comparability with other similar organizations.

The Committee also undertakes an annual succession review of the senior management team in consultation with the President & CEO.

HRCC reviews the director compensation every two years by engaging independent external experts who benchmark this against other comparable DAAs, private and broader public sector organizations in similar sectors, risk profile and governance frameworks. Board members are compensated for their contributions of time and expertise, covering a full schedule of Board and committee proceedings; attendance/participation in conference calls for the Board or other designated committees/task forces; telephone calls in the conduct of Tarion's business; time spent on reviewing meeting materials; and research and information preparation for Board/Committee/Task Force/Council meetings.

Board compensation is composed of a thoroughly researched and highly competitive annual retainer and a per diem fee for meetings held. Board members and the Chair receive an annual retainer of \$17,500 and \$55,000, respectively. The Committee Chairs receive an additional remuneration of \$8,000 per annum for the added workload carried by them throughout the year. Advisory Council Chairs receive \$4,000 per annum. Board members and the stakeholder council members receive a meeting fee of \$800 per meeting. Total Board remuneration for 2022 was \$587,958.

Investment Committee

John Macintyre, B.A., C.Dir, H.R.C.C.C, Chair

Marni Dicker, LL.B., B.C.L., ICD.D

Andy Kenins, CPA, CA, ICD.D

David Tsubouchi, B.A., J.D., LL.D, D.S.Litt., C. Dir

The Investment Committee, composed of up to five members of the Board, is responsible for the oversight of the warranty fund, corporate investment plans, policies and issues pertaining to corporate funds and the pension plan(s).

Tarion's investment strategies and policies are designed to optimize risk-returns within the Board-approved investment policy in order to meet the liquidity and funding needs of Tarion, while considering the credit, market and interest rate risks, as well as the timing and magnitude of corporate, operational and reserve requirements.

The Committee oversees the selection of external investment managers under the procurement policy by way of a request for proposal (RFP) process. It evaluates the RFPs and appoints multiple investment managers to suit the risk appetite set within the policy framework. It reviews and recommends the investment policies of the company each year for the Board's approval. The Investment Committee also assesses the performance of the chosen asset managers and recommends any changes to their strategies, plans and policies related to the invested assets of the company and conducts an asset-mix study every five years with the assistance of an independent investment advisor.

It also reviews, on a quarterly basis, reports from fund managers on investment activities, fund performance and macroeconomic factors, and it measures investment results against the investment objectives of the company. During times of above average volatility, frequent interactions take place with each of the asset managers.

In addition, with respect to the company's defined contribution pension plan, the Committee oversees Management's investment fund choices and management of the investment fund.

Stakeholder Committee

RJ Falconi, B.Sc., JD., ICD.D, Chair

Marni Dicker, LL.B., B.C.L., ICD.D, Vice Chair

Marc Sammons

Toby Stolee

Amanda Walton, B.A., ICD.D

The Stakeholder Committee is composed of five members of the Board. The Committee provides guidance, informed opinion and progressive ideas, and makes recommendations to the Board about the promotion of consumer interests and consumer protection initiatives related to Tarion's mandate and its commitment to new home buyers.

The Committee also assists Tarion's Management with consumer policy and warranty coverage development. It provides insight and input on issues by making recommendations on the development and delivery of consumer protection initiatives and policies by analyzing relevant consumer research data and by giving insight into current communication programs and trends.

The Committee oversees the New Home Ombuds office and the two Councils. Having both the Consumer Advisory and Industry Advisory Councils at the table assists us with hearing concerns and issues from our major stakeholders and helps the Board gain awareness and understanding of the concerns from both the stakeholder groups.

The Chairs of the Councils provide an update to the Stakeholder Committee at each regularly scheduled meeting.

The Committee meets with the New Home Ombuds at every meeting without the presence of Management.

Consumer Advisory Council

Vincenza Galatone, Chair

Trevor Kezwer, Vice Chair

Julia Chew

Graham Clarke

Sebastien Fournier

Dan Fried

Helene Gilhooly

Janice Mellary

Justin Tudor

The Consumer Advisory Council (CAC) consists of nine members and reports to the Stakeholder Committee of the Board of Directors of Tarion. The purpose of the CAC is to act as an advisory body who provides ongoing advice from a home buyer/consumer perspective on existing and proposed policies or any proposed changes impacting new home buyer consumers.

The CAC met a total of five times in 2022, including four quarterly meetings and a Joint Governance Session with the Industry Advisory Council (IAC). The Chair of the CAC attends each meeting of the Stakeholder Committee and is responsible for preparing a report outlining the recent work of the Council. The Council is comprised of individuals who are or have been recent new home buyers and professional leaders who have new home buyer clients and experience with consumer advocacy. All individuals must have a positive orientation towards consumer protection – whenever possible, preference is given to those with background or experience in mediation or arbitration.

During 2022, the CAC provided its consumer perspectives on a number of topics that affect new home buyers in Ontario, including response to the results of the 2021 Customer Satisfaction (CSAT) and Builder Satisfaction (BSAT) surveys, the New Home Ombuds Compliance Review Report and Quarterly Activity Reports, development of Tarion's upcoming enhancements to Tarion's warranty plan, a review of the user experience and user interface design of the MyHome platform and Tarion's website, a new Mediation Policy, an updated Video and Audio Recording Policy, Tarion's new mission, vision and values, and Tarion's 2023 Business Plan. The CAC also provided input on the development of consumer and stakeholder educational materials.

Furthermore, the CAC also provided formal submissions in response to a public consultation in February of 2022 on proposed changes to Tarion's Customer Service Standard (CSS) and the proposed increase to the warranty compensation limit. It provided additional feedback during the regulatory consultation on those topics and the proposed new temporary relocation warranty, which occurred in the fall of 2022.

Industry Advisory Council

Adam Carapella, Chair

Maria Kyveris, Vice Chair

Sam Biasucci

Adam Clarke

Melissa Gauthier

Rick Martins

Kevin O'Shea

The Industry Advisory Council (IAC) consists of seven members and reports to the Stakeholder Committee. The purpose of the IAC is to act as an advisory body who provides ongoing advice from a regulated industry perspective on any existing industry issues and proposed policies or on any of Tarion's proposed changes impacting new home builders.

The IAC met a total of five times in 2022, including four quarterly meetings and a Joint Governance Session with the Consumer Advisory Council (CAC). The Chair of the IAC attends each meeting of the Stakeholder Committee and is responsible for preparing a report outlining the recent work of the Council. The Council is comprised of individuals who possess a building sector competency in either freehold homes or condominiums.

At the meetings that took place in 2022, the IAC provided its industry perspectives on a number of topics that affect new home buyers and the new home industry in Ontario, including response to the results of the 2021 Builder Satisfaction (BSAT) and Customer Satisfaction (CSAT) surveys, a review of the user experience and user interface design of the MyHome platform, BuilderLink improvements, a new Mediation Policy, an updated Video and Audio Recording Policy, Tarion's new mission, vision and values, Tarion's 2023 Business Plan, and to provide input on the development of consumer and stakeholder educational materials.

The IAC also provided formal submissions in response to a public consultation in February of 2022 on proposed changes to Tarion’s Customer Service Standard (CSS) and proposed increase to the warranty compensation limit and provided additional feedback during the regulatory consultation on those topics and the proposed new temporary relocation warranty which occurred in the fall of 2022.

Directors’ Attendance

The number of Board, Board standing committee and Council meetings held by the company during 2022 was as follows:

Attendance	# of Meetings
Board of Directors	18
Audit & Risk Committee	8
Governance & Regulatory Affairs Committee	4
Human Resources & Compensation Committee	6
Investment Committee	6
Stakeholder Committee	5
Consumer Advisory Council	5
Industry Advisory Council	5
Total	57

The table below shows directors whose terms ended and/or commenced concurrent with the Annual Meeting of Members in April 2022. Board member profiles and terms are available on Tarion.com.

Director	Board of Directors		Committee		Total	
	Held	Attended	Held	Attended	Held	Attended
DeBiasio, Peter**	4	3	2	0	6	3
Dicker, Marni	18	17	16	15	34	32
Falconi, RJ	18	18	6	6	24	24
Graham, Greg	18	16	11	9	29	25
Kenins, Andy	18	17	18	18	36	35
Libfeld, Sheldon*	6	4	2	0	8	4
Macintyre, John	18	18	12	12	30	30
Malik, Sameer	18	18	14	14	32	32
Panday, Hari	18	17	5	5	23	22
Sammons, Marc	18	15	12	12	30	27
Stolee, Toby	18	18	9	8	27	26
Tsubouchi, David	18	16	12	10	30	26
Walton, Amanda	18	16	8	7	26	23

The President & CEO and key senior executives attend all meetings of the Board and each of its committees.

* Appointment ended April 2022.

** Stepped down in June 2022, citing personal and business reasons. This vacancy is expected to be filled at the 2023 AGM.

Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) provides relevant insights into the assessment of the financial condition and results of Tarion. This MD&A should be read in conjunction with Tarion's audited financial statements for the year ended December 31, 2022, which are prepared in accordance with the Internal Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (ISAB).

Financial Highlights

While 2022 marked a successful year for Tarion operationally with the accomplishment of many of its strategic business objectives including the launch of its new Vision and Mission, the Guarantee Fund was significantly challenged by the volatile global capital markets and economic uncertainties. Despite a resilient Ontario housing market with strong enrolment levels in 2022, Tarion experienced a large financial deficit due to the tumultuous stock and bond markets.

Global capital markets were volatile in 2022 and were the major driver behind the financial loss in 2022. Tarion's Guarantee Fund depreciated by \$51.9M to \$702.3M. The market value depreciation was due to uncertainties in the global economy and tightening of monetary policy. Tarion's accounting policy for financial assets (i.e. the investment portfolio) is to mark the value to market. As such, market value fluctuations for the reporting period were recognized in the Statement of Comprehensive Results of Operations, whether realized or not.

The year ended with total enrolment levels at 73,383 compared to 74,022 in 2021, a slight decrease of 0.9%, mainly driven by a net decline in freehold units enrolled. There was a shift in housing type mix in 2022 – with a decrease in freehold enrollments from 2021 largely driven by home builders slowing down their construction efforts as they prepare for the potential recession brought on by high inflation rates, high interest rates and supply chain issues/constraints. Enrolment levels for high-rise on the other hand were higher than prior year. The increase in High rise enrollments from 2021 is largely driven by the influx of prior planned Condo projects enrolling their units as they progressed in their development/construction phases. Earned enrolment fees were higher due to freehold and high-rise deferred revenue from prior years being recognized in revenue.

In 2022, Tarion paid out \$36.4M to resolve warranty claims from new home buyers. The increase in claims payments was mainly driven by some significant large first and second-year claims and deposit refunds on freehold enrolments for claims incurred in 2021 years and prior. The 2022 net claims incurred of \$23.3M was \$12.8M lower than 2021.

Total operating expenses (excluding net claims incurred) increased by \$15.0M to \$69.1M. The Corporation incurred higher operating expenses during the year as the organization made significant investment into its technology, process improvements and people to support its new vision and mission of providing excellent customer service and the best new home warranty program in Canada. Salaries and benefits increased by \$3.2M as staffing was augmented to enhance customer service delivery experience and clearing the remaining backlog related to COVID 19. General and administrative expenses increased by \$7.9M while depreciation and amortization increased by \$2.4M. The Corporation made significant investment of \$5.7M into its information systems and infrastructure to transition Tarion's operational applications and software solutions to the cloud-based Salesforce platform. Our risk management was also enhanced with expanded risk-based inspection program, cyber security and data and privacy protections. The Corporation incurred \$1.0M expenditure relating to the implementation of IFRS 17, a new accounting standard that will enable greater transparency in the reporting of financial results on insurance contracts.

Tarion ended the year with the Guarantee Fund at \$702.3M of which \$421.4M supports warranty liabilities and \$280.9M is available for future warranty and service improvements and protection against possible catastrophic warranty losses.

Equity

Tarion's total equity balance decreased by \$82.5M to \$215.0M driven by the current year's negative bottom line of \$84.9M, plus an actuarial gain due to the change in discounting rate on post-employment benefits plan of \$2.5M.

Capital Expenditures

Additions to Property, Plant and Equipment increased by \$1.2M related mostly to leasehold improvements to the Corporate office.

Financials

Tarion Warranty Corporation

December 31, 2022

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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 ("IFRS") as issued by the International Accounting Standards Board ("IASB"). 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 Audit & Risk Committee (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 & Risk Committee of the Board of Directors.

The Audit & Risk 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 & Risk Committee reviews the financial statements prepared by management and then recommends them to the Board of Directors for approval. The Audit & Risk 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 Auditor's report outlines the scope of their audit and their opinion.

S/D

Peter Balasubramanian
President & Chief Executive Officer
April 27, 2023

S/D

Edmond Lee
Vice President & Chief Financial Officer
April 27, 2023

Independant Auditor's 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, 2022
- 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 the Corporation as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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 "**Auditor's Responsibilities for the Audit of the Financial Statements**" section of our auditor's 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.

Other Information

Management is responsible for the other information. Other information comprises the information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "2022 Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

The information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "2022 Annual Report" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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) as issued by the International Accounting Standards Board (IASB), 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.

Auditor's 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 auditor's 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 auditor's 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 auditor's 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; and
- 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.

A handwritten signature in black ink that reads "KPMG LLP". The letters are slanted and connected, with a horizontal line underneath the signature.

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada

April 27, 2023

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, 2022 and their change in the Statement of Comprehensive Results of Operations for the year ended December 31, 2022 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.

S/D

Nicolas Beaudoin
Fellow, Canadian Institute of Actuaries
April 27, 2023

Tarion Warranty Corporation Statement of Financial Position

For the year ended December 31, 2022
(in thousands of Canadian dollars)

	Notes	2022	2021
ASSETS			
Cash and cash equivalents	4	4,711	5,579
Trade and other receivables from vendors and builders	5	21,881	16,218
Prepaid expenses and other assets	6	2,732	27,049
Investments	7	702,334	754,256
Unearned reinsurance premium	8	5,383	4,944
Property, plant and equipment	9	5,386	4,196
Intangible assets	10	9,573	12,801
TOTAL ASSETS		752,000	825,043
EQUITY AND LIABILITIES			
LIABILITIES			
Accounts payable and accrued liabilities	11	11,745	40,528
Lease obligations and inducements	13	2,044	2,725
Warranty liabilities	14	421,381	388,708
Funds held as security	15	93,678	86,201
Derivatives	7	2,644	675
Employee future benefits liabilities	16	5,489	8,713
TOTAL LIABILITIES		536,981	527,550
EQUITY		215,019	297,493
TOTAL EQUITY AND LIABILITIES		752,000	825,043

Commitments and contingencies 12

See accompanying notes to financial statements.

Approved by the Board of Directors

S/D

Hari Panday.
Director and Chair of the Board

S/D

Andy Kenins
Director and Chair of Audit & Risk
Committee

Tarion Warranty Corporation Statement of Comprehensive Results of Operations

For the year ended December 31, 2022
(in thousands of Canadian dollars)

	Notes	2022	2021
REVENUE			
Gross home enrolment fees earned	14	61,831	57,013
Earned reinsurance loss premium	8	(771)	(592)
Net home enrolment fees earned		61,060	56,421
Builders' registration and renewal fees	1	-	154
Investment results			
Investment income/(loss)	17	(53,867)	42,376
Investment management expense		(2,220)	(1,972)
Other revenue		1,715	1,254
TOTAL REVENUE		6,688	98,233
EXPENSES			
Net claims incurred	14	23,251	36,029
Salaries and benefits		35,722	32,560
General and administrative		24,860	16,976
Depreciation and amortization	9, 10, 13	6,477	4,090
Interest expense	18	1,266	439
TOTAL EXPENSES		91,576	90,094
Transformation costs	12B	51	1,877
EXCESS OF EXPENSES OVER REVENUE		(84,939)	6,262
OTHER COMPREHENSIVE RESULTS OF OPERATIONS			
<i>Amounts not subsequently classified to Statement of Results of Operations</i>			
Actuarial gains/(losses) for employee future benefits	16	2,465	1,080
TOTAL COMPREHENSIVE RESULTS OF OPERATIONS FOR THE YEAR		(82,474)	7,342

See accompanying notes to financial statements.

Tarion Warranty Corporation Statement of Changes in Equity

For the year ended December 31, 2022
(in thousands of Canadian dollars)

	2022	2021
Beginning of the year	297,493	290,151
Excess of expenses over revenue for the year	(84,939)	6,262
Other comprehensive result of operations		
<i>Amounts not subsequently classified to Statement of Results of Operations</i>		
Actuarial gains/(losses) for employee future benefits	2,465	1,080
TOTAL EQUITY, END OF YEAR	215,019	297,493

See accompanying notes to financial statements.

Tarion Warranty Corporation

Statement of Cashflows

For the year ended December 31, 2022
(in thousands of Canadian dollars)

	Notes	2022	2021
NET INFLOWS (OUTFLOWS) OF CASH RELATED TO THE FOLLOWING ACTIVITIES			
OPERATING			
Home enrolment fees received		92,312	85,926
Builders' registration fees received		-	155
Recoveries from builders for claims and conciliation fees		11,449	8,762
Securities receipts from builders, net of releases		6,750	12,731
Payments to employees for salaries and benefits		(35,976)	(33,038)
Payments to suppliers for general and administrative expenses		(25,045)	(13,423)
Claims payments		(36,414)	(22,799)
Reinsurance premium paid		(1,210)	(1,160)
Interest expenses		(539)	(661)
Other miscellaneous fees received or paid		(446)	185
HCRA Funding	12B	(390)	(292)
Transformation costs	12B	(1,160)	(4,160)
Cash provided by operating activities		9,331	32,226
INVESTING			
Dividend received		3,080	13,425
Interest received		12,428	11,830
Proceeds from sale and maturity of investments		962,042	1,153,653
Purchase of investments		(982,309)	(1,204,597)
Investment management fees		(2,290)	(1,784)
Purchase of intangible assets		(1,820)	(7,007)
Purchase of equipment and leaseholds		(2,926)	(1,348)
Proceeds from settlement of derivatives		2,277	1,375
Cash used in investing activities		(9,518)	(34,453)
FINANCING			
Payment on lease obligation		(681)	(940)
Cash used in financing activities		(681)	(940)
EQUIVALENTS DURING THE YEAR		(868)	(3,166)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		5,579	8,746
CASH AND CASH EQUIVALENTS, END OF YEAR		4,711	5,579

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 fees and invests available funds (Guarantee Fund) which is used for the purposes of settling warranty claims from homeowners 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.

As part of a provincial legislation that was passed in December 2017, effective February 1, 2021, the Corporation transferred its regulatory mandate to register and license home builders and vendors in Ontario to a separate regulator, the Home Construction Regulatory Authority (“HCRA”) while retaining its mandate to administer new home warranty in Ontario. As such, the Corporation no longer collects builders’ registration and renewal fees effective February 1, 2021. During the start-up and post-open doors phase, the Corporation has a funding agreement with HCRA to provide financial support. See Note 12B for details.

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, 7th 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, 2022, were approved by the Corporation’s Board of Directors and authorized for issue on April 27, 2023.

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.

A. Cash and cash equivalents

Cash and cash equivalents comprise 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. The amortized cost of cash approximates its fair value.

B. 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.

C. 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, the equity portfolio, and derivative assets are classified as FVTPL. Financial assets at FVTPL are measured initially on trade date 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

- Derivatives

The Corporation holds currency forward contracts to manage its major foreign currencies exchange exposure arising from its financial assets. These derivative financial instruments are classified as FVTPL assets or liabilities and are initially recorded at fair value. The fair value of derivative financial instruments is based on quoted market prices, unless they are non-publicly traded in which case fair value is estimated on the basis of models and includes an element of credit risk.

The Corporation has presented derivative financial instruments on a net basis where the Corporation has the right and intent to offset. When the net fair value is positive, a net asset is reported and when the net fair value is negative, a net liability is reported. Where the Corporation does not have the right and intent to offset, derivative financial instruments with a positive fair value are recorded as an asset while derivative financial instruments with a negative fair value are recorded as a liability.

Realized gains and losses are recorded as realized gains (losses) and changes in the fair value of these contracts are recorded as unrealized gains / losses on derivative assets which is a component of investment income/(expense) on the statement of comprehensive results of operations.

- Other financial liabilities

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

D. 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 9 to the Financial Statements and included in the Statement of Comprehensive Results of Operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation is provided at the following rates:

Recognized in accordance to IAS 16 – Property, plant and equipment:

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
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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 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. leases 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. 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 10 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

F. Leases

Lease liabilities

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.

G. 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 incurrance of claims liabilities and their settlement. Accordingly, the estimation of the liabilities involves significant measurement uncertainty, which is further described in Note 3 & Note 14. 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 incurrance 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

H. 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 premiums 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.

I. 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 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.

J. 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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.

K. 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.

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.

L. 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.

M. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**N. 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.

O. Future accounting changes

Other standards effective for periods beyond 2022 including Classification of liabilities as current or non-current (Amendments to IAS 1), Definition of accounting estimates (Amendments to IAS 8), and Disclosure of accounting policies (Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements) are not expected to have a significant impact on the Corporation.

IFRS 17 – Insurance Contracts

The new standard is effective for annual periods beginning on or after January 1, 2023 and will replace IFRS 4 Insurance Contracts. IFRS 17 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.

The Corporation intends to adopt IFRS 17 in its financial statements for the annual period beginning on January 1, 2023. The Corporation is currently assessing the impact of this standard and the below analysis of the expected qualitative and quantitative impacts as a result of IFRS 17 are not exhaustive. The Corporation has not completed the IFRS 17 period end reporting for a portion of 2022 given the timing of this reporting. As a result, the below analysis represents the Corporation's best estimate based on information available at present and are subject to change and emerge differently.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Corporation continues to finalize its application of this standard, its assessment of the qualitative implications are as follows:

- **Scope:** IFRS 17 introduces scope exemptions for specific types of contracts. The Corporation does not expect significant change in the scope of insurance contracts between IFRS 4 and IFRS 17.
- **Level of aggregation:** IFRS 17 requires groups of contracts to be aggregated and measured based on contracts subject to similar risks and managed together, profitability, and contracts issued not more than one year apart. The Corporation determines contracts subject to similar risks are managed together under one portfolio. The Corporation will cohort its new business using annual cohorts. When an insurance contract is written, it will be assigned a profitability group based on the expected profitability on the date of initial recognition.
- **Measurement model:** The Corporation will apply the General Measurement Model (GMM) under IFRS 17 for all direct contracts under the residential portfolio. The GMM measures groups of insurance contracts based on the Corporation's estimates of the present value of future cash flows that are expected to arise as it fulfils insurance contract obligations, an explicit risk adjustment for non-financial risk and a Contractual Service Margin (CSM). The CSM represents the unearned profit of a group of insurance contracts and is recognized into income over the coverage period as the Corporation provides insurance contract services. The Corporation expects to measure the residential portfolio under the GMM model.
- **Reinsurance contracts held:** The Company will apply the Premium Allocation Approach ("PAA") to its reinsurance contracts held which is similar to how they are measured under IFRS 4. Measuring the asset for incurred claims will include any risk of non-performance of the reinsurer.
- **Presentation and disclosure:** IFRS 17 introduces changes to the way in which the Corporation will present and disclose financial results. Insurance contract liabilities presented in the balance sheets will consist of premiums receivable, deferred policy acquisition cash flows, unearned premiums, onerous loss component (if applicable), discounted and risk adjusted claim liabilities, and other related liabilities. Reinsurance contract assets will be separately presented in the balance sheets and will include amounts expected to be recovered from reinsurers and an allocation of the reinsurance premiums paid. The reclassification of amounts on the balance sheets are expected to result in a reduction in assets and liabilities of the Corporation. The Statement of comprehensive results of operations will no longer include premiums written, instead it will include an insurance service result comprising insurance revenue and insurance service expenses. Insurance finance income or expense will be presented within investment result. There will be significant insurance contract roll-forward schedules, discount rates as well as some changes to the claims development table to reconcile to the liabilities for incurred claims.

P. Changes in Significant Accounting Policies

There were no new or amendments to accounting standards that impacted the financial statements.

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.

COVID-19 Pandemic Impact

The remaining impact of COVID 19 on the Corporation is the backlogs on conciliations and inspections arising from the extension warranty assessment timelines due to government-issued emergency orders in 2020 and 2021, which could give rise to uncertainty in the frequency and severity of claims emergence patterns. The Corporation has allocated additional resources to address the backlogs and anticipates the return to normal levels by next year.

3. KEY ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)**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. 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 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 claims settlement amounts, historical precedents and trends, prevailing legal, economic, social, and regulatory environments, and expectations of future developments.

Details of the key assumptions used in the estimates are contained in Note 14. 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

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 14.

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 16G.

Measurement of fair values of financial instruments

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices. For all other financial instruments, the Corporation determine fair value through valuation techniques. Details of the key assumptions used in the estimates are contained in Note 7.

Tarion Warranty Corporation

Notes to Financial Statements

For the year ended December 31, 2022

(in thousands of Canadian dollars)

4. CASH AND CASH EQUIVALENTS

At December 31, 2022, cash and cash equivalents was solely cash at the bank and on hand of \$4,711 (2021: \$5,579) with no short-term deposits or bank overdrafts payable on demand.

The Corporation also has a \$2,000 (2021: \$2,000) unsecured demand operating facility it can draw on of which the amount outstanding at December 31, 2022 is Nil (2021: Nil).

5. TRADE AND OTHER RECEIVABLES FROM VENDORS AND BUILDERS

Trade and other receivables from vendors and builders consist of four components:

- 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 licensed 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 fees.
- Recoverable on incurred but not yet reported ("IBNR") represents the actuarial valuation adjustment that incorporates the historical claims recovery experience on the Trade and Other receivables from vendors and builders related to the warranty liabilities under the gross basis presentation.

	Notes	2022	2021
Gross trade receivables		66,744	43,706
Less: Allowance for impairment		(59,993)	(37,991)
Trade receivables		6,751	5,715
Amounts recoverable from vendors and builders		13,131	9,430
Other receivables from vendors and builders		1,949	1,546
Recoverable on IBNR		50	(473)
Total trade and other receivables from vendors and builders		21,881	16,218

The Corporation undergoes an underwriting process for new and existing licensed builders 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 for each applicant may vary, 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 when new enrolments are submitted for approval by the applicant.

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

As at December 31, 2022, there was four vendors and builders (2021: four vendors and builders) 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, 2022 was limited to \$1,994 (2021: \$2,006).

As described in Note 15, the Corporation obtains security from builders to minimize its financial losses from future warranty claims. At December 31, 2022 there is \$11,568 (2021: \$5,942) of cash and non-cash security held associated with the trade and other receivables from vendors and builders.

A. Unlicensed vendors and builders

Warranty coverage is also available for homes which were built by unlicensed builders. However, under the Act, unlicensed 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 unlicensed vendors and builders built. Included in the total trade and other receivables from vendors and builders as at December 31, 2022 are amounts recoverable from unlicensed vendors and builders of \$383 (2021: \$291).

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, 2022, the trade and other receivables from vendors and builders includes \$4,409 (2021: \$4,437) that are greater than 90 days past due but not considered to be impaired. The Corporation considers licensed 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 7.45% (Prime + 1%) (2021: 3.45%) 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.

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

	2022	2021
1 to 90 Days	2,342	1,278
91 to 360 Days	2,569	2,624
Over 360 Days	1,840	1,813
Total trade receivables	6,751	5,715

C. Movement in trade receivables

	2022	2021
Gross Trade Receivables		
Beginning of year	43,706	36,702
New Bills Issued	36,491	16,965
Write-offs Processed	(1,741)	(1,265)
Recoveries	(11,712)	(8,696)
End of year	66,744	43,706
Allowance for Impairment		
Beginning of year	(37,991)	(32,463)
Expected Credit Loss Allowance	(23,743)	(6,793)
Write-offs Processed	1,741	1,265
End of year	(59,993)	(37,991)
Total trade receivables, end of year	6,751	5,715

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 2022 change in allowance is a reversal of \$2,052 (2021: \$598) which relates to amounts previously written off.

6. PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets consist of the following.

	2022	2021
Unsettled investment trades	98	25,559
Prepaid expenses	1,414	1,490
Other Receivable	1,220	-
Total prepaid expenses and other assets	2,732	27,049

7. FINANCIAL INSTRUMENTS

Investments in the fixed income portfolio, and the equity portfolio represent accumulated proceeds from the enrolment and builder registrations fees. Registration fees were collected until registration activities were transferred to HCRA on February 1st, 2021. 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. 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 14, 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 15. 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 19, 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 financial condition testing 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, the equity portfolio and derivative assets as FVTPL financial assets. These 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, equities and foreign currency forward contracts 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 7.45% (2021: 3.45%).

7. FINANCIAL INSTRUMENTS (continued)

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, 2022 and 2021:

	2022			2022
	Level 1	Level 2	Level 3	Fair Value
Financial assets measured at FVTPL				
Fixed income portfolio:				
Canadian treasury bills and short-term notes	-	26,011	-	26,011
Canadian government and agency	-	175,308	-	175,308
Canadian corporate bonds	-	190,264	-	190,264
Canadian Commercial Term Mortgage (1)	-	71,867	-	71,867
Foreign Diversified Fixed Income Fund (2)	-	42,678	-	42,678
Fixed income portfolio	-	506,128	-	506,128
Equities				
Equity securities, pooled funds	-	136,632	-	136,632
Limited partnership units (3)	-	-	59,564	59,564
Derivatives	10	-	-	10
Total investments	10	642,760	59,564	702,334
Cash and cash equivalents	4,711	-	-	4,711
Total financial assets	4,721	642,760	59,564	707,045
Financial liabilities measured at FVTPL				
Derivatives	2,644	-	-	2,644
Financial liabilities measured at amortized cost				
Funds held as security	-	-	83,664	83,664
Total financial liabilities	2,644	-	83,664	86,308

- (1) Consist of assets held in the ACM Commercial Mortgage Fund; First and second mortgages secured by Canadian commercial real estate.
- (2) Consist of debt securities held in the PIMCO Global Investors Series Diversified Income Fund (Hedged in CDN\$). The Fund invests at least two-thirds of its assets in a diversified portfolio of Fixed Income Instruments (a combination of both sovereign and corporate debt instruments) of varying maturities. The remaining assets in the portfolio consist of PIMCO Funds (i.e. Asia Strategic Interest Bond Fund, Asia High Yield Bond Fund, European High Yield Bond Fund, US Short Term Fund, US Dollar

7. FINANCIAL INSTRUMENTS (continued)

Short-term Floating NAV Fund, and US Dollar Short Maturity UCITS ETF).

- (3) Consist of infrastructure investment assets invested into approximately 51% of the IFM Infrastructure Pooled Asset Fund and 49% of assets in the Axiom Infrastructure Asset Fund.

	2021			2021
	Level 1	Level 2	Level 3	Fair Value
Financial assets measured at FVTPL				
Fixed income portfolio:				
Canadian treasury bills and short-term notes	-	16,261	-	16,261
Canadian government and agency	-	166,147	-	166,147
Canadian corporate bonds	-	263,853	-	263,853
Canadian Commercial Term Mortgage (1)	-	71,282	-	71,282
Foreign Diversified Fixed Income Fund (2)	-	51,170	-	51,170
Fixed income portfolio	-	568,713	-	568,713
Equity portfolio	-	185,543	-	185,543
Total investments	-	754,256	-	754,256
Cash and cash equivalents	5,579	-	-	5,579
Total financial assets	5,579	754,256	-	759,835
Financial liabilities measured at FVTPL				
Derivatives	675	-	-	675
Financial liabilities measured at amortized cost				
Funds held as security	-	-	81,629	81,629
Total financial liabilities	675	-	81,629	82,304

- (1) Consist of assets held in the ACM Commercial Mortgage Fund; First and second mortgages secured by Canadian commercial real estate.

- (2) Consist of debt securities held in the PIMCO Global Investors Series Diversified Income Fund (Hedged in CDN\$). The Fund invests at least two-thirds of its assets in a diversified portfolio of Fixed Income Instruments (a combination of both sovereign and corporate debt instruments) of varying maturities from global and emerging markets. The remaining assets in the portfolio consist of PIMCO Funds (i.e., Asia Strategic Interest Bond Fund, Asia High Yield Bond Fund, European High Yield Bond Fund, US Short Term Fund, US Dollar Short-term Floating NAV Fund, and US Dollar Short Maturity UCITS ETF). A small percentage of the assets (i.e., <1%) are centrally cleared/over-the-counter financial derivative instruments, and Futures.

Transfers between levels

The Corporation recognizes transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period based on the fair values presented in the previous reporting period.

There were no transfers between levels in the fair value hierarchy during the year end December 31, 2022 (2021: Nil)

7. FINANCIAL INSTRUMENTS (continued)

Change in fair value measurement for items classified as Level 3:

The following table presents the change in fair value for items carried at fair value and classified as Level 3:

	Investment December 31, - FVTPL
2022	
Fair value as at January 1 2022	-
Purchases (Contributions)	55,914
Distributions received	(406)
Change in Unrealized gain / loss	3,758
Other Income and Expenses	299
Level transfers	-
Fair value as at December 31 2022	59,564
2021	
Fair value as at January 1 2021	-
Purchases (Contributions)	-
Distributions	-
Change in Unrealized gain / loss	-
Other Income and Expenses	-
Level transfers	-
Fair value as at December 31 2021	-

As observable prices are not available for these infrastructure investments classified as Level 3 investments in estimating the fair value of the investment of both Infrastructure Asset Pooled Funds, Tarion's investment in the IFM and the Axiom Infrastructure Pooled Funds are valued at fair value based on the partnership's proportionate interest in the net assets of these Funds. The significant unobservable inputs used in the fair value measurement of the Corporation's infrastructure assess instruments are cash flow forecasts and discount rates as reported by the Fund Manager. The Infrastructure Asset Fund Managers reports the fair value for these securities by engaging external valuation services. These external valuation services utilize cash flow forecasts obtained from management and other sources. Significant increases or decreases in either of these inputs in isolation would result in a significantly lower or higher fair value measurement. Discount rates applied in the valuation of investments are determined with reference to individual components of the investments and take into account key considerations such as geo-political risk, counterparty risk, regulatory risk and operational risk.

Security Type	Year End	Fair Value	Valuation Technique	Significant Unobservable Input	Relationship of unobservable inputs to fair value	Sensitivity (1)
Equity Portfolio - limited partnership units	2022	59,564	Net asset method; based on audited fair value of net assets of the L.P. Investment	Net asset value	The higher the net asset value, the higher the fair value	\$5,956 / (\$5,956)

(1) At December 31, 2022, had the net asset value of the LP Investments increased/decreased by 10% compared to the current net asset value at December 31, 2022 with all other variables held constant, the increase or decrease respectively in the fair value of the investment.

7. 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:

Terms of Maturity (1)	2022				Total
	Due within one year	Due one through five years	Due five through ten years	Due after ten years	
Government					
Federal	37	126,097	2,174	-	128,308
Yield to Maturity (YTM)	4.5%	3.6%	3.4%	-	3.6%
Provincial	-	32,087	14,009	-	46,096
YTM	-	4.0%	3.8%	-	3.9%
Municipal	-	193	-	-	193
YTM	-	4.0%	-	-	4.0%
Treasury Bills	25,913	-	-	-	25,913
YTM	4.3%	-	-	-	4.3%
Total Government	25,950	158,377	16,183	-	200,510
YTM	4.3%	3.7%	3.8%	-	3.7%
Financial Institutions	11,428	69,452	1,377.00	-	82,257
YTM	5.3%	5.1%	4.8%	-	5.1%
Other Corporate	11,085	81,895	13,475	-	106,455
YTM	5.2%	5.0%	4.8%	-	4.9%
Mortgage Trust Fund	-	61,970	9,898	-	71,868
YTM	-	6.9%	6.1%	-	6.8%
Foreign Diversified Fixed Income Fund	-	-	42,678	-	42,678
YTM	-	-	8.0%	-	8.0%
Total Fixed Income	48,463	371,694	83,611	-	503,768
Accrued Interest	2,361	-	-	-	2,361
Total Fixed Income with Accrued Interest	50,824	371,694	83,611	-	506,129
YTM	5.0%	4.5%	6.5%	-	5.1%

(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.

Tarion Warranty Corporation

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For the year ended December 31, 2022
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7. FINANCIAL INSTRUMENTS (continued)

Terms of Maturity (1)	2021				Total
	Due within one year	Due one through five years	Due five through ten years	Due after ten years	
Government					
Federal	8,591	73,854	4,420	-	86,865
Yield to Maturity (YTM)	0.9%	1.3%	1.3%	-	1.3%
Provincial	-	78,086	813	-	78,899
YTM	-	1.4%	1.6%	-	1.4%
Treasury Bills	16,255	-	-	-	16,255
YTM	0.2%	-	-	-	0.2%
Total Government	24,846	151,940	5,233	-	182,019
YTM	0.6%	1.4%	1.3%	-	1.4%
Canadian Financial Institutions	2,007	127,612	14,350	-	143,969
YTM	0.4%	2.0%	2.6%	-	2.1%
Other Canadian Corporate	21,159	94,677	2,495	-	118,331
YTM	1.1%	1.8%	2.2%	-	1.8%
Canadian Mortgage Trust Fund	10,357	46,569	14,356	-	71,282
YTM	4.7%	4.1%	3.7%	-	4.0%
Foreign Diversified Fixed Income Fund	-	-	-	51,170	51,170
YTM	-	-	-	4.2%	4.2%
Total Fixed Income	58,369	420,798	36,434	51,170	566,771
Accrued Interest	1,942	-	-	-	1,942
Total Fixed Income with Accrued Interest	60,311	420,798	36,434	51,170	568,713
YTM	0.9%	1.8%	2.8%	4.2%	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 through its pooled fund investments. The Corporation's equity portfolio is diversified and invested in well established, active, and liquid markets.

7. FINANCIAL INSTRUMENTS (continued)

	2022		2021	
Health Care	21,959	16%	23,360	13%
Financials	21,543	16%	34,186	18%
Industrials	21,230	16%	26,315	14%
Information Technology	19,846	15%	34,419	19%
Consumer Staples	19,666	14%	17,194	9%
Consumer Discretionary	12,428	9%	23,273	13%
Telecommunication	10,119	7%	13,994	7%
Energy	3,618	3%	1,903	1%
Cash	3,348	2%	3,280	2%
Materials	2,335	2%	5,807	3%
Utilities	540	0%	1,812	1%
Total equity portfolio	136,632	100%	185,543	100%

Foreign currency risk

Foreign currency risk is the risk of loss due to adverse movements in foreign currency rates versus the Canadian dollar. The Guarantee Fund contains investment in both pooled funds and in limited partnership investment vehicles, and investment in individual debt securities. The Corporation is exposed to currency risk on various global pooled funds, and real estate assets managed under two infrastructure limited partnership investment vehicles. As at December 31, 2022, the Corporation had approximately 30.7% (2021: 31.0%) of its fair value of the total investments with foreign currency risk; the largest foreign currency exposure was to the U.S. dollar at 17.2% (2021: 14.1%) of the total portfolio. The Corporation manages its foreign currency exposure by limiting the foreign content in the investment portfolio and using forward currency hedge contracts.

To mitigate the foreign currency risk, the Corporation has access to a foreign currency hedging facility using forward currency contracts. The hedging program remained active in 2022 and the Corporation continued to roll into forward contracts to mitigate major foreign currency risk (including the U.S. Dollar, the U.K. Pound, the Euro, and the Japanese Yen). The values associated with the derivative assets are presented below. The Notional amount serves as a basis for payments calculated under the forward contracts and are not exchanged.

	2022				2021			
	Term to maturity			Total	Term to maturity			Total
	Under 1 year	1 to 5 Years	Over 5 Years		Under 1 year	1 to 5 Years	Over 5 Years	
Foreign exchange contracts								
Forward contracts:								
Net fair value	(2,634)	-	-	(2,634)	(675)	-	-	(675)
Notional amount								
United States	94,634	-	-	94,634	51,279	-	-	51,279
European Union	17,530	-	-	17,530	-	-	-	-
United Kingdom	10,434	-	-	10,434	-	-	-	-
Japan	5,627	-	-	5,627	-	-	-	-

7. FINANCIAL INSTRUMENTS (continued)

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 2022 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 minus 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.

	Fair Value	2022					
		Interest Rate Risk		Equity Price Risk		Foreign Exchange Rate Risk	
		-25 BP	+25 BP	-10%	+10%	-5%	+5%
Financial Assets							
FVTPL investments:							
Fixed income portfolio excl Mortgage							
Canadian Dollar	391,582	2,689	(2,699)				
Other currencies	42,678	546	(546)			(2,134)	2,134
Mortgage Trust Fund	71,867	285	(285)				
Equity, pooled funds							
Canadian Dollar	9,935			(994)	994		
United States Dollar	77,874					(3,894)	3,894
Euro	10,012					(501)	501
Great Britain Pound	17,698					(885)	885
Other currencies	21,113					(1,056)	1,056
Foreign	126,697			(12,670)	12,670	(6,335)	6,335
Equity, limited partnership units							
Canadian Dollar	16,654			(1,665)	1,665		
United States Dollar	42,910			(4,291)	4,291	(2,146)	2,146
Derivatives	10					6,411	
Financial Liabilities							
Derivatives	2,644						(6,411)
Funds held as security	83,664	209	(209)				

7. FINANCIAL INSTRUMENTS (continued)

	Fair Value	2021					
		Interest Rate Risk		Equity Price Risk		Foreign Exchange Rate Risk	
		-25 BP	+25 BP	-10%	+10%	-5%	+5%
Financial Assets							
FVTPL investments:							
Fixed income portfolio excl Mortgage							
Canadian Dollar	441,443	3,023	(2,998)				
Other currencies	55,988	468	(467)			(2,799)	2,799
Mortgage Trust Fund	71,282	356	(356)				
Equity portfolio							
Canadian Dollar	7,811			(781)	781		
United States Dollar	106,126					(5,306)	5,306
Euro	26,988					(1,349)	1,349
Great Britain Pound	15,409					(771)	771
Other currencies	29,209					(1,461)	1,461
Foreign	177,732			(17,773)	17,773	(8,887)	8,887
Financial Liabilities							
Derivatives	675					2,598	(2,598)
Funds held as security	81,629	204	(204)				

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.

- The Corporation only deals with counterparties believed to be creditworthy and actively monitors credit exposure, requiring minimum credit ratings of A for debt securities and derivatives at the time an investment is purchased. At December 31, 2022, 92.6% (2021: 91.5%) of the debt securities have a rating of A or better while 100% (2021: 100%) of the derivatives have a rating of A or better.
- Cash and cash equivalents and investments are placed with governments, well-capitalized financial institutions and other creditworthy counterparties.

7. FINANCIAL INSTRUMENTS (continued)

- The Corporation assesses new and existing licensed builders' risk profile, including their financial position, during the underwriting process. Based on the assessment, a builder's project may qualify for enrolment and as disclosed in Note 15, 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 15). 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 (2021: \$2,000) unsecured demand operating facility it can draw on of which the amount outstanding at December 31, 2022 is nil (2021: Nil).

8. EXCESS LOSS REINSURANCE PREMIUM

The Corporation entered into a reinsurance contract on an "excess-of-loss" basis for premiums of \$1,210 (2021: \$1,160). 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 2022, the reinsurance premium earned was \$771 (2021: \$592). The unearned reinsurance premium at the end of the year was \$5,383 (2021: \$4,944) which is recorded on the Statement of Financial Position. The reinsurance asset for recoveries under the contract as at December 31, 2022 was nil (2021: Nil).

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9. 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	Leasehold improvements	Total
At cost					
Balance at January 1, 2021	5,536	1,709	1,566	1,203	10,014
Additions	162	265	-	1,084	1,511
Disposals	-	(689)	(872)	(1,160)	(2,721)
Balance at December 31, 2021	5,698	1,285	694	1,127	8,804
Balance at January 1, 2022	5,698	1,285	694	1,127	8,804
Additions	-	212	629	2,085	2,926
Disposals	-	-	-	-	-
Adjustments due to:					
Lease Incentives	(306)	-	-	-	(306)
Balance at December 31, 2022	5,392	1,497	1,323	3,212	11,424
Accumulated depreciation					
Balance at January 1, 2021	2,063	1,236	1,491	1,187	5,977
Depreciation expense	963	329	15	16	1,323
Disposals	-	(689)	(840)	(1,163)	(2,692)
Balance at December 31, 2021	3,026	876	666	40	4,608
Balance at January 1, 2022	3,026	876	666	40	4,608
Depreciation expense	675	301	90	364	1,430
Disposals	-	-	-	-	-
Balance at December 31, 2022	3,701	1,177	756	404	6,038
Carrying amount					
Balance at January 1, 2021	3,472	473	74	16	4,037
Balance at December 31, 2021	2,672	409	28	1,087	4,196
Balance at December 31, 2022	1,691	320	567	2,808	5,386

Tarion Warranty Corporation

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10. 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 enhancements	Total
At cost			
Balance at January 1, 2021	24,721	5,835	30,556
Additions	6,395	612	7,007
Balance at December 31, 2021	31,116	6,447	37,563
Balance at January 1, 2022	31,116	6,447	37,563
Additions	1,473	347	1,820
Disposal			
Balance at December 31, 2022	32,589	6,794	39,383
Accumulated amortization			
Balance at January 1, 2021	16,882	5,113	21,995
Amortization expense	2,506	261	2,767
Balance at December 31, 2021	19,388	5,374	24,762
Balance at January 1, 2022	19,388	5,374	24,762
Amortization expense	4,526	522	5,048
Disposal			
Balance at December 31, 2022	23,914	5,896	29,810
Carrying amount			
Balance at January 1, 2021	7,839	722	8,561
Balance at December 31, 2021	11,728	1,073	8,561
Balance at December 31, 2022	8,675	898	9,573

Research and other costs were recognized as an expense under general and administrative in the Statement of Comprehensive Results of Operations during the year amount to \$3,744 (2021: \$1,966).

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	2022	2021
Salaries and benefits	2,687	2,681
Trade and supplier accruals	3,150	4,020
Amounts due to vendors and builders	3,006	2,247
Unsettled investment trade payable	94	27,596
Contract liabilities	919	901
Other liabilities	1,889	2,224
Payable to HCRA (Transformation costs)	-	859
Total accounts payable and accrued liabilities	11,745	40,528

12. 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, 2022 and 2021.

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 and amended on November 2020. 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*.

- In 2020, during the pre-launch phases of HCRA, the Corporation advanced \$13,162 to HCRA as part of its commitment to support the creation of the new regulator.
- During Post-doors open phase, the Corporation has committed to provide funding over a 3-year period in two parts: (a) annual lumpsum funding amounts subject to annual enrolment level reaching or exceeding 56,000; and (b) quarterly repayable funding over a 3-year period (2021 to 2023) contingent on if the quarterly enrolment level falls below 14,000; the amounts are repayable in 2024 if the 3-year average annual enrolments equals to or exceeds 56,000 and HCRA operating reserve is at or exceeds \$4,500. The lumpsum funding advanced was \$390 in 2022 (2021: nil). The Corporation did not need to advance any quarterly contingency funding to HCRA in 2022 (2021: \$292) due to higher enrolments. In 2022, Tarion set up a receivable to recognize the recovery of the \$292K quarterly funding that was advanced in 2021 based on the terms and conditions in the funding agreement. In addition, the estimated total funding payable for the remainder of the next year (2023) was reassessed and reduced to nil because the estimated average annual enrolments are expected to be at or higher than 56,000 based on projected enrolment levels and the continued resiliency demonstrated by the housing market.

12. COMMITMENTS AND CONTINGENCIES (continued)

- In addition, the Corporation incurred total costs of \$1,160 (2021: \$4,160) which includes system development and consulting fees in connection with the Transformation process.

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's Board.

The Corporation also entered into an agency agreement to collect the regulatory oversight fee on behalf of HCRA, on an interim basis. In 2022, \$12,105 were collected from the builders and remitted to HCRA (2021: \$9,800).

13. LEASES

A. Right-of-use assets

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.

I. Right-of-use assets

	Office building	Computer and office equipment	Total
Balance at December 31, 2021	2,528	144	2,672
Depreciation charge for the year	(617)	(59)	(675)
Additions to right-of-use assets	-	-	-
Derecognition of right-of-use assets	-	-	-
Adjustment due to lease incentive recognition	(306)	-	(306)
Balance at December 31, 2022	1,605	85	1,691

II. Amounts recognized in Statement of Comprehensive Results of Operations

During the year December 31, 2022		
Interest on lease liabilities		69
Expenses relating to short-term leases		159
Expenses relating to low-value lease assets, excluding short-term leases of low-value assets		10
During the year December 31, 2021		
Interest on lease liabilities		91
Expenses relating to short-term leases		120
Expenses relating to low-value lease assets, excluding short-term leases of low-value assets		19

13. LEASES (continued)

III. Amounts recognized in Statement of Cash Flows

During the year December 31, 2022	
Financing Activities - cash outflow for finance lease liabilities	(681)
Operating Activities	
Cash outflow for finance lease liabilities - interest expense	(69)
Cash outflow for short-term and low-value leases	(169)
Total cash outflow for leases	(919)
During the year December 31, 2021	
Financing Activities - cash outflow for finance lease liabilities	(940)
Operating Activities	
Cash outflow for finance lease liabilities - interest expense	(91)
Cash outflow for short-term and low-value leases	(139)
Total cash outflow for leases	(1,170)

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, 2022 is \$1,690 (2021: \$2,670). Interest expense of \$69 was incurred during 2022 (2021: \$91) on the leases and is reported in the Statement of Comprehensive Results of Operations under the interest expense caption.

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.

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

	2022	
	Minimum lease payments	Present value minimum lease payments
Within one year	522	469
Between one and five years	1658	1575
	2,180	2,044
Less amounts representing finance charges	136	-
Present value of minimum lease payments	2,044	2,044

Tarion Warranty Corporation

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14. WARRANTY LIABILITIES

A. Components of warranty liabilities

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

	2022	2021
Deferred home enrolment fees, beginning of year	318,901	289,988
Fees received	92,311	85,926
Fees earned	(61,831)	(57,013)
Deferred home enrolment fees, end of year	349,381	318,901
Warranty claims liabilities, beginning of the year	69,807	43,997
Claim losses incurred:		
Relating to current occurrence year	42,922	37,031
Relating to prior occurrence years	(1,895)	9,882
Change in provision for adverse deviation impact	236	2,393
Change in discounting and inflation impact	(2,656)	(697)
	38,607	48,609
Claim losses paid:		
Relating to current occurrence year	(14,312)	(8,627)
Relating to prior occurrence years	(22,102)	(14,172)
	(36,414)	(22,799)
Warranty claims liabilities, end of year	72,000	69,807
Total warranty liabilities, end of year	421,381	388,708

Claim losses incurred relating to prior occurrence years reduced in 2022. These claims relating to resolving warranty claims on homes enrolled in previous years were reduced in comparison to the assessment made in 2021.

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

	2022	2021
Gross claims incurred for the year	38,607	48,609
Recoveries net of impairment	(15,356)	(12,580)
Net claims incurred for the year	23,251	36,029

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.

14. 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 14F.

The earnings period for high-rise and low-rise are 12 years based on the changes in claims experience of severity and frequency; freehold home types earning period is 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 underwriting process where new and existing licensed builders are verified 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, 2022. (2021: A++)

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;

14. WARRANTY LIABILITIES (continued)

- Obtain securities in the form of cash, letters of credit and other guarantees from the builders during the underwriting 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, 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 14E.
- *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.

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 14E.

Tarion Warranty Corporation

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14. WARRANTY LIABILITIES (continued)

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 underwriting process. The table below shows the warranty claim liabilities by claim types as at December 31:

	2022			Total
	Freehold	High-rise Condo	Low-rise Condo	
Unpaid claims	17,306	13,586	415	31,307
Incurred but not reported	16,174	6,715	457	23,346
Provision for adverse deviation	3,315	2,937	135	6,387
Unallocated loss adjustment expense	7,444	5,586	383	13,413
Discount and inflation impact	(1,791)	(620)	(42)	(2,453)
	25,142	14,618	933	40,693
Total warranty claim liabilities (gross basis)	42,448	28,204	1,348	72,000

	2021			Total
	Freehold	High-rise Condo	Low-rise Condo	
Unpaid claims	19,579	10,089	610	30,278
Incurred but not reported	11,865	7,221	417	19,503
Provision for adverse deviation	3,645	2,357	149	6,151
Unallocated loss adjustment expense	8,387	4,949	337	13,673
Discount and inflation impact	(386)	555	33	202
	23,511	15,082	936	39,529
Total warranty claim liabilities (gross basis)	43,090	25,171	1,546	69,807

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.

14. WARRANTY LIABILITIES (continued)

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 14E.
- 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 14E.

D. Excess of loss reinsurance

During 2022, 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 (2021: \$75,000), up to \$45,000 (2021: \$45,000) for each enrolment year; the Corporation currently has policies in force for enrolment years 2016 to 2022.

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:

	2022	2021
Discount rate	4.20%	1.65%
Inflation rate	4.02%	4.02%
Future claims adjustment costs	20.0%	21.5%

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.

Tarion Warranty Corporation

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14. WARRANTY LIABILITIES (continued)

	Change in assumption	Impact on warranty liability		Impact on comprehensive results of operations		Impact on equity	
		Increase	Decrease	Increase	Decrease	Increase	Decrease
2022							
Discount rate	1.0%	(1,169)	1,466	1,169	(1,466)	1,169	(1,466)
Inflation rate	1.0%	612	(602)	(612)	602	(612)	602
Future claims adjustment costs	1.0%	511	(511)	(511)	511	(511)	511
2021							
Discount rate	1.0%	(1,166)	1,201	1,166	(1,201)	1,166	(1,201)
Inflation rate	1.0%	564	(555)	(564)	555	(564)	555
Future claims adjustment costs	1.0%	521	(521)	(521)	521	(521)	521

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
2022	48,151	23,849	72,000
2021	45,530	24,277	69,807

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 2022 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	
		Accelerated	Decelerated	Accelerated	Decelerated	Accelerated	Decelerated
2022							
Earning Pattern	2.5%	(16,801)	16,233	16,801	(16,233)	16,801	(16,233)
2021							
Earning Pattern	2.5%	(16,489)	13,829	16,489	(13,829)	16,489	(13,829)

Tarion Warranty Corporation Notes to Financial Statements

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14. 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 2022:

	All prior years claims with outstanding liability	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Estimate of ultimate claims														
All prior years	54,524													
At end of occurrence year		14,599	7,581	8,420	11,256	15,391	18,001	16,102	17,015	19,655	20,049	26,530	32,503	
One year later		15,095	6,534	6,538	9,505	13,448	17,501	15,547	17,530	20,355	26,874	29,663		
Two years later		15,160	6,387	6,411	10,044	13,837	17,369	17,697	20,113	27,776	23,053			
Three years later		13,677	6,026	6,487	10,328	14,055	18,166	19,565	21,042	26,667				
Four years later		11,455	6,485	6,747	10,348	13,843	17,943	20,507	21,915					
Five years later		10,587	6,209	6,762	10,305	13,852	16,136	21,501						
Six years later		9,941	6,459	6,749	10,175	14,475	16,216							
Seven years later		9,409	6,779	6,706	10,244	14,541								
Eight years later		8,977	6,662	6,801	11,970									
Nine years later		8,807	6,746	6,890										
Ten years later		8,823	6,767											
Current estimate of ultimate claims reported	54,524	8,823	6,767	6,890	11,970	14,541	16,216	21,501	21,915	26,667	23,053	29,663	32,503	275,033
Claims paid														
All prior years	54,258													
At end of occurrence year		3,628	2,267	3,046	3,474	4,776	5,270	3,881	5,953	6,906	6,692	8,627	14,312	
One year later		2,635	1,677	2,333	3,689	5,290	5,703	8,195	6,946	7,898	7,262	9,102		
Two years later		681	905	585	1,832	1,948	2,239	2,695	5,158	4,216	5,368			
Three years later		1,149	485	275	855	443	1,579	2,299	1,281	3,388				
Four years later		508	288	13	132	196	266	612	1,650					
Five years later		25	228	41	22	175	198	1,938						
Six years later		12	158	19	33	328	104							
Seven years later		104	103	20	26	416								
Eight years later		8	449	18	125									
Nine years later		84	230	6										
Ten years later		0	2											
Cumulative claims paid	54,258	8,834	6,992	6,356	10,188	13,572	15,359	19,620	20,988	22,408	19,322	17,729	14,312	229,938
Current reported provision before discounting	266	(11)	(225)	534	1,782	969	857	1,881	927	4,259	3,731	11,934	18,191	45,095
Provision for adverse deviation impact	27	1	12	22	251	135	522	110	166	1,125	886	1,481	3,368	8,106
Discounting and inflation impact	(10)	1	(1)	(10)	(15)	(17)	91	(10)	(26)	(24)	(154)	(331)	(627)	(1,133)
Present value of Warranty claim liabilities (Net of Recoveries)														52,068
Recoveries	(10)	(7)	(14)	(31)	(61)	(79)	(1,775)	(293)	(300)	(3,670)	(1,327)	(3,288)	(9,077)	(19,932)
Present value recognized on the Statement of Financial Position (Gross of Recoveries)														72,000

15. 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, 2022, the funds held as security of \$93,678 (2021: \$86,201), 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, 2022 of \$2,835 (2021: \$2,107).

The fair value of the funds held as security is \$83,664 as at December 31, 2022 (2021: \$81,629). 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 \$1,197 (2021: \$348) on cash security deposits. Interest is calculated based on Prime less 2%, adjusted every sixth month.

16. EMPLOYEE FUTURE BENEFIT PLANS

The Defined Contribution Pension Plan for Employees of Tarion Warranty Corporation ("DC Plan") was set up effective May 1, 2018.

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

A. Defined contribution plan

The DC Plan is open to all full-time employees of the Corporation, subject to meeting certain eligibility conditions. Under the terms of the 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.

The Corporation has amended the DC Plan effective April 1, 2023, where existing members can choose to stay at current contribution levels or elect a new contribution rate. All new members will participate the new contribution formulas.

There also exists an unfunded Supplementary Executive Retirement Plan ("SERP") 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 16F for the notional contribution and liabilities relating to the SERP.

16. EMPLOYEE FUTURE BENEFIT PLANS (continued)

B. Other post-employment benefits

The Corporation has a December 31 measurement date for financial reporting purposes. The results of the OPEB are based on valuation of the OPEB performed as at December 31, 2020. The next valuation of the OPEB will be performed as at December 31, 2023.

The Corporation decided to close the OPEB plan to future retirees, effective April 1, 2023 as per the board approved resolution on December 15, 2022. All active employees who meet certain eligibility requirements will be grandfathered. All existing retirees of the OPEB plan will be grandfathered and continue to be eligible for post-retirement benefits.

C. Pension plan regulatory framework

The Defined Contribution Pension Plan for Employees of Tarion Warranty Corporation ("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 DC Plan in 2023 are \$1,407 (employee contributions are expected to be \$869).

D. Plan governance

The Human Resources & Compensation Committee and the Investment Committee are responsible for the management and administration of the 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. Aon provides investment consulting services to the DC Plan. All external providers report to the plan administrator.

E. Significant risks to which the plan exposes the Corporation

The OPEB plan is exposed to the traditional risks (interest rate risk, and 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:

	2022	2021
	OPEB & SERP	OPEB & SERP
Fair value of assets	-	-
Present value of the defined benefit obligation	(5,489)	(8,713)
Net Defined benefit surplus (obligation)	(5,489)	(8,713)
Impact of asset ceiling	-	-
Accrued asset/(liability)	(5,489)	(8,713)
Employer contributions	172	181
Employee contributions	-	-
Benefit Payments and transfers to other plans	172	181

16. EMPLOYEE FUTURE BENEFIT PLANS (continued)

The present value of the SERP obligation as at December 31, 2022 was \$1,014 (2021: \$1,096), 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, 2022 were \$86 (2021: \$86). For the year ended December 31, 2022, the employer contributions to the DC Plan were \$1,351 (2021: \$1,294), and the employee contributions to the DC Plan were \$833 (2021: \$791). The net notional employer contributions for the SERP were \$44 (2021: \$38).

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

	2022	2021
Accrued Benefit Obligation, OPEB	4,475	7,617
Accrued Benefit Obligation, SERP	1,014	1,096
Net Employee Benefits Obligation Reported	5,489	8,713

As of December 31, 2022, the current liabilities were \$86 (2021: \$95) with respect to the OPEB plan and \$86 (2021: \$86) with respect to the SERP plan. A past service gain of \$1,227 million was reflected at December 31, 2022.

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

	2022	2021
	OPEB & SERP	OPEB & SERP
Beginning of year	(8,713)	(9,215)
Current Service Cost	(410)	(471)
Past Service Cost	1,227	-
Interest Costs	(230)	(288)
Benefit Payments	172	181
Actuarial Gain/(Loss) arising from plan experience	-	-
Actuarial Gain/(Loss) arising from changes in demographic assumptions	-	-
Actuarial Gain/(Loss) arising from changes in financial assumptions	2,465	1,080
Actuarial Gain/(Loss) arising from settlement	-	-
Curtailments/Settlements	-	-
Accrued Obligation, end of year	(5,489)	(8,713)

16. EMPLOYEE FUTURE BENEFIT PLANS (continued)

The OPEB and SERP are unfunded obligations:

	2022	2021
	OPEB & SERP	OPEB & SERP
Beginning of year	-	-
Contributions by Employer	172	181
Expected Income on Plan Assets	-	-
Actuarial Gains/(Losses)	-	-
Benefits Payments (including Settlement)	(172)	(181)
Administration Costs*	-	-
Curtailments/Settlements	-	-
Plan Assets, end of the year	-	-

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

A discount rate of 5.2% per annum was used for the disclosures at December 31, 2022 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, 2022.

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

	2022	2021
	OPEB & SERP	OPEB & SERP
Current Service Costs	410	471
Administration Costs (non-investment related)	n/a	n/a
Past service cost (including curtailment)	(1,227)	-
Loss (gain) on settlement	-	-
Service Cost	(817)	471
Interest Cost on the defined benefit obligation	230	288
Expected income on plan assets	-	-
Interest on the effect of the asset ceiling	-	-
Net interest on the net defined benefit liability (asset)	230	288
Expense (income) recognized in profit or loss	(587)	759
Remeasurements of the net defined benefit liability (asset)		
Actuarial loss (gain) on the defined benefit liability (asset)	(2,465)	(1,080)
Return on plan assets less expected income on plan assets	-	-
Change in the effect of the asset ceiling (excluding interest)	-	-
Total amount recognized in Other Comprehensive Income	(2,465)	(1,080)

The net expense for the SERP in 2022 was \$5 (2021: \$88) included in the OPEB & SERP amounts above. The net expense for the DC Plan in 2022 was \$1,351 (2021: \$1,294).

16. EMPLOYEE FUTURE BENEFIT PLANS (continued)

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

F. Significant assumptions

The discount rate was determined with reference to market interest rates of AA corporate bond yields. The principal actuarial assumptions used in determining the pension benefit obligation for the Corporation's plans are as follows:

	2022 OPEB	2021 OPEB
Accrued Benefit Obligation as of December 31:		
Discount rate	5.20%	3.40%
Salary Increase	N/A	N/A
General Inflation	2.00%	2.00%
Mortality	Canadian Pensioner Mortality Priv Table (CPM2014Priv), with improvement Scale B	Canadian Pensioner Mortality Priv Table (CPM2014Priv), with improvement Scale B
Form of benefit elected	N/A	N/A
Benefit Cost for the Period:		
Discount rate	3.40%	2.80%
Salary Increase	N/A	N/A
General Inflation	2.00%	2.00%
Mortality	Canadian Pensioner Mortality Priv Table (CPM2014Priv), with improvement Scale B	Canadian Pensioner Mortality Priv Table (CPM2014Priv), with improvement Scale B
The DB Plan was fully settled and all assets were distributed in June 2019.		
Assumed Health Care Cost Trend Rates at December 31:		
Initial health care cost trend rate	5.57%	5.57%
Cost trend rate declines to	3.57%	3.57%
Year that the rate reaches the rate it is assumed to stay at	2040	2040

16. EMPLOYEE FUTURE BENEFIT PLANS (continued)

G. 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:

Valuation Assumptions	1% Change in Health and Dental Care Trend Rates		1% Change in Discount Rate		
	Increase	Decrease	Increase	Decrease	
Accrued benefit obligation as at December 31, 2022 at 5.20% per annum	\$4,475	\$886	(\$701)	(\$615)	\$769

Valuation Assumptions	1% Change in Health and Dental Care Trend Rates		1% Change in Discount Rate		
	Increase	Decrease	Increase	Decrease	
Accrued benefit obligation as at December 31, 2021 at 3.40% per annum	\$7,617	\$1,918	(\$1,450)	(\$1,420)	\$1,912

17. INVESTMENT INCOME/(LOSS)

	2022	2021
Realized and change in unrealized gains / (losses) of equity portfolio	(29,557)	30,422
Dividends from equity portfolio	2,597	13,313
Realized and change in unrealized gains / (losses) of infrastructure assets portfolio	4,113	-
Dividends from infrastructure assets portfolio	483	-
Realized and change in unrealized gains / (losses) of fixed income portfolio	(37,343)	(13,018)
Interest income from fixed income portfolio	13,332	11,631
Realized and change in unrealized gains / (losses) on Derivative Assets	(7,492)	28
Total investment income/(Loss)	(53,867)	42,376

18. INTEREST EXPENSE

	Notes	2022	2021
Interest on funds held as security	15	1,197	348
Interest on lease obligations	13	69	91
Total interest expense		1,266	439

19. 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 14. As part of the Corporation's capital management framework, a 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, 2022 and 2021 has been determined by management to be sufficient to cover possible losses from plausible future event as supported by the annual financial condition testing performed by the Corporation's appointed actuary during the year.

20. 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, 2022, there are collection and litigation account receivables and cash securities recognized due from related parties of nil (2021: \$2). 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. The fee payable is set by the Government of Ontario based on its cost recoverability. In 2022, the Corporation incurred a fee of \$639 (2021: \$611).

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:

	2022	2021
Short-term employee benefits	1,915	1,914
Board of directors fees	588	536
Post-employment benefits	201	196
Compensation for key leadership personnel	2,704	2,646



Contact Information

Email Us

Help us direct your questions to the right people.
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Call Us

Our representatives are available to assist you
by phone from 8 am to 5 pm, Monday to Friday.
1-877-9-TARION (1-877-982-7466)



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