



# **2026**

# **Business Plan**

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## Executive Summary

Tarion is the independent, non-profit organization responsible for administering the *Ontario New Home Warranties Plan Act* and providing a backstop for the vendor warranties set out in the Act to those who buy new homes in Ontario. Tarion is committed to sound business planning to effectively deliver its consumer protection mandate. This plan outlines the priorities for the 2026 fiscal year<sup>1</sup>, while the upcoming Annual Report will outline Tarion's achievements in the 2025 fiscal year ended December 31, 2025.

The 2026 Business plan reflects the extraordinary downturn in new home construction activity and includes a 3-year forecast projecting only a very slow recovery in the housing sector. At the same time, new home possessions remain relatively high, with possessions still occurring due to high levels of home enrolments in the past. Accordingly, our 2026 budget and business plan reflect both the importance of financial prudence and the need to ensure that service levels remain robust enough to manage consumer needs in a volatile environment.

In 2026, Tarion will continue initiatives to encourage homeowners to advise Tarion when they enter into a home purchase agreement to help combat illegal activity and enhance consumer education. 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 enhance our data lake and data management capabilities, to streamline internal processes and provide enhanced services to homeowners, builders and stakeholders.

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<sup>1</sup> All forecasts / projections / targets in this Business Plan are as of October 10, 2025 (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,
- Sharing information with the Home Construction Regulatory Authority and supporting their parallel mandate with respect to vendor and builder regulation,
- 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:

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

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## 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:

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*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.*

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## 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.

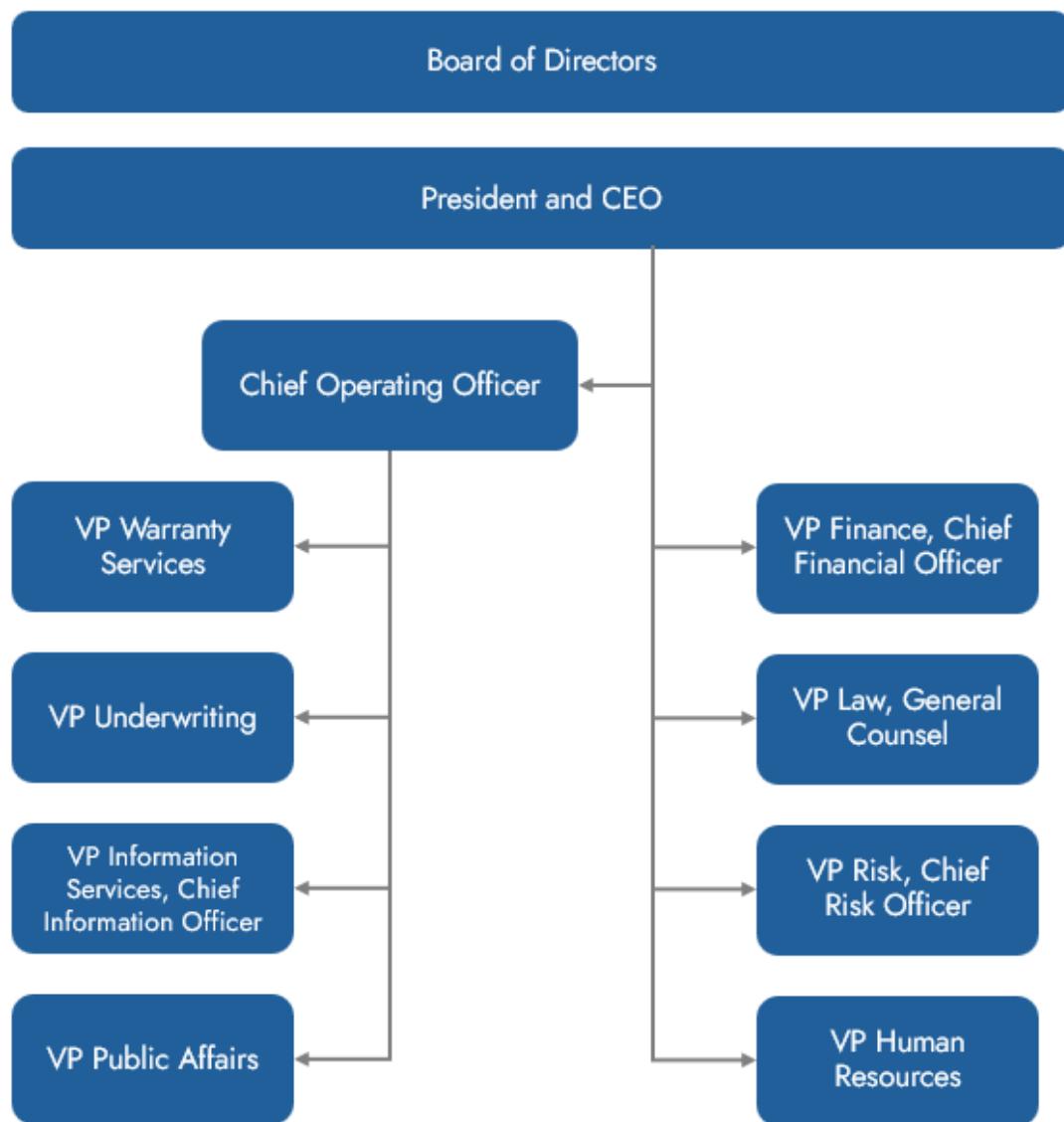
### **Caring**

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

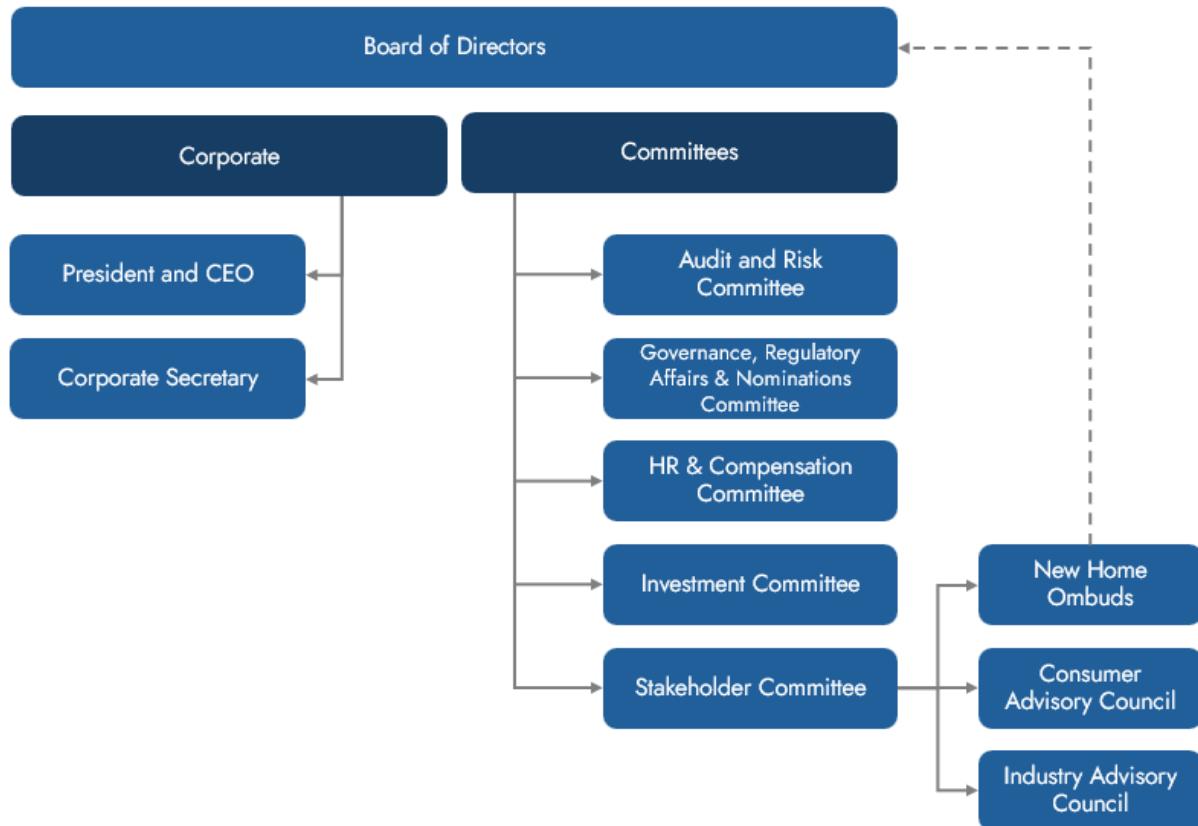
## Corporate Structure

Tarion's organizational structure has been set up to enable the delivery of Tarion's mandate and 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, except in cases of imminent danger or as compelled by law. It is a member of the Forum of Canadian Ombudsman 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; it 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 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.
- **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 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 Builders and Vendors

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

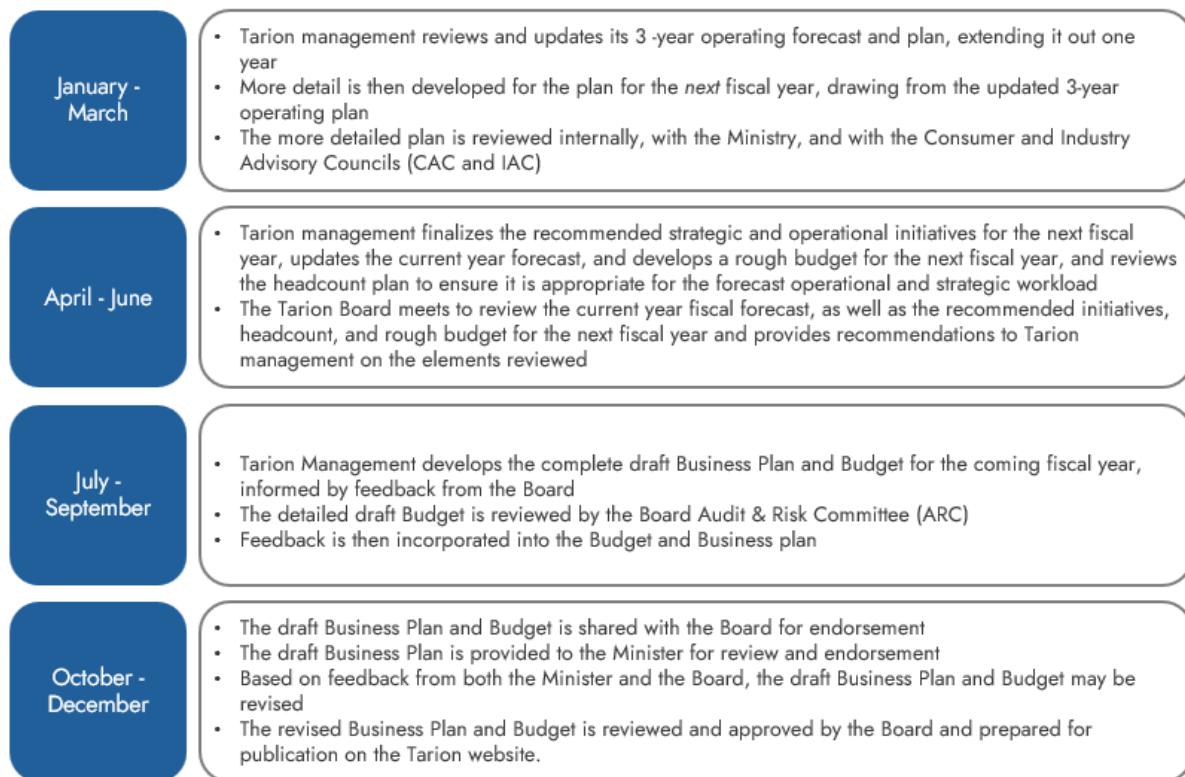
Although Tarion operates independently of government, it is accountable to the government for the fulfillment of its statutory mandate.

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 of the following year. One year later, it serves as a key input to the Annual Report for the prior year. The Annual Report discusses progress on initiatives outlined in the Business Plan, as well as the actual results for Outcome Measures, which are compared against the targets set in the Business Plan.

# Strategic Objectives

Our 2026 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.

<b>Major Activity: Digital Accessibility for Ontarians with Disabilities</b>	
<b>Need:</b>	
To improve Tarion's web content so that it continues to meet or exceed standards for accessibility for Ontarians with disabilities.	
<b>Description:</b>	
<p>In 2025, Tarion implemented changes to support our efforts toward achieving Web Content Accessibility Guidelines (WCAG) 2 Level AA digital compliance. Some of these actions include:</p> <ul style="list-style-type: none"><li>Ensuring text can be resized to 200% without loss of content or functionality.</li><li>Updating non-descriptive link text to more meaningful texts to avoid confusion for screen readers.</li><li>Adding captions to all videos.</li></ul> <p>In 2026, bi-weekly operational scans will become a permanent process. In addition to implementing high criticality findings as a result of the scans, some of the planned activities for 2026 include:</p> <ul style="list-style-type: none"><li>Testing all pages for keyboard accessibility and proper ordering of sections.</li><li>Ensuring all forms are accessible with labels outside of the form fields and proper error messages.</li></ul>	
<b>Expected Outcome:</b>	
<ul style="list-style-type: none"><li>Continue compliance with Integrated Accessibility Standards Regulation (IASR), accessible websites requirements (Section 14) in 2026, and improve the continuing accessibility of our web content for Ontarians with disabilities.</li></ul>	

## 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.

<b>Major Activity: Illegal Selling</b>	
<b>Need:</b>	It is critical to identify situations early where rogue builders without QFE approval from Tarion enter into agreements of purchase and sale (APS) with new home buyers. Catching this illegal activity is challenging because rogue builders have no incentive to advise the regulator, and purchasers may either be unaware of the risks or not engaged in the warranty process at the time of purchase. This project will enhance Tarion's ability to identify and address illegal vendor/builder activity in collaboration with the Home Construction Regulatory Authority (HCRA), helping to prevent large scale cases of illegal new home sales such as those seen over the past two years.
<b>Description:</b>	
	In 2025, Tarion completed the implementation of several enhancements to the QFE process, including 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 identify illegal actors. Builders now add the unique QFE identifier to each of their APSs via the Warranty Information Sheet.  In 2024, Tarion also launched a voluntary APS Registration portal, and freehold homebuyers should let Tarion know that they have bought a new home by registering their purchase via this easy-to-use online portal on the Tarion website.  APS registration allows Tarion to provide homeowners with warranty information early in their homeownership journey and confirm if the builder has complied with their obligations. In 2026, Tarion will continue to promote APS registration through targeted campaigns. These efforts aim to:

- Inform homeowners about the benefits of registering their APS with Tarion as soon as possible after signing their agreement.
- Educate stakeholders, including realtors, builders, and other industry professionals about the risks of illegal selling and the advantages of early APS registration.
- Encourage use of the portal for streamlined access to warranty information and support.

In conjunction with the unique QFE Identifier included on APSs, this process will help reduce non-compliant sales and identify illegal actors.

#### **Expected Outcome:**

- Early identification of illegal sales, as Tarion will cross-reference the unique QFE identifiers with registered APSs and conduct follow-up as needed.
- This change also allows Tarion to provide valuable information about the warranty program directly to the purchaser at the start of their new home buying journey.

## **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 2026, Tarion will continue 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 employ 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 2026, Tarion will continue to enhance the AI foundation infrastructure by incorporating additional data and transforming it to facilitate the transition from the existing data

warehouse and Informatica ETL (Extract, Transform, Load) process to Microsoft Fabric. This transition is part of Tarion's technology modernization program, aimed at enabling a complete shift to cloud-based solutions for improved reliability, flexibility, and performance. This transition will enable advanced reporting, dashboards, and visuals, incorporating real-time data from Microsoft Fabric.

In addition to working on creating our data lake and the foundational layer of our AI infrastructure, Tarion commenced the process of developing and implementing AI use cases in 2025. Use cases are identified based on opportunities for operational efficiency in our internal processes and stakeholder feedback.

In 2025, Tarion commenced the process of leveraging our enhanced data analytics and AI capabilities to implement 'CAR assistant', to optimize the Conciliation Assessment Report issuance process. The following AI use cases are currently being considered for 2026:

1. Incorporating Construction Performance Guidelines (CPG) article guidance for homeowners directly into the claims process
2. AI Assistance for homeowner warranty form completion
3. Automation of Decision Letter preparation to improve consistency and turnaround time

#### **Expected Outcomes:**

- Complete implementation of the data lake/ AI foundation
- Identify and apply AI models tailored to business use cases that will improve outcomes and performance
- Implement engineering and monitoring tools to optimize the AI environment

## **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 dynamic 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. In 2025, Tarion commenced the replacement of the legacy Financial Management System (FMS) to a cloud-based FMS. The new cloud-based FMS will be launched in 2026.

<b>Major Activity: Financial Management System Replacement</b>	
<b>Need:</b>	The Financial Management System (FMS) replacement project will finalize our systems update and move the organization to a new cloud-based FMS solution.
<b>Description:</b>	The FMS transition project involves implementation of native cloud-based software as a replacement for Tarion's current platform. This will 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 emphasizes stakeholder self-administration, staff configurability, simple integration and improved analytics capabilities. The new FMS System is on track to go-live in early 2026.
<b>Expected Outcomes:</b>	<ul style="list-style-type: none"> <li>• Cloud based FMS System (Workday) launched.</li> <li>• Improved user experience with simplified navigation and significantly enhanced features and functions.</li> <li>• Reduce manual workaround and automate repetitive tasks where feasible.</li> <li>• Enhanced analytics and reporting with interactive dashboards.</li> <li>• Further standardize technologies across all Tarion applications.</li> </ul>

## Outcome Measures and Targets

Tarion's 2026 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	
2026 Outcome Measure	2026 Target
New Homeowner Satisfaction	86%
Stakeholder Interaction score	90%

**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 2025 and prior years.

The **Stakeholder Interaction score** is a measure of homeowner and builder satisfaction with Tarion at different interaction touchpoints<sup>2</sup> 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 years' results.

Strategic Objective: Being a Trusted Resource	
2026 Outcome Measure	2026 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 have peace of mind that they are getting the home they were promised and that one of their life's biggest investments is protected.

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<sup>2</sup> Specifically, after interactions with the customer service centre and conciliation inspections.

Strategic Objective: Empowering our Stakeholders	
2026 Outcome Measure	2026 Target
Customer Service Response Time	100
Compliance with CAR issuance commitment	92%

**Customer Service Response Time** is a composite measure, including both the average time to answer a call made 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](mailto: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. A score of 100 represents meeting both goals, while a score higher than 100 is indicative of better than target response times on calls and emails received by the customer service centre.

**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	
2026 Outcome Measure	2026 Target
Employee Engagement	Top 25% Canadian Benchmark Score
Employee Enablement	Top 25% Canadian Benchmark Score

**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, geared 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, geared towards an improved overall result.



# Activities

## Resolving Complaints and Claims

Ontario's new home warranty program sets out the 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<sup>3</sup>. 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.

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 notify their builder when an issue arises and must give them an opportunity to review 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 resolve these disputes. 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. Also, 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 submit a warranty claim 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 providing services in French. Calls and inquiries made into Tarion's customer service centre can be

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<sup>3</sup> The term "builder" is used in this section as a shorthand and includes a "vendor", "builder" and "vendor/builder".

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"](#)". Individuals 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 2022 through 2024) and forecast figures (for 2025 and 2026, where available) are provided. In many cases, the 2026 forecast figures have been utilized as appropriate in the 2026 Budget and Resource requirements forecast that drive this Business Plan.

### Resolving Complaints and Claims

**Total Homes Under Warranty:** The warranty protection extends from the time the Agreement of Purchase and Sale (APS) is signed (through [deposit protection](#), financial loss, delayed occupancy 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 protection.

**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 2026 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 1<sup>st</sup> 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 is a lag between the time a builder enrols a home 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):** When a homeowner submits a warranty form to Tarion, it triggers a 120-day initial builder repair period (unless it is an emergency item). During this time, the builder should repair or otherwise resolve items on the form which are covered by the warranty. 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 determines 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 or not with the way a repair was done or offered to be done by the builder;
- Whether Tarion agrees or not that a settlement offer by the builder is reasonable; and/or
- What, if applicable, compensation or repair the owner is entitled to receive from the builder.

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 homeowner's 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 potentially costly and time-consuming legal proceedings and instead, participate in process with a quicker, low cost, less formal atmosphere involving 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<sup>4</sup>. This program was piloted in 2020 and has since transitioned to a permanent program. To date the team has conducted over 1,000 inspections with over 900 individual builders. This program is in addition to the high-rise inspection program set out in Registrar Bulletin 19. The Bulletin 19 program assists builders to mitigate warranty claim risk during the design and construction of new condominium projects by proactively identifying, reporting and resolving construction deficiencies, and it applies to all high-rise construction.

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<sup>4</sup> The process for high-rise builders is detailed in Registrar Bulletin 19: Condominium Projects Design and Field Review Reporting.

Activity Measure <sup>5</sup>	2022 (actual)	2023 (actual)	2024 (actual)	2025 (forecast)	2026 (forecast)
Total Homes under Warranty	392,630	399,366	401,428	398,543	396,092
Total Enrolments	73,383	54,352	36,998	24,800	25,000
New Home Possessions	53,463	62,697	59,861	54,000	50,000
Warranty Forms Received	65,366	60,603	58,054	61,400	56,300
Qualification for Enrolment Reviews	1,662	1,510	1,423	1,500	1,500
Requests for Conciliation	8,123	6,389	5,505	4,900	6,400
Conciliation Inspections	3,966	2,996	3,387	2,800	2,600
Claim Inspections	942	843 <sup>6</sup>	584	500	700
Mediations	50	81	143	133	140
Risk-Based Inspections	557	572	628	540	540

### French Language Services

The Tarion customer service team is the front line group that manages the Tarion customer service centre (reached at 1-877-9TARIION or 1-877-982-7466), e-mail ([customerservice@tarion.com](mailto:customerservice@tarion.com)), online contact requests (via Tarion's ["Contact Us"](#) page) and physical reception (5160 Yonge Street, 7<sup>th</sup> 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 31<sup>st</sup>, 2025, the relevant year-to-date statistics stand as follows:

<sup>5</sup> All numbers in this table are as of September 08<sup>th</sup>, 2025

<sup>6</sup> Reported incorrectly as 1050 claim inspections in 2023. Pre-warranty cases are now accounted for in the 'Conciliation Inspections' activity measure.

- Number of callers requesting service in English – **29,458**
- Number of callers requesting service in French - **8**
- Number of callers requesting service in a third language - **2**

### **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 2024, Tarion had **26** accommodation requests, and as of August 31<sup>st</sup>, 2025, there have been **6** such requests.

# Resources

## Financial Resources

Tarion manages a Guarantee Fund to protect current and future new home purchasers in instances where new home builders and vendors are unwilling or unable to fulfil their warranty obligations. 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,
- Instill 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, but 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 and 2024 end of year workforce demographics:

Demographic group	Employee Representation 2024	Board Representation 2023/2024	Employee Representation 2023	Employee Representation 2022	Representation in Canada
Persons with a disability	3%	9%	3%	4%	19%
Indigenous persons	2%	N/A	1%	2%	5%
Visible minorities	25%	18%	22%	31%	22%
LGBTQ2S+	2%	9%	2%	3%	4%
Male*	42%	58%	43%	42%	49%
Female*	58%	42%	57%	58%	51%
Non-Binary/ Other	<1%	N/A	<1%	N/A	N/A

*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 2026, 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, 2026 will include continuing to build the foundational infrastructure for Artificial Intelligence projects and launching Tarion's new Financial Management System.

Tarion will also continue with the migration of MyHome and BuilderLink into HomeHub, and is on target to complete the transition by the end of 2027. We plan to expand the platform in 2026 with additional features like form history and new enrolment features. Analytics will allow us to leverage HomeHub data to identify and implement efficiencies in staff workflows. Further updates will incorporate user feedback to improve the platform's overall ease of use.

The Information Systems Department continues to undertake initiatives to support Tarion's efforts to maintain cybersecurity resilience. The 2025 roadmap, anchored by the implementation of Zero-Trust principles, is progressing on schedule and is expected to reach completion by year-end. Looking ahead to 2026, Tarion will continue to advance its strategic initiatives, including the deployment of a Cloud Access Security Broker (CASB), the rollout of a managed Web Application Firewall (WAF), and the expansion of SD-WAN capabilities. In parallel, Tarion will sustain operational rigor through semi-annual disaster recovery tests, monthly cybersecurity training, annual penetration testing, and comprehensive tabletop exercises for its leadership team and board. These efforts collectively reinforce Tarion's resilience and readiness in the face of an evolving threat landscape, ensuring the organization upholds the highest standards of security and trust for all stakeholders.

# Financial Budget

## 2026 Budget

*(The financial results presented below are prepared under the IFRS 17 basis).*

In 2025, Tarion demonstrated its ongoing commitment to consumer protection and support, navigating an environment marked by economic uncertainty and volatility. The persistent challenges facing the housing sector led to a significant deceleration in market activity, with a significant reduction in home enrolments spanning all home types and increase in builder/vendor receiverships. Despite these challenges, the Guarantee Fund continues to compensate homeowners for deposit losses and warranty claims. Tarion also focused on enhancing its operational efficiency and financial oversight: Tarion continued to invest in responsive customer service, claims processing efficiency, and proactive risk management of the Guarantee Fund by continuously stress-testing its resiliency. A cornerstone initiative completed in 2025 was the groundwork for the registration of Agreements of Purchase and Sale (APS). This measure was designed to help address illegal activity, thereby mitigating the negative consumer impacts and risks associated with illegal deposit claims.

The 2026 budget has been developed in consideration of an economic outlook that projects a continued period of subdued activity in the housing market, with recovery expected to span several years. In response, Tarion has prepared a budget that emphasizes prudent expense management and operational sustainability while ensuring flexibility to respond to changing circumstances. Despite the decline in home enrolments, Tarion remains committed to upholding the highest standard of consumer protection, ensuring that the Guarantee Fund is financially able to meet ongoing and future claims obligations. For 2026, strategic initiative projects centre on the full implementation of APS registration alongside targeted investments in digital analytics. Together, these initiatives strengthen Tarion's organizational efficiency, and customer service to better support homeowners amid ongoing market challenges.

The projected bottom line for 2026 is **\$2.3M** reflecting conservative assumptions regarding home enrolments, returns on investments and lower spend on operating expenses with the deferral of/reduced scope for non-essential projects. This approach ensures fiscal discipline and supports Tarion's commitment to operational excellence amid ongoing market uncertainty.

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 remaining income and expenses are presented as Other Income and Expenses.

## Insurance Service Result

The Insurance Service Result as defined under IFRS 17, reflects the performance of Tarion's core insurance operations. For 2026, a deficit of **\$1.9M** is projected, representing an improvement compared to the **\$2.9M** deficit budgeted for 2025. This result is primarily influenced by lower enrolment volumes, which are expected to persist into 2026 and beyond. Claims experience is expected to normalize as decreased enrolment volumes gradually reduce the overall exposure to potential claims even while considering the possibility for increased provisions arising from unforeseen receiverships. The ongoing risk management initiatives are anticipated to help reduce illegal activity (i.e., mitigating exposure, particularly with respect to deposit-related claims).

## Insurance Financial Result

The Insurance Financial Result, comprising investment income and the impact of cash flow discounting under IFRS 17, projects a positive of income **\$11.8M** for 2026, compared to **\$10.9M** in the 2025 budget. This reflects a modest return from the Guarantee Fund, partially offset by the effects of discounting insurance cash flows.

## Other Income and Expenses

Under IFRS 17, income and expense items not directly attributable to the definition of "insurance" activities are classified as "Other." This category primarily includes non-refundable capital fees and other revenues or costs that fall outside the scope of insurance contract definitions.

Other Expenses comprise costs classified as "non-insurance" under IFRS 17, including administrative expenditures related to the warranty program that do not meet insurance criteria. Additionally, this category encompasses expenditures made in technology and infrastructure, as well as expenditures related to governance, stakeholder engagement and employee development initiatives.

## 2026 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.

For the 2026 fiscal year, total budgeted expenditures (excluding claims-related costs) are estimated at **\$79.1M**, marking a modest reduction from the 2025 budget figure of **\$80.2M**, despite prevailing inflationary pressures. Staffing expenditures are projected to remain stable in 2026 as the workload for Operations will remain high given that there continues to be a high number of homes (400,000) under warranty and demand on builder receiverships claims management, but with anticipated decreases in 2027 and 2028 as lower enrolment volumes gradually lessen operational demands and contribute to cost savings. The 2026 budget is guided by prudent fiscal management, with general and administrative expenses expected to be maintained at consistent levels due to the strategic deferral or scaling back of non-essential initiatives. Resource allocation remains focused on the completion of core strategic projects, including the replacement of the Financial Management System and the foundational development of Artificial Intelligence capabilities within the digital analytics program. These initiatives have been strategically prioritized to ensure optimal value delivery while maintaining prudent fiscal oversight during this period of economic uncertainty.

## Exhibit 1 - 2026-2028 Expenditure Projections

	2025 Budget	2026 Budget	2027 Projection	2028 Projection
Salaries and benefits	47.8	47.8	46.6	45.7
General and administrative	29.2	28.3	24.0	22.5
<b>Subtotal OPEX excl depreciation &amp; amortization</b>	<b>77.0</b>	<b>76.1</b>	<b>70.6</b>	<b>68.2</b>
Depreciation and amortization	3.2	3.0	2.6	1.5
<b>TOTAL OPERATING EXPENSES</b>	<b>80.2</b>	<b>79.1</b>	<b>73.2</b>	<b>69.7</b>

### How is the enrolment fee used?

A significant amount of Tarion's work is dedicated to support the homeowners from the time of purchase to when they take possession, and throughout the duration of the warranty claim process. In 2025, for every \$1.00 of enrolment fee paid, \$0.98 went toward supporting homeowners and/or their condominium corporations through all aspects of the warranty claim process, including warranty payments, the servicing of enquiries, intervention and facilitation work and consumer education. In 2026, we anticipate this will remain at a similar level.

### Key Assumptions

Exhibit 2 outlines the prior year 2025 budget, 2026 budget, and projections out to 2028. These 3-year projections were prepared with significant judgment and estimates by Management with unknown risks and uncertainties, especially for years 2027 to 2028, which are based on high level assumptions and long-term historic data trends for incurred claims and investment income. Based on the anticipated gradual recovery in enrolment levels, operating and claims expenses for future years have been adjusted accordingly to align with

these trends. Actual performance and financial results in future periods may differ materially from any projections of future performance.

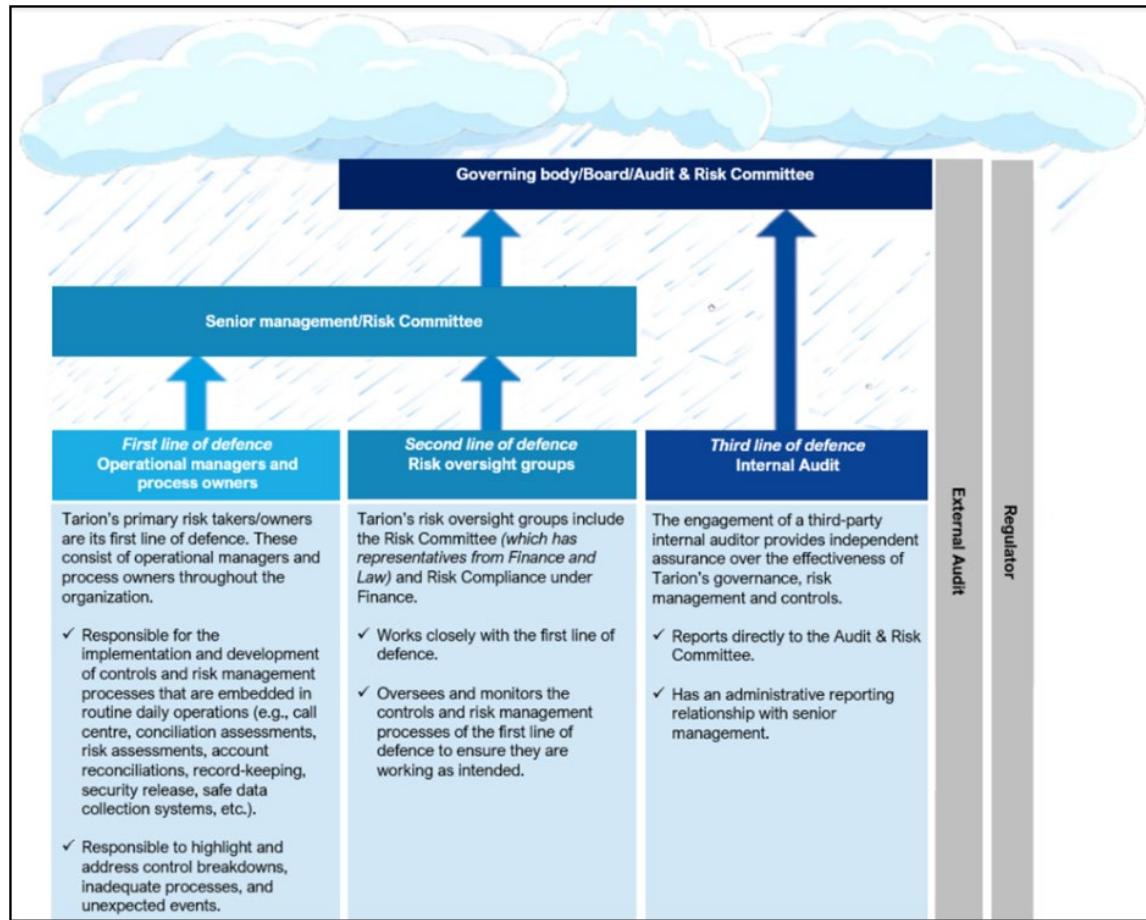
## Exhibit 2 - 2026 - 2028 Financial Projections

	2025 Budget	2026 Budget	2027 Projection	2028 Projection
<i>Written Revenue - Enrolment</i>	69.3	39.2	42.9	46.7
<i>Written Revenue - Capital Replenishment Fee</i>	19.1	7.5	7.8	8.1
<b>INSURANCE SERVICE RESULT</b>				
Insurance revenue	75.5	77.7	76.3	74.0
Insurance service expense	(77.7)	(80.8)	(75.6)	(68.6)
Insurance service result before reinsurance contracts held	(2.2)	(3.1)	0.7	5.4
Allocation of reinsurance premiums	(1.2)	(1.3)	(1.6)	(2.3)
Amounts recoverable from reinsurers for incurred claims	0.5	2.5	1.7	2.2
Net recoverable (expense) from reinsurance contracts held	(0.7)	1.2	0.1	(0.1)
<b>INSURANCE SERVICE RESULT</b>	<b>(2.9)</b>	<b>(1.9)</b>	<b>0.8</b>	<b>5.3</b>
<b>INVESTMENT RESULTS</b>				
Investment income/(loss)	31.3	26.5	25.3	24.5
Investment management expense	(2.8)	(2.2)	(2.1)	(2.0)
Insurance finance income (expense) for insurance contracts issued	(18.3)	(13.4)	(12.5)	(12.1)
Reinsurance finance income (expense) for reinsurance contracts	0.7	0.9	0.9	0.9
<b>NET INSURANCE FINANCIAL RESULT</b>	<b>10.9</b>	<b>11.8</b>	<b>11.6</b>	<b>11.3</b>
<b>OTHER INCOME*</b>	<b>19.1</b>	<b>7.9</b>	<b>8.2</b>	<b>8.5</b>
<b>OTHER EXPENSES</b>	<b>(18.8)</b>	<b>(15.5)</b>	<b>(14.4)</b>	<b>(14.0)</b>
<b>OTHER INCOME AND EXPENSES</b>	<b>0.3</b>	<b>(7.6)</b>	<b>(6.2)</b>	<b>(5.5)</b>
<b>EXCESS/(DEFICIT) OF REVENUE OVER EXPENSES</b>	<b>8.3</b>	<b>2.3</b>	<b>6.2</b>	<b>11.1</b>
<b>Assumptions</b>				
<b>Enrolment Levels</b>	45,000	25,000	26,000	27,000
<b>Possessions</b>	54,000	50,000	40,000	27,000
<b>Investment Return (net of Fees)</b>	5.0%	4.0%	4.0%	4.0%

\* The capital replenishment amount is included in Other Income

# Risk Management Plan

Preceding sections of this plan have outlined Tarion's principal activities and objectives. In recognition of inherent risks being present relating to these undertakings, Tarion has implemented a Three Lines of Defense Model, as represented by the illustration below:



The model promotes consistent, effective application of Tarion's Risk Management Framework by all personnel to support the execution of Tarion's strategic objectives, and delivery of high-quality service through ongoing operational excellence. Additionally, the model helps build risk awareness and control proficiency, in further facilitation of Tarion's risk management process, which is conducted through the following six steps:

- i. **Scan** the environment,
- ii. **Identify** potential risks,
- iii. **Analyze** the identified risks,
- iv. **Respond** with a resolution or mitigation plan targeting the risks identified,

- v. **Monitor** the risks identified as they evolve, and
- vi. **Report** on the risks' management to the appropriate stakeholders.

Risks pertaining to projects or initiatives undergo robust management through either: (1) supervision by designated project owners, or (2) implementation of steering committees comprised of the necessary expertise.

To identify potential risks, Tarion conducts a comprehensive review of the internal and external operating environment. Each risk is categorized in accordance with its source so that a root-cause analysis may be performed. Once Tarion has evaluated the potential risk's possible impacts financially, operationally, and reputationally, it will establish and implement an appropriate risk response for each risk, which involves acceptance, mitigation, transference, avoidance or exploitation.

Risks can be viewed either as opportunities, uncertainties or hazards; Tarion's internal controls encompass each possible response to them. This includes, but is not limited to, ongoing efforts such as:

- Segregation of duties
- First line of defence departmental audits
- Information systems controls
- Documentation of Tarion's policies and procedures. Registrar Bulletins are a prominent example of this; they outline the rules, processes, and exceptions, if any, applicable to Tarion's stakeholders (including builders and homeowners).

Tarion undertakes efforts to monitor risks on a monthly and quarterly basis to confirm that appropriate risk responses are sufficient. These efforts consist of one, or a combination, of:

- Ongoing communications
- Periodic reviews or audits
- Evaluation by independent executives at appropriate levels
- Active reporting on Key Performance Indicators (KPIs) and Key Risk Indicators (KRIs)

In conjunction with these monitoring efforts, Tarion strives for continuous improvement and exhibits this commitment through the implementation of the lessons it learns over time. This enables Tarion to avoid exposure to undesirable levels of risk and facilitate escalation should tolerance thresholds be exceeded.

Further building upon its risk management competencies, Tarion possesses comprehensive business continuity plans so its operations may endure in the event of a disaster. Each business unit (e.g., Finance, Law, Warranty Services, Underwriting, Information Systems, and all others) has corresponding continuity planning. This planning outlines:

- Descriptions of the main business functions
- Processes and dependencies that must be executed
- Individuals responsible for performance of main business functions
- Information technology applications and infrastructure
- Actions to be taken before, during, and after a serious disruption

## **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 Tarion's circumstances, including our 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 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 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 results of the annual FCT are presented to Tarion's Audit and Risk Committee and the FCT Report is approved by the Board.

## **Risk of Builder Insolvencies and/or Illegal Selling**

Due to the challenging economic conditions and continued instabilities in the housing market over the past years, the risk of builder insolvencies continues into 2026. Furthermore, accompanying these past insolvencies were components of illegal selling.

To address this reality, Tarion has undertaken the following efforts:

- Empowering homeowners through education, awareness, and new capabilities, such as through registration of agreements of purchase and sale.
- Continuous improvements to underwriting approaches and capabilities, including but not limited to ongoing enhancement of the qualification for enrolment process.

Despite the significant claims experienced in recent years, and with the implementation of the capital replenishment program, Tarion does not believe the provincial fund's ability to respond to future warranty claims is impaired.

## **Reinsurance**

Tarion undertakes a process of securing reinsurance, which entails paying for a capital backstop from a higher capitalized Canadian insurance company. In setting reinsurance levels, Tarion strives to maintain equilibrium between optimizing returns and efficient use of capital.

Tarion recognizes the potential for a reinsurer to dispute a claim or even become insolvent themselves in the event of a catastrophic loss. As such, Tarion has implemented key measures to help guard against this. These measures include liquidity stress tests as part of annual Financial Condition Testing and guidance through a Capital Management Framework that is assessed annually and approved by the Board.

## **Risk Appetite & Internal / Operational Target Review**

The internal and operational capital targets are reviewed periodically. This review process involves a comprehensive discussion surrounding the Board's risk appetite regarding the level of financial loss it would be willing to withstand. The internal capital target which represents the minimum capital level that Tarion should maintain is set based on the results of simulations, along with other single and combined forward-looking stress and reverse stress tests based on a number of risk factors such as insurance, market, credit and liquidity, including the Financial Condition Testing scenarios. In the normal course, Tarion should be operating higher than the minimum internal target; the operational target is a cushion and takes into account operational considerations that are unique to Tarion.