



2025 Business Plan

Table of Contents

Executive Summary.....	1
Corporate Overview	2
Our Mandate.....	2
Our Vision	3
Our Mission	3
Our Core Values.....	3
Service Oriented	3
Continuously Improving.....	3
Solution Seeking	4
Inclusive	4
Trustworthy.....	4
Caring	4
Description of structure.....	5
Corporate Structure.....	5
Governance Structure.....	6
Description of services	8
Description of stakeholders	8
Consumers	8
New Home Builder and Vendor Sector.....	8
Ministry of Public and Business Service Delivery and Procurement (MPBSDP)	9
Business Planning Overview	10
Strategic Objectives.....	11
Enhancing Consumer Outcomes.....	11
Being a Trusted Resource.....	12
Empowering our Stakeholders	13
Supporting our People and Culture	14
Outcome Measures and Targets.....	16

Activities	19
Resolving Complaints and Claims	19
French Language Services	19
Accessibility for Ontarians with Disabilities.....	20
Activity Measures – Actual and Forecast	20
Resolving Complaints and Claims	20
French Language Services	23
Accessibility for Ontarians with Disabilities	23
Resources	24
Financial Resources.....	24
Human Resources	24
Diversity, Equity, and Inclusion at Tarion	24
Our workforce demographics.....	25
Information Technology (IT) Resources	26
Financial Budget	27
2025 Budget.....	27
Insurance Service Result	28
Insurance Financial Result	28
Other Income and Expenses.....	28
2025 Expenditures.....	28
Exhibit 1 - 2025-2027 Expenditure Projections.....	29
Key Assumptions	29
Exhibit 2 - 2025 - 2027 Financial Projections.....	30
Risk Management Plan	31
Three Lines of Defence Model	31
Capital Management	33
Builder Insolvency Risk	34

Executive Summary

Tarion is the independent, non-profit corporation responsible for administering the *Ontario New Home Warranties Plan Act* and the province's new home warranty and protection plan for people who buy new homes from licensed vendors and builders in Ontario.

Tarion is committed to sound business planning to effectively deliver its consumer protection mandate. This plan outlines the priorities for the 2025 fiscal year¹, while the upcoming Annual Report will outline Tarion's achievements in the 2024 fiscal year ended December 31, 2024. This plan has been developed in the context of the overall housing and claims environment.

In 2025, Tarion's priority is to increase builder accountability by improving the Qualification for Enrolment process and increasing homeowner engagement by encouraging homeowners to advise Tarion when they enter into an agreement to buy a home. Internally we will also be completing our technology modernization plan by moving our final major platform – the Financial Management System – to a cloud-based solution. Finally, we will continue to develop our homeowner and builder digital portal to make that process better and improve the ability for homeowners and builders to communicate and resolve issues throughout the warranty process.

¹ All forecasts / projections / targets in this Business Plan are as of October 10, 2024 (unless otherwise noted), and Tarion's fiscal year runs from January 1 to December 31.

Corporate Overview

Our Mandate

The overall mandate of Tarion is to administer the *Ontario New Home Warranties Plan Act*. The administration of the *Ontario New Home Warranties Plan Act* includes:

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



Our Vision

Tarion's vision represents the long-term goal that we believe every stakeholder in the new home buying experience wants to achieve. Our Vision is that:

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

Our Mission

Tarion's mission represents the "how" that will bring us closer to our vision. Our mission reflects our consumer protection purpose and our aspiration to be the best that we can be for all our stakeholders. Our mission is:

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 Core Values

Tarion's core values set a foundation of the organizational culture and behaviours that allow us to deliver on our mandate and achieve our mission and vision. Our core values are more than a list of 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. We are professional, responsive, and timely in our interactions with our stakeholders.

Continuously Improving

We believe in a learning culture in which we constantly seek personal and professional growth and embrace innovative ideas to improve our processes. We are transparent about the things we can do better; we learn from our experiences and build on them.

Solution Seeking

We strive for positive results in all that we do and focus on finding resolutions to the issues we encounter. We are collaborative. Our success is driven by our ability to work productively with stakeholders and colleagues to overcome obstacles, find solutions and deliver results. Our proactive approach helps to create the best outcomes.

Inclusive

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

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.

Caring

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

Description of structure

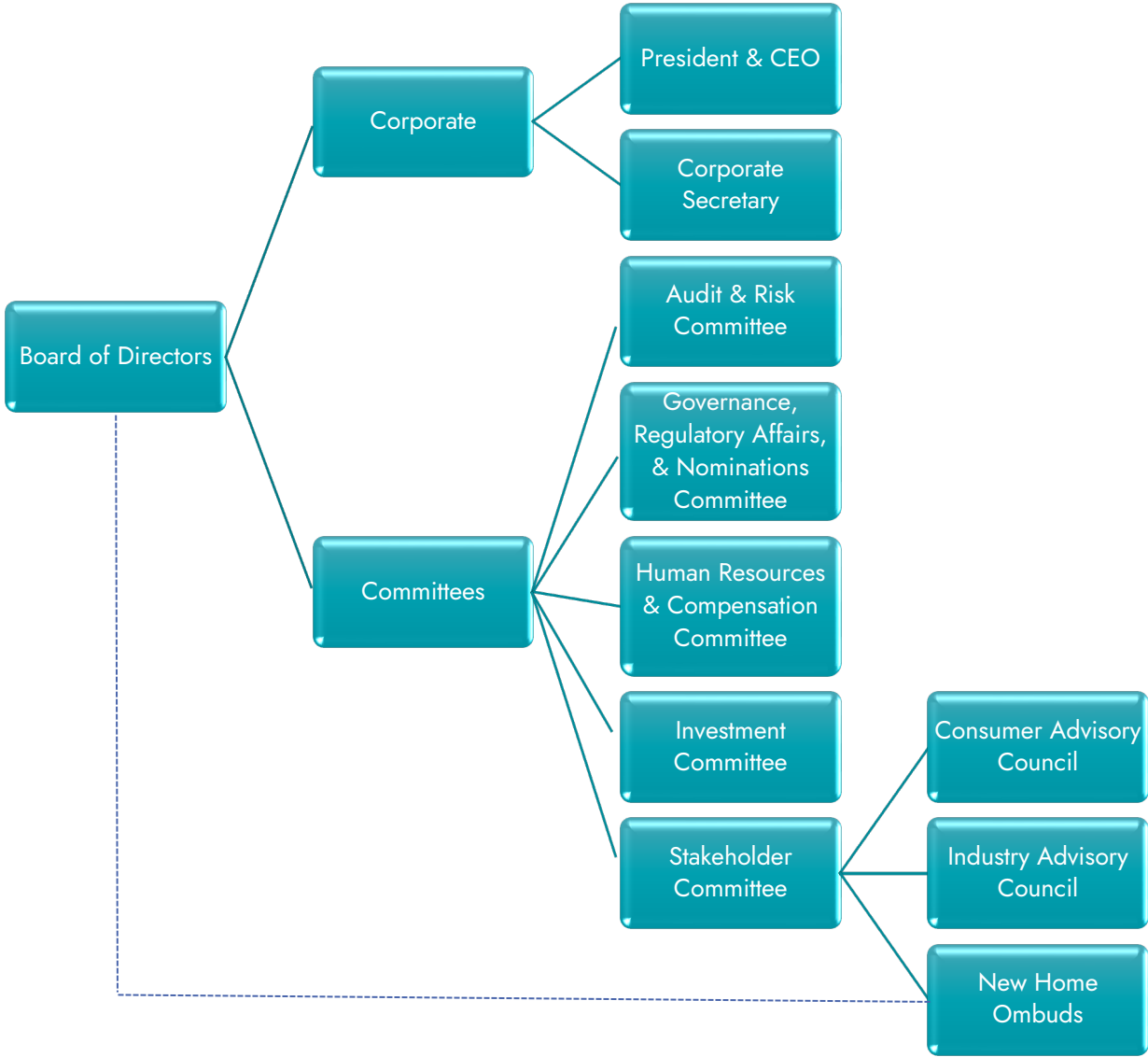
Corporate Structure

Tarion’s organizational structure model allows for its main operational areas - Warranty Services, Underwriting, and Finance - to deliver on Tarion’s mandate and strive towards our vision.



Governance Structure

Tarion’s governance structure reflects the importance of oversight, independence, and accountability. The Board is currently made up of 12 directors, with 4 being elected as “members at large”, 4 being appointed by the Minister of Public and Business Service Delivery and Procurement (MPBSDP) and up to 4 being elected from the Ontario Builder class.



Tarion's New Home Ombuds Office

The New Home Ombuds office is an independent and confidential office. It reports directly to the Board of Directors (through its Stakeholder Committee) and not to Tarion management. The New Home Ombuds office is a confidential service for homeowners, and the office does not share information with Tarion unless a complainant provides permission for it to do so, or as legally required. It is a member of the Forum of Canadian Ombudsmen and adheres to its Statement of Ethical Principles. An external evaluation, completed in 2021, determined that the office has an important level of structural independence from Tarion.

The New Home Ombuds office does not reassess warranty decisions, but rather determines whether the process used by Tarion to reach the decision was fair. Homeowners who believe they have been treated unfairly by Tarion or in a manner that is outside the intent and spirit of the *Ontario New Home Warranties Plan Act* may make a complaint to the New Home Ombuds office. If the office finds that Tarion has treated them unfairly, it will recommend action to remedy the situation.

The New Home Ombuds Office may also make recommendations to improve the fairness of Tarion's overall processes and issues an annual report summarizing its activities and recommendations.

For more information on the New Home Ombuds office, including its annual report, please review the office's [website](#).

Description of services

Tarion offers services in support of carrying out its mandate:

- **Consumer Protection and Issue Resolution:** providing issue resolution services such as mediation and early intervention as well as financial compensation if homeowners and builders are not able to work together to have warranty disputes resolved.
- **Home Enrolment:** working with builders and vendors to enrol new homes built in Ontario into the warranty program and apply appropriate underwriting and risk assessment to those enrolments, including tracking and reporting the builder's performance relative to those enrolments. Homes must be enrolled in the program prior to construction commencing.
- **Complaints Handling:** providing multiple channels for consumers to make complaints and offering impartial and timely resolutions. This includes managing and delivering the digital MyHome Portal which serves as a communication platform between homeowners, Tarion, and builders in respect of warranty related matters, as well as the BuilderLink portal for builders to manage their enrolment process.
- **Education and Awareness:** working to increase awareness by homeowners and builders of their rights and responsibilities under the warranty and protection program.
- **Industry Betterment:** providing feedback and education to builders arising from our warranty experience to improve customer service and building practices.

Description of stakeholders

Consumers

Tarion's mandate includes promoting the protection of the public interest, and consumers in particular. Tarion does this by administering the new home warranty and protection program. Tarion also maintains an educational website to support prospective new home purchasers and new home buyers throughout the purchase and possession process

New Home Builder and Vendor Sector

Tarion's mandate includes working with new home builders and vendors within the framework of the new home warranty and protection program. This includes administering the enrolment process for new homes proposed by builders and vendors, conducting risk assessments on proposed projects, helping resolve disputes between homeowners and builders, and

providing information to new home builders to help them understand and meet their construction and after-sales service responsibilities.

Ministry of Public and Business Service Delivery and Procurement (MPBSDP)

Tarion is an administrative authority accountable to the MPBSDP through the [Administrative Agreement](#) (the AA).

The AA sets out the requirements that the Minister delegates to Tarion in order for Tarion to administer the [Ontario New Home Warranties Plan Act](#) and fulfill its statutory mandate. The AA includes:

- Requirements for reporting, including publishing an Annual Report and Business Plan,
- Commitments regarding governance and independence of the New Home Ombuds,
- Competency requirements and a code of conduct for board members,
- Rules around privacy and access to information,
- Requirements for policy development, consultation, and regulatory changes, and
- Operational commitments, performance indicators, and targets to measure Tarion's performance and to ensure its mandated responsibilities are met.

Business Planning Overview

Tarion develops its Business Plan on an annual cycle. Although every year will differ somewhat, the cycle that is generally followed to develop the Business Plan is as follows:



The Business Plan is published in early January the following year. One year later, the Business Plan is a key input to the Annual Report for the prior year, where progress on initiatives listed in the Business Plan is discussed, as well as the actual results for Outcome Measures, which are compared to the targets set in the Business Plan.

Strategic Objectives

Our 2025 Business Plan is organized with reference to four key strategic objectives. These are: (1) Enhancing Consumer Outcomes, (2) Being a Trusted Resource, (3) Empowering our Stakeholders, and (4) Supporting our People and Culture.

Enhancing Consumer Outcomes

Enhancing consumer outcomes involves making fair and consistent decisions and being transparent about these decisions so that the outcomes are easily understood by homeowners and builders. It also involves ensuring the statutory warranty remains relevant to the needs of the Ontario marketplace, and that our stakeholders are informed about their rights, obligations and the scope of consumer protection that is available.

In 2025, Tarion plans to continue to enhance the tools and processes to hold builders accountable for their obligations and better protect consumers and the Guarantee Fund from losses relating to the actions of rogue builders.

Major Activity: Enhancing the Qualification for Enrolment (QFE) Process.
Need:
During 2023 and 2024, it became clear that it is difficult to identify situations where rogue builders enter into non-compliant agreements of purchase and sale with new home buyers at an early stage. This is because the rogue builder has no incentive to advise the regulator, and the purchasers may either be unaware of the risks or are not engaged in the warranty process at the time of purchase. This project aims to increase consumer engagement in the warranty process and increase the likelihood that rogue builders can be held accountable at early stage.
Description:
The current QFE process was first implemented in 2021. We are planning several improvements to enhance builder accountability and compliance. These include: <ul style="list-style-type: none">• Developing a unique identification number that will be provided for each agreement of purchase and sale that is approved under the QFE process. This unique identifier will make it easier to track and verify whether any specific agreement meets the regulatory requirements. This process will help reduce non-compliant sales and increase builder accountability.• We are also proposing that new home purchasers be encouraged to register their decision to purchase a home with Tarion at or near the time they enter into their

agreement of purchase and sale. The registration process would be simple and quick and would provide Tarion with the information needed to check regulatory compliance. In the event the agreement is non-compliant, Tarion would be able to act right away to address the issue with the vendor and protect future consumers. To encourage registration, homeowners who register in a timely manner would have access to better deposit coverage than those who do not register.

These projects are in addition to internal processes that have been implemented to increase builder accountability, which include reviewing the actions of vendors deemed to be high risk.

Being a Trusted Resource

Being a trusted resource to all stakeholders involved in new home ownership is vital to Tarion’s success. Stakeholders, and especially homeowners and builders, must have confidence that Tarion is fulfilling its mandate, including working in a targeted way to improve the quality of new home construction and customer service. 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 MPBSDP, municipalities, realtors, and all other key stakeholders to achieve its vision and mission.

In 2025, Tarion plans to extend our work on HomeHub, a recently introduced new tool that enhances the partnership amongst homeowners, builders, and Tarion, in support of this strategic objective.

Major Activity: HomeHub 2.0

Need:

The first release of HomeHub was launched to the public on May 1, 2024. HomeHub allows builders to provide updates to items submitted by homeowners in real time. HomeHub also allows homeowners to provide their own information about the defects and repairs done by their builder on the same platform. Builders and homeowners can communicate, provide and store documentation, and seek Tarion’s assistance when needed through the platform.

HomeHub 2.0 will elevate the user experience and better guide builders and homeowners through the warranty process within the new home journey. The next step will be to enhance and expand on the existing features to further improve efficiency in item resolution, increase communication and response time between builders and homeowners, provide them with relevant warranty information, and allow builders to better manage their resources in the HomeHub platform. With a focus on maintaining

stakeholder engagement in HomeHub while also increasing adoption of the platform, stakeholder feedback will be paramount in guiding the improvements made in 2025 and beyond.

Description:

HomeHub 2.0 will provide easier access to information with a more comprehensive overview of relevant data, promote effective workload and resource management for builders to enhance customer service to their homeowners. It will integrate relevant warranty information to ensure homeowners and builders have a better understanding of the warranty coverage applicable to each item.

HomeHub 2.0 will leverage modern User Interface and User Experience (UI/UX) practices to inform and enhance customer experience. This will include working directly with key users and incorporating their feedback to enhance the value of the product and increase adoption of the platform.

Additional enhancements such as leveraging Artificial Intelligence (AI) features, adding an interactive warranty timeline, and expanding the journey to include purchasers of new homes, will be explored beyond 2025. This will allow builders to gain insights into items that may get escalated and would benefit by expediting resolution with the homeowner, will provide homeowners with more real-time data and a better understanding of the warranty process and timelines, and will promote education and a connection to purchasers before they take possession of their new home.

Listed below are potential HomeHub enhancements Tarion is exploring for 2025:

- Enhanced Dashboard
- Construction Performance Guidelines (CPG) integration

Empowering our Stakeholders

Tarion is committed to empowering its stakeholders by making it simpler to work with Tarion, 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.

In 2025, Tarion plans to focus on digital analytics, allowing Tarion to introduce new tools in the future to better assist stakeholders in navigating the warranty process.

Major Activity: Digital Analytics
Need:
To develop a comprehensive approach that will allow us to take advantage of AI opportunities in the future by ensuring that Tarion adopts an appropriate governance program, risk mitigation approach, and a technical plan that allows our data to be analyzed and used as resource to drive future applications and improvements.
Description:
In 2025, we plan on implementing our governing structure to manage AI related risks, following industry best practices. We will also focus on developing the “foundational infrastructure” and training to set the stage for the future AI work. The foundational infrastructure would include the Extract / Transfer / Load (ETL) project, to extract, clean, and load all data into a useable data lake and to create development and testing cloud environments to support AI projects.

Supporting our People and Culture

Supporting Tarion’s staff and creating a culture that empowers staff to make the right decisions will help us achieve our vision and mission. Tarion is committed to providing development opportunities to staff to create an engaged, 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.

In 2024, Tarion concluded its multi-year program to consolidate nearly all internal systems around a single technology platform (Salesforce), enhancing the ability of staff to deliver service efficiently and effectively to our key stakeholders. The lone remaining internal system to be addressed in 2025 is the Financial Management System (FMS), which was left to be completed after the successful implementation of the International Financial Reporting System (IFRS-17).

Major Activity: Financial Management System Replacement
Need:
The Financial Management System (FMS) replacement project will finalize our systems update and move the organization to a new cloud-based FMS solution.
Description:
The FMS transition project will select native cloud-based software as a replacement for Tarion’s current system and a software integration services partner. The intent is to create a secure, flexible, reliable, user friendly, robust system to support Tarion’s unique financial business processes. In addition to operational requirements the selected solution will emphasize stakeholder self-administration, staff configurability, simple integration and improve analytics capabilities.



Outcome Measures and Targets

Tarion’s 2025 Outcome Measures reflect a selection of key metrics that align with the organization’s mandate, strategic vision, and mission. These Outcome Measures have been allocated across the Strategic Objectives as follows:

Strategic Objective: Enhancing Consumer Outcomes	
2025 Outcome Measure	2025 Target
New Homeowner Satisfaction	86%
Stakeholder Interaction score	92%

New Homeowner Satisfaction is determined by reviewing the results of a survey that is conducted annually by email with homeowners who took possession of a new home over the preceding 12 months. The target has been selected by examining the results for 2024 and prior years.

The **Stakeholder Interaction score** is a measure of homeowner and builder satisfaction with Tarion at different interaction touchpoints² with Tarion. It is composed of two separate surveys conducted by an independent third party. These touchpoint surveys are conducted continuously throughout the year. The target has been selected based on prior year results.

Strategic Objective: Being a Trusted Resource	
2025 Outcome Measure	2025 Target
Expense Management (Budget vs. Actual)	+/- 3.5%

The **Expense Management (Budget vs. Actual)** is a measure that demonstrates Tarion management’s focus on supporting proper stewardship of the organization. This measure includes only those expense items under the reasonable control of management (Salaries and Benefits, General and Administrative, and Key Initiatives). This measure acknowledges Tarion’s role as a fiscally responsible not-for-profit consumer protection organization with a focus on delivering its mandate. By ensuring Tarion is managed effectively, Ontario’s new homeowners can trust that Tarion will continue to ensure builders and vendors meet their warranty obligations for the span of their new home warranty.

² Specifically, after interactions with the Customer Service Centre and Conciliation Inspections.

Strategic Objective: Empowering our Stakeholders	
2025 Outcome Measure	2025 Target
Customer Service Response Time	100 (composite score)
Compliance with CAR issuance commitment	92%

Customer Service Response Time is a composite measure, including both the average time to answer a call to our Customer Service Centre, and the average time taken to respond to e-mails received by the Customer Service Team. Our goal for 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 is 50 seconds. Our goal for the average time taken to respond to an e-mail received by the Customer Service Team (at customerservice@tarion.com) is one business day. These targets have been set by a review of past performance, planned resources, comparison to comparable organizations, and biased towards an improved overall result, with a score of 100 representing meeting both goals.

Compliance with CAR issuance commitment is a measure of the percentage of CARs (Conciliation Assessment Reports) we issue within our commitment of doing so within 30 days of the Conciliation Inspection, or issuance of other communications outlining any reason for a delay in issuing the CAR along with a reasonable alternative target date. The target for this metric has been set aggressively but realistically, based on a review of past performance in meeting this target and our commitment to continuously improve.

Strategic Objective: Supporting our People & Culture	
2025 Outcome Measure	2025 Target ³
Employee Engagement	80%
Employee Enablement	80%

Employee Engagement measures the commitment (effective attachment to, and intention to remain with an organization) and discretionary effort (the willingness to go beyond formal job requirements) shown by employees. The target has been set by a review of past results and biased towards an improved overall result.

Employee Enablement measures the extent to which employees feel their jobs make effective use of their skills/abilities, job conditions, and the extent to which opportunities exist for employees to do challenging and interesting work. The target has been set by a review of past results and biased towards an improved overall result.



³ In 2025, Tarion will piloting a changed methodology for collecting the Employee Engagement and Enablement scores. We acknowledge the possibility that the scores may change because of the revised approach – if this is to happen, we will provide an explanation in the 2025 Annual Report.

Activities

Resolving Complaints and Claims

Ontario's new home warranty and protection program sets out the minimum warranties that a builder must provide to all their new home buyers. Under the *Ontario New Home Warranties Plan Act*, all new homes built in Ontario come with a warranty provided by the builder. The builder is expected to deliver a complete and finished home free of defects to a homeowner, meeting the requirements of the Ontario Building Code. The program recognizes that home construction is a complex process and after sales corrective work will be required at times.

Builders are accountable for the homes they build and the warranty they provide to their homeowners. Builders are responsible for resolving warranty claims directly with homeowners. Homeowners must notify their builder when an issue arises and give them an opportunity to review it and address it. As part of this process, homeowners must provide the builder with reasonable access to the home to make necessary repairs.

If the builder does not resolve an eligible warranty claim, or if there is a dispute about whether a defect is covered by the builder's warranty, Tarion can help. For example, Tarion provides resources and materials, such as the Construction Performance Guidelines, which assists homeowners and builders to assess what may be covered by the builder's warranty. Tarion can assist homeowners and their builders in their communication processes. Tarion also provides a range of issues resolution options which can help homeowners and builders reach resolution in respect of warranty disputes. Finally, Tarion conducts inspections to assess warranty issues and make findings relating to coverage. Where Tarion finds that a defect is covered by the builder's warranty, Tarion directs the builder to specifically address the item and if the builder does not, Tarion resolves the matter directly with the homeowner. To be eligible for Tarion's assistance, homeowners must report warranty claims within the relevant warranty timeframes. Additional information on the Complaints and Claims process can be found on Tarion's [Claims Process for Homes](#) web page.

French Language Services

Tarion recognizes that many Ontarians' first language is French and is committed to servicing consumers in French. Calls and inquiries made into Tarion's customer service centre can be handled by a French language speaker. Tarion makes the annual surveys available in French as well. If a request is made for a conciliation in French, a translator will be engaged to assist.

Accessibility for Ontarians with Disabilities

Tarion provides services that are accessible to all persons and provides services in a respectful, unbiased, and equitable manner, in alignment with the “[Accessibility for Ontarians with Disabilities Act](#)”. Tarion will work with stakeholders who have assistive devices, service animals, or support persons to ensure that they are able to fully utilize Tarion’s services. All Tarion customers can make an accessibility accommodation request by telephone, mail, e-mail, in person, or by submitting the [Accessibility Accommodation Form](#). Additional details about Tarion’s commitment to providing accessible services can be reviewed in [Tarion’s Accessibility Policies](#).

Activity Measures – Actual and Forecast

Each of the foregoing Activities has multiple measures that Tarion currently monitors. Each is described in the following sections, and both actual results (for 2021 through 2023) and forecast figures (for 2024 and 2025) are provided (where available). In many cases, the 2025 forecast figures have been utilized as appropriate in the 2025 Budget and Resource requirements forecast that drive this Business Plan.

Resolving Complaints and Claims

Total Homes Under Warranty: Tarion currently extends warranty protection from the time the Agreement of Purchase and Sale (APS) is signed (through [deposit protection](#) and [delayed closing coverage](#)) to [7 years](#) after the date of possession (or occupancy in the case of a condominium). This is an important input into determining the appropriate level of reserves in the Guarantee Fund, to ensure all new homeowners in Ontario continue to have the protection they deserve.

Total Enrolments: Vendors and builders must enrol homes with Tarion prior to construction and sale. Enrolment fees are the primary source of revenue for Tarion, and as such the forecast for Total Enrolments for 2025 is an integral input into the Budget Planning process.

New Home Possessions: Possessions are counted when the homeowner takes possession (or occupancy in the case of a condominium) and the 1st year warranty commences. Although in the long run the number of enrolments and possessions should match (after allowing for cancelled enrolments), in any given year there will be a mismatch as there can be quite a lag between the time a builder requests an enrolment and the homeowner takes possession (typically months for a home, and years for a condominium). Possessions are an important driver of Tarion’s Warranty Services department workload, and a factor in headcount planning.

Warranty Forms received: To start a possible warranty claim, a homeowner must first submit a warranty form. The number of forms received is a direct driver of all downstream activities, and thus a predictor of the resources needed to address warranty claims.

Qualification for Enrolment (QFE) reviews: A person who plans to build or sell a new home in Ontario must be licensed by the Home Construction Regulatory Authority (HCRA) and the HCRA is responsible for granting new licence applications and renewing existing licences. After receiving a licence from the HCRA, a vendor/builder must apply to Tarion for QFE Confirmation for a home they are considering selling and Enrolment Confirmation for a home they are considering building. In addition to conditions imposed in the *Ontario New Home Warranties Plan Act* and Regulations Tarion may propose additional conditions that must be satisfied by the vendor/builder prior to Tarion confirming that the proposed home has QFE or is enrolled in the Plan. This review is a key role of the Tarion Underwriting department, and resource requirements are closely related to the level of QFE reviews requested by builders.

Request for Conciliation (RFC): At the end of the applicable Builder Repair Period, a homeowner that has submitted a warranty form may request an inspection for any items listed on the form for which the homeowner does not feel the builder has provided an acceptable resolution. When an RFC is accepted, a Conciliation Inspection is scheduled. At this time, Tarion staff will frequently engage with both the homeowner and builder to try to help resolve the situation. If resolution cannot be achieved, a Conciliation Inspection is the most common next step.

Conciliation Inspections: The Conciliation Inspection is a process where Tarion assesses the 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 Tarion agrees with the way a repair was done or offered to be done by the builder;
- Whether Tarion agrees 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 a Tarion Warranty Services Representative (WSR), who is an impartial decision maker. Shortly after the Conciliation Inspection, the Tarion WSR will issue a Conciliation Inspection Report outlining the assessment for each item inspected.

Claim Inspections: If the Conciliation Assessment Report contains items that are covered by the warranty, Tarion will contact the homeowner 30 days after the date of the report to determine if their builder has resolved the warranted items to the homeowners’ satisfaction. If the homeowner is not satisfied, Tarion will schedule a claim inspection. The purpose of the claim inspection is to determine if the warranty claim has been resolved by the builder in an acceptable manner. If Tarion determines that the builder failed to resolve the homeowner’s claim, Tarion will work directly with the homeowner to resolve the claim.

Mediations: Formally launched in 2021, Tarion is helping homeowners by providing access to a more timely, cost-effective, and independent way to dispute Tarion’s warranty assessments through an independent mediation process, which has been shown to be an easier and simpler process than a formal hearing process at the Licence Appeal Tribunal (LAT). This mediation process empowers homeowners with concerns about a claim to use independent, third-party mediation to help resolve their warranty claim disputes with Tarion. By using this mediation process, homeowners can avoid costly and time-consuming legal proceedings and instead provide the homeowner with a quicker, low cost, less formal atmosphere with a more co-operative problem-solving style. More information regarding Mediation can be found [here](#)

Risk-Based Inspections: The Tarion Risk-based Inspection program is a proactive tool to work with builders to promote better built homes through constructive risk identification and builder education. Although the program applies to all low-rise builders, priority is given to newly licensed builders and those builders with identified Ontario Building Code or Major Structural Defect claims within prior homes. This program was piloted in 2020 and has since transitioned to full production (hiring additional staff and formalizing the process). To date the team has conducted over 1,000 inspections with over 900 individual builders.

Activity Measure ⁴	2021 (actual) ⁵	2022 (actual)	2023 (actual)	2024 (forecast)	2025 (forecast)
Total Homes under Warranty	396,677	392,630	399,366	394,500	398,500
Total Enrolments	74,022	73,383	54,352	35,000	45,000
New Home Possessions	57,478	53,463	62,697	53,700	60,400
Warranty Forms Received	73,034	65,366	60,603	65,365	62,348

⁴ All numbers in this table are as of September 13th, 2024

⁵ In some cases, 2021 Activity Measures are skewed from expected / normal levels due to the extended impact of COVID restrictions, closures, and related factors. 2022 and beyond reflect more “normal” business operations.

Activity Measure ⁴	2021 (actual) ⁵	2022 (actual)	2023 (actual)	2024 (forecast)	2025 (forecast)
Qualification for Enrolment Reviews	1,946	1,662	1,510	1,500	1,500
Requests for Conciliation	10,004	8,123	6,389	7,831	7,379
Conciliation Inspections	3,797	3,966	2,996	3,581	3,496
Claim Inspections	664	942	1,050	1,022	1,054
Mediations	37	50	81	140	165
Risk-Based Inspections	223	557	572	540	540

French Language Services

The Tarion Customer Service team is the frontline group that manages the Tarion Call Centre (reached at 1-877-9TARION or 1-877-982-7466), e-mail (customerservice@tarion.com), online contact requests (via Tarion’s [“Contact Us”](#) page) and physical reception (5160 Yonge Street, 7th floor, Toronto, ON, M2N 6L9).

In total, the Tarion Customer Service team typically fields 60,000-80,000 calls each year. Most of these callers are fluent in English, but Tarion has also provided support in French, and in a wide variety of other languages by leveraging a third-party translation service. As of August 31st, 2024, the relevant year-to-date statistics stand as follows:

- Number of callers requesting service in English – **36,532**
- Number of callers requesting service in French - **8**
- Number of callers requesting service in a third language - **3**

Accessibility for Ontarians with Disabilities

All Tarion customers can make an accessibility accommodation request by telephone, mail, e-mail, in person, or by submitting the [Accessibility Accommodation Form](#) found on Tarion’s MyHome portal. In 2023, Tarion had **34** accommodation requests, and as of August 31st, 2024, there have been **21** such requests.

Resources

Financial Resources

Tarion manages a Guarantee Fund to support the deposit and warranty obligations of new home builders and vendors in Ontario. Its enrolment fees and annual operating expenses are developed consistent with its non-profit mandate, with an emphasis on prudent spending and consideration of delivering value for money. Any excess of revenues over expenses are either invested into the Guarantee Fund for future warranty coverages or are used to fund capital expenditures to support the service delivery of the organization. The amount of the Guarantee Fund is subject to a regular independent actuarial review to confirm that the fund can meet the needs of new homeowners. Tarion publishes its financial statements annually.

Human Resources

Tarion views people and culture as a core part of our long-term strategy and fostering an environment supportive of an engaged and enabled workforce is important to ensuring that our services are delivered to homeowners and builders at the highest levels possible.

To attract and retain a high performing, skilled workforce, Tarion aims to:

- Enable employees to fully utilize their skills and abilities by providing challenging and interesting work, and by removing barriers to success,
- Instil a culture of collaboration, knowledge sharing, and continuous improvement, and,
- Foster a diverse, inclusive, and equitable work environment.

Tarion will continue to keep a sharp focus on having the right people in the right roles, enabling our people to be successful in their roles, and supporting an elevated level of employee engagement and enablement. We plan to continue to enhance our employee programs to have the best people in place to enhance consumer outcomes.

Diversity, Equity, and Inclusion at Tarion

Diversity, Equity, and Inclusion (DEI) are part of our core values at Tarion, and we have a strong commitment to build an inclusive culture where all employees have an opportunity to grow, advance in their career, meaningfully contribute to Tarion's business, and feel they belong. We promote a culture where everyone in our organization recognizes the importance of DEI in the workplace and emphasizes the importance of treating all people with respect and dignity.

We have made considerable progress creating a diverse, equitable, and inclusive organization, and we recognize that there is more that can and must be done. We continue to work towards examining all aspects of our workplace and stakeholder experiences to ensure that we are in the best position to support our employees and our communities.

Our workforce demographics

As part of our commitment to inclusion and diversity, each year we publish the demographics of our workforce. Tarion is committed to developing and maintaining work environments and practices that ensure equality of opportunity, and to removing systemic barriers so that employees have every opportunity to feel included in the workplace. In a survey conducted in 2023, 96% of employees reported that they believe Tarion is committed to creating a diverse and inclusive work environment. As an organization, we are committed to continuing to monitor the diversity of our organization to ensure we are reflective of the communities we work within and the stakeholders we serve.

Below is a chart displaying our 2022 & 2023 end of year workforce demographics:

Demographic group	Board Representation 2023	Employee Representation 2024	Employee Representation 2023
Persons with a disability	9%	3%	3%
Indigenous persons	N/A	2%	1%
Visible minorities	18%	25%	22%
LGBTQ2S+	9%	2%	2%
Male	58%	42%	43%
Female	42%	58%	57%
Non-Binary/ Other	N/A	<1%	<1%

Note: Demographic information is presented from self-reported employee survey data. The exception is gender demographics, which are reported from our Human Resources Information System (HRIS). There may be some variability in year over year results that are reflective of the nature of self-reported data and not fully reflective of changes to our employee population.

Information Technology (IT) Resources

In 2025, the Information Systems Department will continue to support the organization's mission and vision by maximizing technology investments to fulfil business goals and objectives. With a focus on enabling great customer and employee experience, 2025 will include:

- Supporting and implementing changes to enhance the QFE process and builder accountability
- Expanding Tarion's collaborative platform, HomeHub', by implementing changes designed to increase user adoption.
- Building the foundational infrastructure for artificial intelligence projects.
- Implementing Tarion's new Financial Management System.



Financial Budget

2025 Budget

(The financial results presented below are prepared under the IFRS 17 basis – the new insurance contract accounting standard).

In 2024 Tarion provided the highest amount of consumer support in its history aiding over 1,000 homeowners who had lost deposits because of builder receiverships. Almost 80% of those losses related to agreements of purchase and sale that had not complied with the regulatory approval process. The total amount related to deposit losses incurred over 2023 and 2024 exceeds \$100M. A number of Tarion's projects in 2025 are aimed at increasing builder accountability to reduce the likelihood of this occurring in the future. The 2025 budget has been drafted to reflect the need to replenish and reinforce the Guarantee Fund after the unprecedented level of claims payments, which if unmitigated will leave the fund vulnerable to future catastrophic events. To be stable against future events, approximately \$30M in capital needs to be added to the Fund over the next three years. The budget as presented in this plan includes remediation measures from Tarion's 3-year phased-approach capital replenishment strategy to return to our desired capital level by the end of 2027.

The 2025 budget is also prepared with an economic outlook that continues to be impacted by high interest rates and inflationary pressures. Although interest rates have been cut in 2024 and are forecasted to lower even further in 2025, the housing market is expected to take time to recover and adapt to economic corrections. Enrolments in 2024 have been low and are projected to remain low in 2025. While enrolment levels are low, the demand for Tarion warranty services and coverage continues to be high. This budget reflects fiscally responsible expense management and supports the necessary replacement of the financial management system and digital analytics initiatives.

The budgeted bottom line of **\$8.3M** in 2025 assumes a low level of enrolments, modest investment return and stable expenditures adjusted for inflation and a capital replenishment strategy.

Under IFRS 17, the new insurance contract accounting standard prescribes that Tarion's financial results are presented in three key components: *Insurance service result*, *Insurance financial result*, and *Other Income and Expenses*. These categories are based on the IFRS 17 accounting standard definitions whereby revenues and expenses attributed towards the "warranty" business are shown under *Insurance Service result*, the investment performance and discounting impact of cash flows are presented under the *Insurance Financial Result*, and the balance are presented as *Other Income and Expenses*.

Insurance Service Result

The insurance service results which reflect the “pure” insurance side of the operations as defined under IFRS 17 projects a deficit of **\$2.9M** for 2025 compared to a positive insurance service result of **\$0.6M** in 2024 Budget. The 2025 insurance service result is impacted by the projected lower enrolment levels in 2025. Claims experience in 2025 is projected to still be elevated due to the continued risk exposure of receiverships. The claim loss ratio is projected to improve in the later years, based on improved underwriting and collection practices, the impact of enforcement and licensing efforts of the HCRA, and continued economic normalization as the building industry continues to recover from the economic shocks in recent years.

Insurance Financial Result

The net insurance financial result which consists of investment income and the impact of discounting of cashflows under IFRS 17 projects a positive income of **\$10.9M** versus **\$13.5M** in the 2024 Budget - reflecting positive investment return from the Guarantee fund with offset from the discounting impact on the insurance cashflows.

Other Income and Expenses

Under IFRS 17, any items that are not directly attributable to the definition of “insurance” are categorized as Other. Other income includes the non-refundable capital replenishment portion of the overall increase in enrolment fees that Tarion introduced in 2024.

Other Expenses is made up of “non-insurance” expenses such as operating expenses for the administration of the warranty program that do not meet the definition of “insurance” under IFRS 17, and other expenses such as investment in technology and infrastructure, governance, stakeholders and employee education, etc.

2025 Expenditures

Under IFRS 17, expenses are allocated between insurance versus non-insurance and presented separately on the statement of operations. Below, Exhibit 1 provides total expenses before the allocation between insurance versus non-insurance expenses for a combined view of expenses.

2025 budgeted total expenditures (excluding claims expenses) of **\$80.2M** is kept relatively flat compared to 2024 Budget of **\$80.5M**, despite inflationary pressure. Staffing costs increase is driven mostly by cost-of-living increase. Included in the operating expenses are

costs to continue the key initiatives to replace the financial management system, digital analytics, enhance the Qualification for Enrolment process, and continue enhancements to Home Hub. In 2024B, \$1M of IT development costs were budgeted to be capitalized and amortized over the life of the intangible asset. The 2025 Budget depreciation and amortization costs are budgeted to decrease due to less IT development costs being eligible for capitalization driven by the transition to a more Software as a Service (SaaS) model. The capitalization accounting policy for cloud-based services is more restrictive.

Exhibit 1 - 2025-2027 Expenditure Projections

	2024 Budget	2025 Budget	2026 Projection	2027 Projection
Salaries and benefits	46.2	47.8	48.6	49.8
General and administrative	29.1	29.2	30.8	28.4
Subtotal OPEX	75.3	77.0	79.4	78.2
Capitalized IT development costs	(1.0)	-	-	-
Depreciation and amortization	6.2	3.2	3.2	2.3
TOTAL OPERATING EXPENSES	80.5	80.2	82.6	80.5

Key Assumptions

Exhibit 2 outlines the prior year 2024 budget, 2025 budget, and projections out to 2027.

These 3-year projections were prepared with significant judgment and estimates by Management with unknown risks and uncertainties, especially for years 2026 to 2027 which are based on high level assumptions and long-term historic data trends for incurred claims and investment income. Hence, actual performance and financial results in future periods may differ materially from any projections of future performance.

Exhibit 2 - 2025 - 2027 Financial Projections

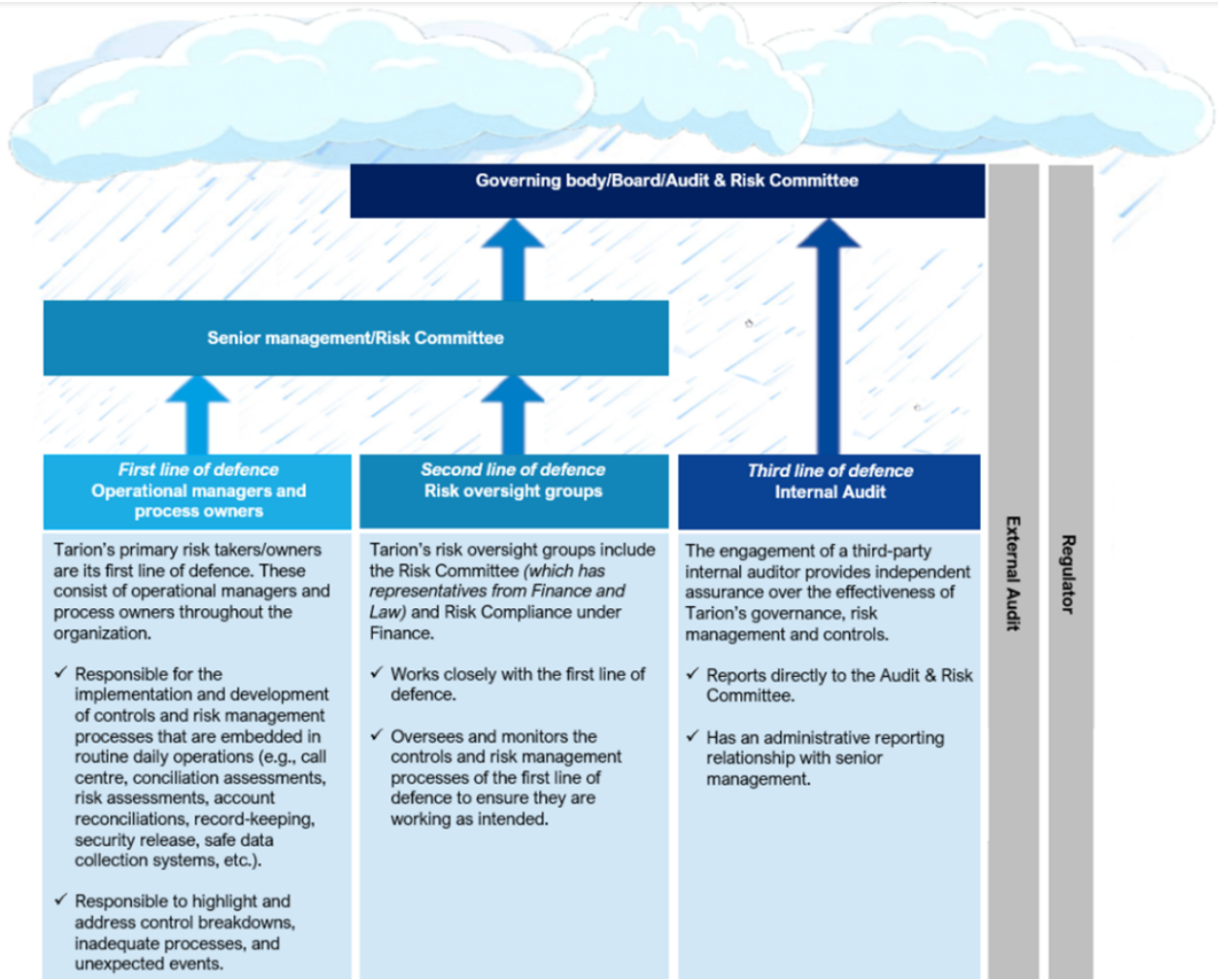
	2024	2025	2026	2027
	Budget	Budget	Projection	Projection
Written Revenue - Enrolment	83.4	69.3	84.1	97.7
Written Revenue - Capital Replenishment Fee	5.5	19.1	27.5	30.3
INSURANCE SERVICE RESULT				
Insurance revenue	78.3	75.5	83.3	86.0
Insurance service expense	(78.3)	(77.7)	(78.0)	(73.7)
Insurance service result before reinsurance contracts held	0.0	(2.2)	5.3	12.3
Allocation of reinsurance premiums	(3.0)	(1.2)	(1.6)	(1.9)
Amounts recoverable from reinsurers for incurred claims	3.6	0.5	0.7	0.5
Net recoverable (expense) from reinsurance contracts held	0.6	(0.7)	(0.9)	(1.4)
INSURANCE SERVICE RESULT	0.6	(2.9)	4.4	10.9
INVESTMENT RESULTS				
Investment income/(loss)	36.2	31.3	32.7	35.7
Investment management expense	(2.5)	(2.8)	(2.8)	(2.9)
Insurance finance income (expense) for insurance contracts issued	(21.1)	(18.3)	(18.1)	(19.4)
Reinsurance finance income (expense) for reinsurance contracts held	0.9	0.7	0.8	1.0
NET INSURANCE FINANCIAL RESULT	13.5	10.9	12.6	14.4
OTHER INCOME*	5.5	19.1	27.5	30.3
OTHER EXPENSES	(15.9)	(18.8)	(18.5)	(17.2)
OTHER INCOME AND EXPENSES	(10.4)	0.3	9.0	13.1
EXCESS/(DEFICIT) OF REVENUE OVER EXPENSES	3.7	8.3	26.0	38.4
Assumptions				
Enrolment Levels	55,000	45,000	50,000	55,000
Net Claims Loss Ratio	27%	34%	25%	19%
Investment Return	5.5%	5.0%	5.0%	5.0%

* The capital replenishment amount is included in Other Income

Risk Management Plan

Earlier sections of this plan provided details about Tarion’s major activities and objectives. These have innate risks and Tarion has adopted the Three (3) Lines of Defence Model⁶ 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. Projects/Initiatives risks are managed to timely delivery by dedicated project owners and applicable steering committees, as necessary.

Three Lines of Defence Model



⁶ The Institute of Internal Auditors and the Institute of Directors endorse the ‘Three Lines of Defence’ model as a way of explaining the relationship between functions in any organization; and as a guide to how responsibilities should be divided and how key organizational roles work together to facilitate strong governance and risk management.

The model also enhances clarity regarding risks and controls and helps improve the effectiveness of Tarion's risk management process. Tarion's risk management process is a continuous cycle anchored in the following six steps:

- i. scan the environment,
- ii. identify potential risks,
- iii. analyze identified risks,
- iv. respond with a resolution or mitigation plan,
- v. monitor the evolving risk, and
- vi. report risks to the appropriate stakeholders.

A review of both the internal (e.g., policies) and external (e.g., economy, new legislation) environments is used to identify risks. Identified risks are categorized by sources to facilitate the determination of their root cause. This allows for an analysis of their potential financial, operational, and reputational impacts and helps to establish an appropriate risk response. Depending on the assessment, Tarion may either opt to accept, exploit, mitigate, transfer, or avoid identified risks. Overall, a comprehension of the nature of identified new, emerging, and existing risks is undertaken. This is to understand the inherent risk exposure, the appropriate response, the effectiveness of Tarion's internal controls and the requirements for ongoing monitoring.

Tarion's internal controls encompass all its possible responses to risk, whether viewed as opportunities, uncertainties, or hazards. Internal controls utilized by Tarion include segregation of duties, first line of defence departmental audits and information processing controls to identify and reduce risks.

Controls also include the documentation of Tarion's policies and procedures to manage risk. For example, Registrar Bulletins are Tarion's operational policies. These can be readily found on our Tarion site within the [Registrar Bulletins section](#). Registrar Bulletins outline the rules, processes, and exceptions, if any, for Tarion's various stakeholders including builders and homeowners. Adherence to Tarion's controls and policies provides reasonable assurance regarding the achievement of Tarion's objectives.

Ongoing monthly and quarterly monitoring of risks ensures that Tarion's risk responses (including controls) are operational and relevant. This also reduces the likelihood of adverse events reoccurring based on lessons learned. Risk monitoring consists of a combination of regular communication, periodic reviews or audits, and evaluation by independent executives at appropriate levels of Tarion. Active monitoring and reporting of Key Performance Indicators (KPIs) and Key Risk Indicators (KRIs) is conducted to ensure that Tarion is not exposed to an unacceptable level of risk, and to ensure appropriate escalation reporting takes place where acceptable thresholds may be exceeded.

As part of its risk management strategies, Tarion has comprehensive business continuity plans for its operations in the event of a disaster to ensure continuous delivery of its services to stakeholders. Tarion's operations include departments (i.e., business units) such as Finance, Human Resources, Information Systems, Underwriting, Warranty Services and more. Each business unit (BU) has a business continuity plan that includes a description of the BU's main functions, critical business processes and dependencies that must have the ability to be executed even during a disaster or crisis, and key individuals responsible for a variety of functions. Each business continuity plan lists critical IT applications that must be accessible to the BU to be able to function; and provides the Recovery Time Objective (RTO) for each critical IT application, which is the targeted time to restore the IT application to operate as needed. All business continuity plans have action plan checklists that outline a set of procedures that take place before, during, and after a serious disruption to minimize interruptions and keep things as close as possible to "business as usual." The goal of the checklist is to improve organizational readiness and aid in preparedness efforts so response teams can methodically execute plans step by step without overlooking any critical details. Business continuity plan tests are performed on an annual basis. An example of the effectiveness of the business continuity plan was the successful response to COVID19.

Tarion's 2025 Risk management planning will include addressing the extraordinary deposit claim and related emerging risks described above.

Capital Management

Tarion's fiscal risk management procedures also include modelling potential material claims risks, and the risk of financial catastrophic scenarios. This risk scenario testing in turn feeds into our actuarial assessments of capital adequacy and our internal risk mitigation discussions.

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. An exercise in the framework is the Financial Condition Testing (FCT). The FCT exercise was completed in 2024 and considered the changes to financial reporting resulting from the adoption of the IFRS-17 accounting standard. The FCT exercise identifies and assesses potential risks that are translated to adverse scenarios that are likely to significantly impact Tarion's capital level. The FCT identifies corrective management actions that can be applied following the stress testing and potential mitigation plans to return to a position of capital adequacy. Moreover, the FCT testing process allows management to understand the implications Tarion's Business Plan has on capital and provides awareness of significant risks

to which Tarion may be exposed. The Board and Senior Management are involved in the determination of the stress scenarios and understand the key findings of the stress test to develop and implement risk mitigation strategies. The FCT exercise is reviewed by Tarion's external actuary. The results of the annual FCT are presented to Tarion's Audit and Risk Committee and the FCT Report is approved by the Board.

Builder Insolvency Risk

Builder insolvency continues to be a risk in 2025 due to the impact of economic challenges and uncertainties in the overall housing market over the last few years. This risk and the efficacy of our mitigation efforts will continue to be monitored in 2025 and continues to form part our overall risk management efforts going forward. In 2025, Tarion will continue to mitigate the risks of large claim losses in the future by increasing homeowner education and improving our underwriting approach. Other process improvements are being developed including the qualification for enrolment process and/or the tracking and registration of deposits and agreements of purchase and sale.

While Tarion incurred large claims in both 2023 and 2024, at this time we do not believe that the overall losses will impair the ability of the provincial fund to respond to future warranty claims due to our capital management and reinsurance programs. The long-term impact of the losses is expected to be mitigated by the capital replenishment program once approved.