



**ANNUAL
REPORT**

2025

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Introduction

Who We Are

As an independent and not-for-profit consumer protection organization, Tarion provides Ontario's new home buyers and owners with peace of mind that their purchase is safeguarded through the province's new home warranty and protection program. If a builder fails to meet their warranty obligations, Tarion offers guidance to help homeowners receive the coverage they're entitled to, and when necessary, steps in to help resolve warranty claims with financial compensation.

Tarion also provides free tools, guides and resources to help homeowners understand their builder's warranty and navigate warranty claims with confidence.

Tarion's Mandate

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



Our mandate includes:

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

Our Vision

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

Our Mission

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

Our Values

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



Service-Oriented

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

Continuously Improving

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

Solution-seeking

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

Inclusive

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

Trustworthy

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

Caring

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

The Ontario New Home Warranties and Protection Plan

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



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

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

Before Possession/Occupancy:

- Deposit protection of up to \$60,000 on homes with a purchase price of \$600,000 or less, or for homes with a purchase price of greater than \$600,000, 10% of the purchase price up to \$100,000. *(As of April 1st, 2026, new home buyers are required to register their purchase agreement with Tarion. Changes to deposit coverage for those that do not register have been deferred to January 1, 2027.)*
- Deposit coverage of up to \$20,000 for condominium units (condominium deposits are also protected by the trust provisions of the *Condominium Act*);

- Coverage for delayed closing/occupancy of up to \$7,500; and,
- Financial loss coverage for contract homes, up to \$40,000. Contract homes are those where the land is owned by the consumer and only the construction of the building is provided by the builder.

After Possession/Occupancy:

Freehold homes have post-possession coverage of \$400,000* and condominium units have post-occupancy coverage of \$300,000. This coverage is for seven years and includes the following:



One-Year Warranty:

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

The Ontario New Home Warranties and Protection Plan



Two-Year Warranty:

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



Seven-Year Warranty:

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



Condominium Common Element Coverage:

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

Additional Coverages

- **Extended warranty on missing items:** Coverage for items that are entirely absent from the home on the date of possession or occupancy and begins on the date the builder installs it.
- **Temporary Relocation Allowance:** Covers expenses of up to \$150 per day to a maximum of \$15,000 if a home cannot be lived in during a repair.

*Coverage may vary depending upon when a purchase agreement was signed. Details are available on [Tarion.com](https://www.tarion.com) under [Post-Possession Coverage](#).



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



The Builder's Role

- Be licensed by the Home Construction Regulatory Authority (HCRA);
- Obtain approval/qualification for enrolment from Tarion for the homes they intend to sell, enrol the homes they intend to build and abide by the terms and conditions set out by Tarion;
- Ensure that a home is built in accordance with Ontario's Building Code, is fit for habitation, and is free from defects in work and materials and major structural defects;
- Attach a Warranty Information Sheet to every purchase agreement to provide the homeowner with information about their warranty coverage and provide Tarion with the purchaser's contact information within 30 days of purchase;
- Conduct a pre-delivery inspection (PDI) with the homeowner before the closing/occupancy date and explain how the home's various systems work; complete a PDI form identifying any items that are missing, damaged or not functioning; and have the form signed by the homeowner;
- Provide the homeowner with a warranty certificate upon their home's completion that indicates when the new home warranty takes effect;
- Be reasonably accessible to the homeowner to address customer service issues, including investigating issues with the home to determine if they are covered by the warranty; and
- Resolve valid warranty requests in a timely manner by performing repairs or offering an acceptable alternative resolution.



The Homeowner's Role

- Let Tarion know when they have entered into an agreement of purchase and sale for a freehold home* to protect their deposit.
- Understand their home's warranty coverage and follow the process for making warranty service requests and claims;
- Participate in the pre-delivery inspection (PDI) by identifying incomplete, damaged or missing items and learning how to operate the home's systems;
- Properly maintain the home;
- Bring any warranty service requests to the builder's attention in writing as soon as possible;
- Provide the builder with reasonable access to the home to investigate and address warranty service requests; and
- If warranty assistance is needed from Tarion, submit the claim to Tarion within the appropriate timelines and with sufficient detail.

*Purchasers of condominium homes are encouraged, but not required, to inform Tarion about their purchase.



Tarion's Role

- As an independent authority, assist in the fair resolution of disputes between homeowners and builders over warranty coverage, repairs or customer service;
- Assess warranty claims to determine if they are valid, either through an on-site inspection or an alternative method of investigation;
- In cases where a builder fails to address a valid warranty claim, resolve the claim directly with the homeowner;
- Manage a Guarantee Fund that is available to provide compensation to homeowners for warranty claims not resolved by the builder;
- Educate new homeowners and builders about the warranty process; and
- Work proactively to encourage improved building quality and customer service through monitoring customer service performance, targeted inspections and education.



Message from the Chair

As 2025 comes to a close, so too does my time on the Board of Directors of Tarion this April. Year-end always offers a chance to reflect, and as I look back on my tenure since joining the Board in 2017, I am grateful for the many opportunities I've had to champion consumer protection for Ontario's new home buyers.



As Chair of the Board since 2023, I have witnessed a sea-change in the development industry. There's no doubt that the last three years have been tumultuous. New home buyers have faced financial uncertainty as Ontario developers, large and small, have cancelled projects or gone into receivership due to ongoing depressed market conditions.

I'm proud to say Tarion has stepped up to help homebuyers recover their deposits, but this focus reflects a significant shift for our organization. In years past, deposit claims were a very small part of the overall claims we paid; now, they have become a substantial portion of the claim payments we make annually.

We expect these market conditions to continue for a while yet, and Tarion will continue to assist homebuyers who lose their deposits. Fortunately, we are in a strong position to do so: Tarion's Guarantee Fund is healthy and continues to fund deposit protection to a maximum of \$100,000. Without this safeguard, some Ontario homebuyers could face steep financial losses.

Tarion has been very effective in dealing with these issues. The environment has required us to be nimble, and the Board has provided true leadership – in tandem with the Management Team – to develop policies and make decisions on how best to protect homebuyers and the Guarantee Fund in these turbulent times.

In addition, Tarion's highly skilled employees have adapted as needed to continue to provide the support that both homeowners and builders need.

Even amidst these market conditions, Tarion moved forward in 2025 with system innovations aimed at improving the customer experience for new home buyers and builders alike. Most noteworthy is the implementation of HomeHub, Tarion's new platform that allows homebuyers to communicate more effectively with their builders to resolve issues without the need for Tarion intervention.

Looking back over my time as Chair, I believe Tarion has made true progress in protecting consumers, enhancing customer experience, and establishing itself as a leader in the development industry. This progress is thanks to the many contributions of Tarion employees and their commitment to continuous improvement.

Warranty improvements and expanded coverage have provided stability for homebuyers. Of note was the increase in the warranty compensation limit from \$300,000 to \$400,000 for freehold homes, making this coverage the highest available in Canada. In addition, Tarion now offers coverage of relocation costs – up to \$150 per day – should homeowners need to pay for temporary accommodations when a repair makes their home uninhabitable.

Message from the Chair

Tarion also completed the work of transferring the management of the Guarantee Fund to the Investment Management Corporation of Ontario (IMCO), an Ontario-based not-for-profit advisor that specializes in providing services to broader public sector organizations. This is a prudent approach to risk management.

These advancements reflect real progress we've made during the past three years and, with government support, we have made many improvements to consumer protection and service delivery that have helped new homebuyers, particularly during these unpredictable times.

Looking ahead, I am pleased to welcome Marni Dicker as the new Chair of the Board when my appointment ends later this year. She takes over as Tarion celebrates a huge milestone in 2026 – its 50th anniversary of providing warranty protection for new home buyers.

Since joining us in 2020, Marni has made significant contributions to Tarion, especially through her role as Chair of our Human Resources Committee where she has worked hard to build and nurture an engaged workforce that delivers results. A lawyer by profession, she has also been an important sounding board for me when I've needed to deal with sensitive or contentious matters. I am confident she is the leader Tarion needs at this time.

In closing, I would like to say that it has been a privilege to serve as Tarion's Chair for these past three years. Leading an organization that, from top to bottom, has focused on providing the best protection and customer service for new home buyers during challenging times has been very rewarding.

I would like to thank all Board members for their support of my leadership over the years. And, on behalf of the Board, I would like to thank Management and staff for making a positive difference in the lives of new home buyers. I am proud of your commitment to our mandate, and your passion bodes well for the future of Tarion as it marks its 50 years of service to the public.

Sincerely,

Andy Kenins,
CPA, CA, ICD.D
Chair of the Board

Message from the CEO & Registrar

In 2025, the headwinds facing the new home building sector continued unabated. Low sales led to project launches being delayed or cancelled completely, while finished projects saw some home buyers unable to close due to mortgage difficulties. As a result of the financial challenges in the industry, the total number of new units enrolled in the warranty program saw a year-over-year drop to less than 25,000, which is a historic low for the province.



Enrolments are a leading indicator of construction activity, and we can expect over the next few years to see the total number of residential units constructed in the province to decline dramatically. The decline will not impact all housing types the same way. Condominium high-rise projects have had the most significant decline, and we can begin to anticipate a material gap in the supply of that housing type commencing in 2028.

While the declining enrolment numbers foreshadow declines in future construction, today's workload remains driven by the high level of construction activity over the past few years. For example, possessions in 2025 exceeded 50,000 units. Each possession represents a family moving into their home, and potentially having warranty claims to manage with their builder.

Our workload in 2025 reflected this with Tarion's warranty services and customer service teams remaining busy assisting homeowners and builders, fielding almost 50,000 calls and 100,000 emails and completing over 2,800 inspections. Our 2025 data continued to show that the vast majority of builders in the province live up to their warranty commitments, addressing their buyers' needs within the time frames set out in the provincial customer service standard.

However, when homeowners need our help, we are there – and in 2025, we helped consumers with compensation payments of over \$78 million.

As we work to support homeowners in the most important purchase of their lives, I was pleased to see an incremental increase in our annual homeowner survey results – we received a score of 83 per cent, which is a positive sign that our efforts to improve customer service and resources continue to move in the right direction. Our achievements are thanks to the contributions of our staff and our Management team as well as the leadership of our Board of Directors. I am grateful for the part everyone has played in moving the organization forward over the past year.

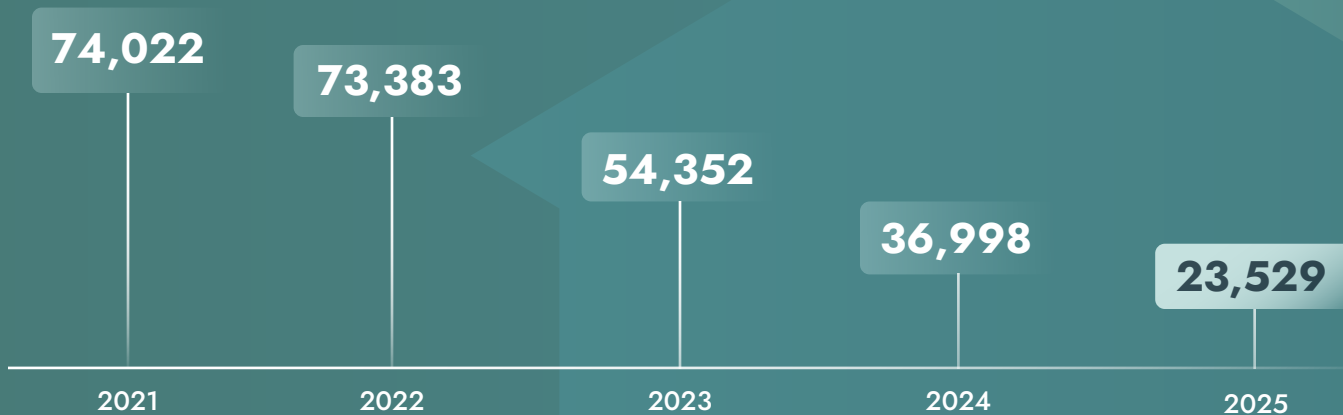
I would like to give special thanks to our outgoing Board Chair, Andy Kenins, for his tremendous leadership and ongoing support over the past three years. I look forward to working with our new Chair, Board, Management team and staff as we continue to deliver on our mandate.

Sincerely,

Peter Balasubramanian
President & CEO

New Homes in Ontario

Total Enrolments



*Number of enrolments is based on the date that the enrolment fee is received by Tarion



Freehold Enrolments

Year	Enrolments
2025	14,768
2024	19,636
2023	25,368
2022	31,651
2021	40,904



Condo Enrolments

Year	Enrolments
2025	8,761
2024	17,362
2023	28,984
2022	41,732
2021	33,118



High-Rise Condo Enrolments

Year	Enrolments
2025	4,917
2024	12,175
2023	24,250
2022	36,636
2021	28,702



Low-Rise Condo Enrolments

Year	Enrolments
2025	3,844
2024	5,187
2023	4,734
2022	5,096
2021	4,416



New Home Possessions (restated)*

Year	2021	2022	2023	2024	2025
	57,549	53,533	62,648	60,354	53,595

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

Strategic Objectives

To align our priorities and activities toward achieving our vision, Tarion developed four strategic objectives. Each objective is described below and includes major activities that were undertaken in 2025 in support of these objectives. Our performance against specific targets related to these objectives is reported in the Performance Measurement section on page 37.

1

STRATEGIC OBJECTIVE #1

Enhancing Consumer Outcomes

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



Strategic Objectives

Activities in 2025 that supported this objective include:

Enhancing the Qualification for Enrolment (QFE) Process

To identify illegal sales activity and protect consumers, Tarion took steps to help encourage consumer engagement in the warranty process and increase the likelihood that rogue builders can be held accountable at an early stage.

Registering your Purchase Agreement with your Home ID

In 2025, Tarion introduced Home ID, a unique number assigned to each home or condominium unit a builder is approved to sell. This Home ID is mandatory on every purchase agreement and purchasers use this number to register their purchase agreement with Tarion.

New home buyers can register with Tarion without any cost to them. It is easily done using an online portal already available to new home purchasers, and registering only requires some key pieces of information about the purchaser, the vendor/builder, location of the new home, and the Home ID. For easy access, a dedicated QR code linked to the online portal has been added on the Warranty Information Sheet that is included with every purchase agreement.

By registering, new home buyers will protect their deposit and will receive important warranty information from Tarion. Registration also helps Tarion identify any illegal builder or vendor who has entered into an agreement with a new home buyer. Once identified, Tarion can then take appropriate action against the builder or vendor, in partnership with the Home Construction Regulatory Authority (HCRA).

Ultimately, the Home ID will become the enrolment number that Tarion currently uses when a builder enrolls the home in the warranty program.



2

STRATEGIC OBJECTIVE #2

Being a Trusted Resource

Being a trusted resource to all stakeholders involved in new home ownership is vital to Tarion's success. Consumers and other stakeholders 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 supporting the Ministry of Public and Business Service Delivery and Procurement (MPBSDP) and working in partnership with municipalities and all other key stakeholders to achieve its vision and mission.

In 2025, Tarion's activities included the following:

HomeHub 2.0

HomeHub is a free, easy-to-use tool that allows homeowners and builders to work together to resolve warranty claims. In 2025, HomeHub delivered four major enhancements designed to improve communication, transparency, and ease of use for homeowners and builders:

- **Integration of the Construction Performance Guidelines (CPG):** The CPG is the most frequently accessed resource by stakeholders. Integrating the CPG directly into HomeHub now allows homeowners and builders to search for relevant articles without leaving the platform, and apply and discuss them in relation to potential defects being reported.
- **Builder Interactive Dashboard:** A new and customizable dashboard enables builders to easily identify and track priority issues and access resources to support efficient homeowner service.
- **Redesign of the Case Page:** The case page allows the homeowner to track all the details and progress of their warranty form submitted to Tarion. The page was redesigned to consolidate information into a single, intuitive view, simplifying navigation and improving the overall user experience.

→ **Interactive Timeline for Homeowners:**

Homeowners can now visually track the status and progress of items throughout the warranty process, increasing clarity and reducing the need for follow-up inquiries.

HomeHub adoption has exceeded expectations. In 2024, 451 vendors and builders participated on the platform. By the end of 2025, that number increased to 835, representing an 85 per cent increase year-over-year. The number of homeowners on HomeHub increased by 92 per cent from 4,131 to 55,503. These significant increases demonstrate strong stakeholder confidence and growing reliance on the platform.

In 2026, Tarion will continue executing a comprehensive communication and engagement plan aimed at increasing adoption among both builders and homeowners. Additionally, current features of MyHome, Tarion's homeowner portal and BuilderLink, the builder portal, will continue to transition into HomeHub. Consolidating these tools into a unified platform will streamline processes and further enhance the user experience for homeowners and builders.

3

STRATEGIC OBJECTIVE #3

Empowering Our Stakeholders

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

Activities in 2025 that supported this objective include:

Digital Analytics/AI Initiative

In 2025, Tarion advanced its digital modernization work by continuing to build the foundational layer for data analytics, including the development of cloud-based 'data lakes' which are large, central data repositories. We will use these data lakes for more efficient reporting, analysis, and decision-making and they will support more advanced analytics initiatives in the future. We identified use cases with a focus on improving operational efficiency within internal processes and leveraging insights from employee feedback.

To support staff efficiency, Tarion introduced Microsoft Copilot as a productivity tool across the organization. In addition, Tarion completed a pilot program focused on improving the process for issuing Conciliation Assessment Reports (CAR), resulting in improved turnaround times and greater consistency.

In 2026, Tarion will complete its foundational data infrastructure and launch an advanced reporting and dashboarding solution capable of leveraging real-time data from the new data lakes. Once this foundation is in place, Tarion will have transitioned another major on-premise system to a cloud-based solution as part of the broader technology modernization strategy. The remaining on-premise core system, Financial Management System (FMS), will also be shifted to the cloud in 2026, completing Tarion's shift of core systems to cloud-based solutions.

The digital analytics use cases planned for delivery in 2026 are:

- **CPG Article Guidance:** This new feature will enhance the integration of the Construction Performance Guidelines (CPG) that was delivered in HomeHub in 2025. The CPG guidance tool is designed to provide homeowners with clearer, more tailored insights into warranty coverage. By interpreting CPG content in the context of reported concerns, this feature will help homeowners better understand applicable standards and coverage considerations. Additionally, this tool will assist both homeowners and builders in navigating and identifying warranty coverage information more easily and effectively.
- **Warranty Submission Item Assist:** A new Warranty Submission Item Assist feature will provide active guidance for homeowners on how to describe warranty items with greater clarity, accuracy, and supporting detail. This capability is expected to improve the quality of submitted information, streamline assessment by Tarion staff and builders, reduce back-and-forth inquiries and will help strengthen the relationship between homeowners and builders as they work together to resolve warranty items.

4

STRATEGIC OBJECTIVE #4

Supporting Our People and Culture

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

Activities in 2025 that supported this objective include:

Financial Management System Replacement Project (Workday)

In 2025, Tarion made great progress on replacing its legacy financial management system with the cloud-based system, Workday. This multi-year project began in 2024 with the search for a new, more modern system that would integrate better with our Salesforce platform. This past year, we focused on the development and testing of the new system, and we have set a target of Q2 2026 for its full launch.



Operational Highlights

In 2025, Tarion continued to strengthen its customer service and warranty resolution processes and resources in support of both homeowners and builders.

Early Intervention

Tarion's enhanced Early Intervention program, established in 2023, improves on how we resolve warranty claims disputes between homeowners and builders before they escalate to conciliation.

Tarion starts the Early Intervention process when particular circumstances arise, such as when the relationship between the homeowner and the builder becomes strained and/or when the warranty process becomes difficult due to the complexity of the claims (for example, if there are more than 75 items on the claims list). Early Intervention aims to resolve problems before they escalate, promotes effective communication, and fosters positive relationships between all parties.

If a conciliation inspection has been booked, Tarion representatives work with the homeowner and builder four to six weeks in advance of that inspection to resolve the issues which may lead to a homeowner deciding that a conciliation inspection is no longer required.

In 2025, Tarion's Early Intervention team held 74 early intervention meetings – in person, on conference call or virtually – and was successful in resolving all of the disputes through this process.

Independent Mediation

Tarion has a program that allows homeowners to access an independent, third-party mediator to help resolve disputes with Tarion. Homeowners can ask for mediation to discuss disputes about warranty assessments or compensation amounts for construction warranty claims made under the *Ontario New Home Warranties Plan Act*. Tarion pays the standard mediation fees and there is no cost to the homeowner.

The mediation involves just the homeowner, Tarion and the mediator. It does not involve the builder unless both Tarion and the homeowner agree that the builder should be invited to participate and the builder agrees to attend.

Tarion's mediation program is voluntary, collaborative and user-friendly. It is a tool that homeowners can use to try to reach a mutually acceptable resolution with Tarion without having to file a formal appeal to the Licence Appeal Tribunal (LAT), the independent adjudicative agency created by the Government of Ontario. Requesting a mediation does not affect the homeowner's appeal rights and, if the dispute is not resolved at mediation, the homeowner can appeal Tarion's warranty decision to LAT.

Homeowners are advised of the mediation program when Tarion makes a warranty assessment. In 2025, 120 mediations with homeowners were completed. Quarterly mediation reports are available on [Tarion.com](https://www.tarion.com).

Emergency Claims & Investigative Inspections

Homeowners can file an emergency claim with Tarion when they need help to deal with a serious defect that either raises health and safety concerns or, if left unaddressed, could result in increased damage. These emergency claims can be filed at any time after a homeowner has taken possession and they must be related to a warranted builder defect. Examples include:

- water penetration into the home from the outside;
- a total loss of heat in the winter;
- a complete failure of the electricity system;
- the presence of unhealthy levels of toxic mould throughout a major portion of the home; and,
- structural defects that raise health and safety concerns.

In 2025, Tarion assisted homeowners with 179 emergency claims.

As part of the process to address urgent issues, Tarion's warranty department conducts investigative inspections when it receives notice of an emergency or health and safety concern. While not every situation requires one, these inspections typically occur outside of the timelines set out in the Customer Service Standard and may result in Tarion directing a builder to address an issue in a shortened timeframe. Tarion's warranty department conducted 24 investigative inspections in 2025.

Qualifications for Enrolment

Tarion is responsible for administering the Qualification for Enrolment (QFE) process for vendors and builders. Once a vendor/ builder has received a licence from the Home Construction Regulatory Authority (HCRA), they must apply to Tarion for QFE confirmation to sell homes and for Enrollment Confirmation to build homes. Builders can apply for these electronically through BuilderLink, Tarion's online builder portal.

In 2025, 1,043 QFE applications were confirmed, authorizing 32,864 units for sale or construction.

Risk-Based Inspections

Tarion's Risk-Based Inspection (RBI) Program, set out in [Registrar Bulletin 09](#), applies to all builders but excludes condominium projects that are subject to Registrar Bulletin 19. The purpose of these site visits is to identify construction practices and technical issues that may represent future warranty claims. The visits also serve as an opportunity for Tarion to coach builders and encourage long-term improvement through best practices.

In 2025, the RBI team completed a record 658 site visits, for a total of approximately 2,600 site visits since the program was fully implemented in 2021. The majority of these site visits were routine visits that focused on builder education and promoting better building practices. However, some of the inspections were in response to identified risk factors. For example:

- visiting sites where the original builder was in receivership, to catalogue the site and identify potential issues and defects; and
- visiting sites as part of the Underwriting process to ensure accuracy of enrolment applications for high-risk builders.

More information about Tarion's RBI Program can be found at <https://www.tarion.com/RiskBased-Inspection-Program>.

Operational Highlights

Purchase Agreement Registration

As an important step in the new home buying journey, buyers of new freehold homes in Ontario must register their agreement of purchase and sale with Tarion within 45 days of signing.

Tarion originally launched a voluntary registration pilot in 2024, with a regulation to make it a requirement that came into effect on April 1, 2026. To date, over 16,000 home buyers have registered their agreements. The process is free, takes less than three minutes, and can be done entirely online.

Registering is simple and easy

To register for the freehold deposit protection, home buyers visit www.tarion.com/registertoday and enter a few simple pieces of information, including their name, contact information, and the name of the builder they are buying from. Consumers also can register using the unique Home ID number found on the Warranty Information Sheet that is included with the agreement of purchase and sale.

There is no fee involved, and when a buyer submits their registration, they will receive a confirmation email with links to important information about their warranty.

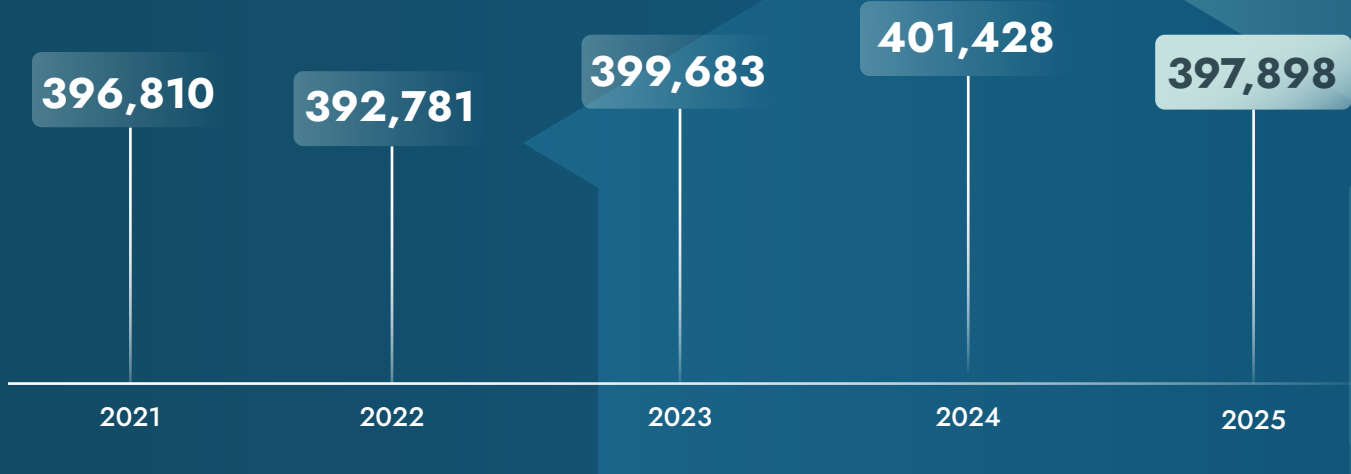
Tarion has created [helpful resources](#) for consumers, builders, and professionals with new home buyers and clients.

Registration allows Tarion to verify the builder is licensed at the point of sale. If a builder is not licensed or not approved to sell, Tarion can hold them accountable and protect the buyer and other consumers by taking action against the rogue actor.

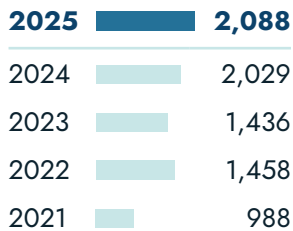


New Home Warranties Plan in Action

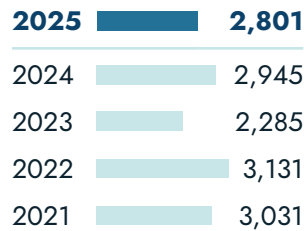
Total Homes Under Warranty (restated)



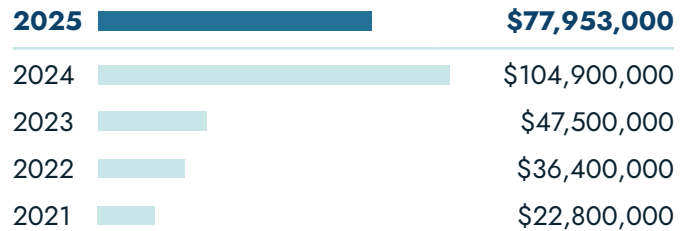
Number of Homes with Claims Paid



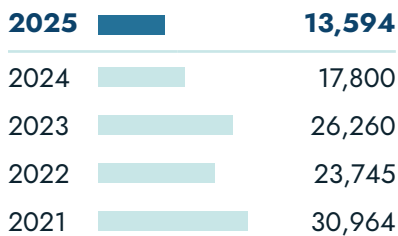
Number of Homes with an Inspection



Total Claims Paid (\$)



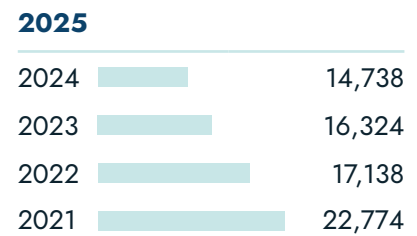
Number of Initial Forms Submitted*



Percentage of Homes for which Initial Forms Submitted*



Number of Year-End Forms Submitted*



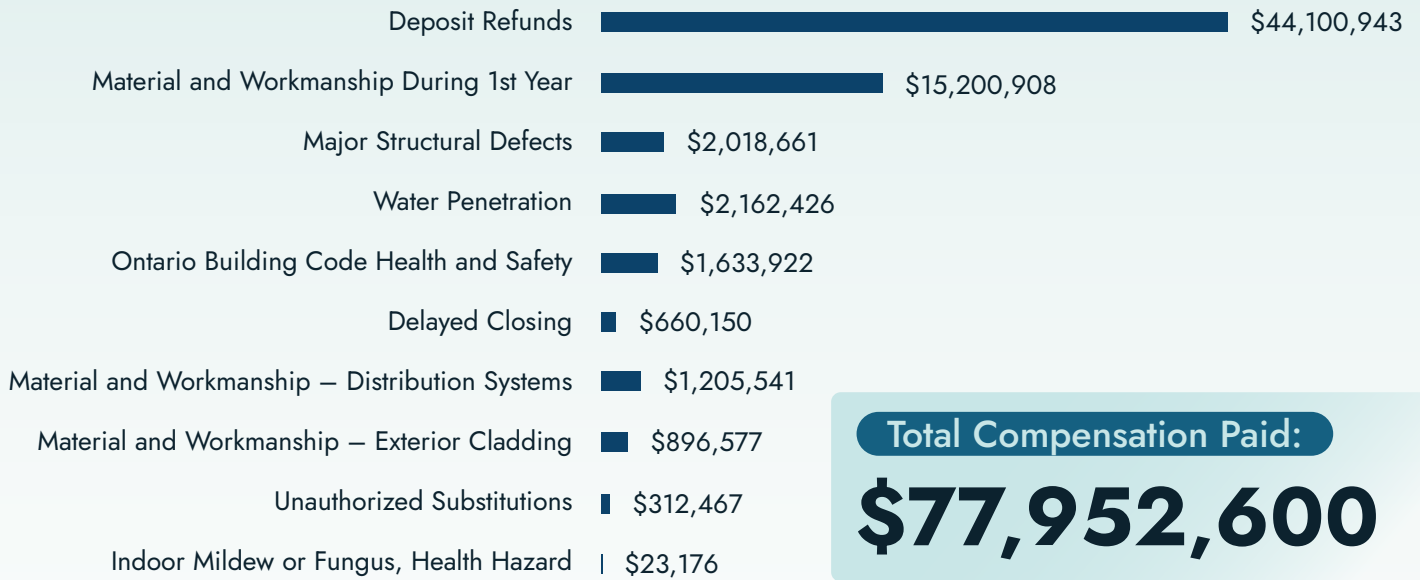
* The numbers are based on the Year of Possession and restated every year

**Initial Forms were introduced in 2024 but previously were called 30-Day Forms.

* The numbers are based on the Year of Possession and restated every year

* The numbers are based on the Year of Possession and restated every year. Statistics are not provided for 2025 because 2025 possessions are not yet eligible for the Year-End Form submission.

2025 Homeowner Compensation by Type of Coverage*



* Values have been rounded and do not include administrative and other costs associated with claims processing.

“

I just wanted to say that it is not lost on me how you have gone above and beyond to help me and try to make this right, so I wanted to let you know how much I appreciate everything you have done for us. Thank you very much.

– Homeowner


How the Warranty Process Works

By law, all new homes and condominiums built in Ontario are provided with a warranty by the builder. Tarion's role is to ensure that purchasers of new homes receive the coverage they are entitled to under their builder's warranty. If you have any issues with your new home, you should first raise them with your builder to get them resolved.

Most of the issues raised by homeowners with their builders are successfully dealt with by the builder working with the homeowner to resolve them. However, issues can arise – such as disputes over whether items are warranted, delays in repairs, or communication breakdowns – and that's when Tarion can step in to get the warranty process back on track.

To illustrate how the process works, we present the example of the fictional Murray family, who purchased a newly built freehold home. They took possession of their home and submitted a statutory warranty form to their builder with more than 50 items, including window, HVAC, drywall, paint and flooring issues.



1  Making a Claim

2  Builder Repair Period

3  Conciliation

4  Conciliation
Assessment/Resolution

1 Making a Claim

Since the builder is responsible for resolving warranty claims directly with the homeowner, the Murrays notified their builder of their 50 items via a statutory warranty form – within the proper claim submission timeframe – so that their builder could review and address any deficiencies. The Murrays understood that they needed to provide the builder with reasonable access to the home to make any necessary repairs.



2 Builder Repair Period

Once the Murrays submitted their statutory warranty form, their builder had 120 days to repair or resolve items on the form that are covered by the warranty.

By the end of the builder repair period, the builder responded and addressed some of the items in a timely manner, but one item was not addressed. That's when the Murray family contacted Tarion for assistance and requested a conciliation. The Murray family paid a deposit of \$282.50 (\$250 + HST) to schedule a conciliation, which, unlike a deductible on an insurance policy, is refunded if Tarion determines that one or more items assessed is covered by the warranty.

Homeowners can reach out to Tarion at any time to ask for assistance and do not need to wait until the end of the builder repair period to request a conciliation inspection. However, the inspection will not be scheduled to occur until the end of all applicable builder repair periods. There are exceptions to the standard 120-day period. For example, an emergency situation may require a shorter timeframe for repair, while certain types of repairs – such as a major structural defect – may take longer than 120 days to fix.

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

3 Conciliation

Conciliation is a process where Tarion assesses disputed or unresolved 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:

- if an appropriate repair was done or offered by the builder;
- if a settlement offer by the builder is reasonable; and/or
- what compensation or repair the owner is entitled to receive from the builder or Tarion.

The inspection is conducted by an impartial Tarion Warranty Services Representative who asks questions of the homeowner and builder, and takes notes, measurements, and photographs in order to make a warranty assessment.

Once the Murrays' conciliation was scheduled, Tarion's Early Intervention team contacted the homeowner and builder to review the warranty process and the roles and responsibilities of all parties, and to encourage the homeowner and the builder to work together to resolve the issues prior to a conciliation.

Once an agreeable plan was put in place for the remainder of the warranty work, items were resolved and the Murrays were satisfied with the resolution. The conciliation was no longer required since the builder fulfilled its warranty obligations, and the homeowner was pleased that their newly built home was complete. The Murrays cancelled the conciliation and the fee was refunded.

“

I wanted to take a moment to thank you for giving me your time and for helping me understand all of my questions. I truly appreciate the way you took the extra time to explain everything clearly, much more than I expected, and you did it with patience and kindness.

— Builder

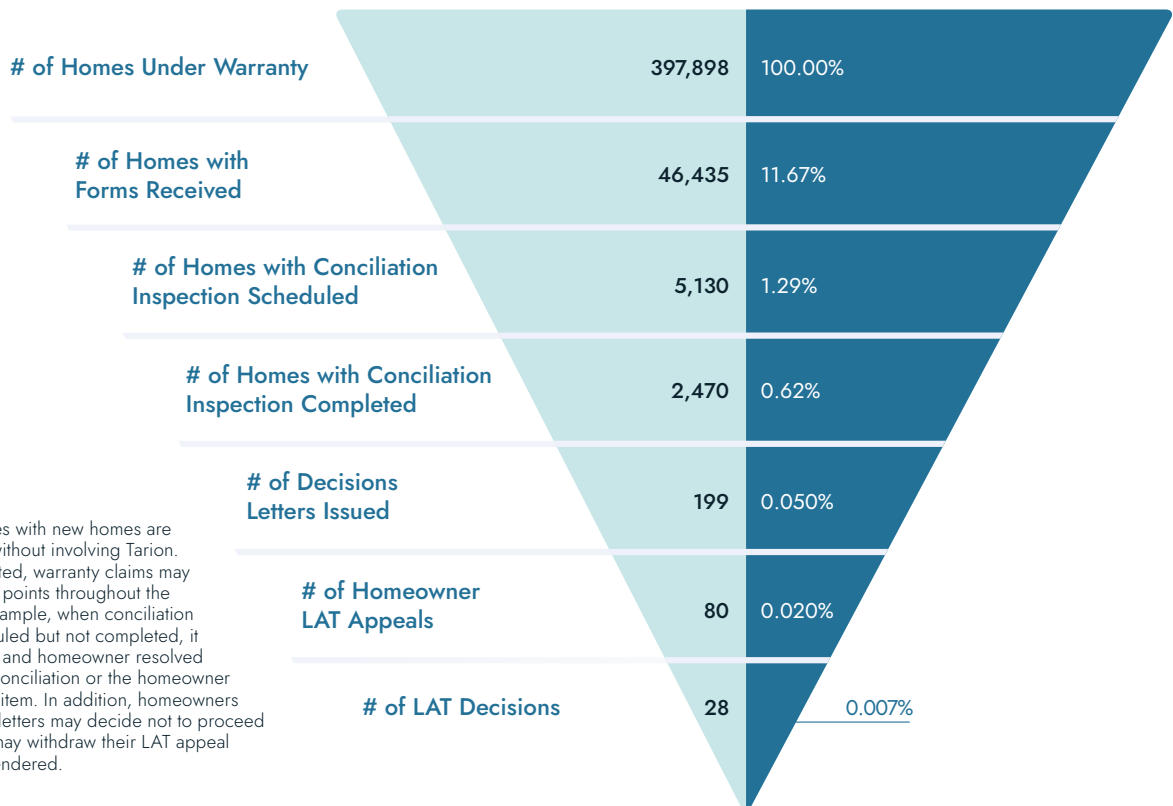
4 Conciliation Assessment/Resolution

If a conciliation proceeds, Tarion provides the homeowners and the builder with a Conciliation Assessment Report. This report will tell you whether the items we assessed are covered under the warranty and need to be resolved by your builder.

If the Conciliation Report contains items that are covered by the warranty, your builder will have a final 30 days to resolve them with you. Tarion will contact you 30 days after the date of the report to confirm that all the items listed in the report have been repaired or otherwise resolved by your builder to your satisfaction.

Had the Conciliation Report found that the items were not covered by the warranty, the builder would not have been required to take any action on those items.

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



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

Legal Matters

As noted earlier in this Annual Report, Tarion’s mandate extends to, among other things, administering the statutory warranty program, stewardship of the Guarantee Fund and the approval processes associated with new home enrolments. This broad mandate gives rise to a number of complex and varied legal issues, which require both day-to-day legal guidance, specialized legal advice and representation in legal proceedings. This includes warranty and claims administration and resolution, dispute resolution/litigation management (e.g., homeowner and builder challenges to warranty decisions, defence litigation and collection matters), employment and human resources, advice to Warranty Services, IT, Finance and Underwriting, service contract review and organizational governance matters. The legal work is accomplished through a combination of internal staff work and engagement of external legal counsel.

The chart below reflects internal and external legal costs over the past four years. Overall legal costs remain higher than in years past. These higher costs are attributable to a combination of factors, including inflationary costs relating to external legal services. As Tarion expands its services to stakeholders, expanded legal support is needed both in terms of internal legal resources and specialized legal advice. In 2024 and 2025, external legal spend levels were a result of expanded workload relating to internal services, marked increases in dispute resolution and litigation proceedings and, in particular, issues arising from continued high levels of builder insolvencies. This in turn led to higher costs for collection proceedings to recover significant deposit losses attributable to illegal selling.

Internal & External Legal Fees & Disbursement (\$)	2025	2024	2023	2022
Operational cost	2,927,172	3,274,057	2,881,503	2,503,765
External legal fees	4,083,635	4,426,576	3,084,446	1,933,311
LAT external legal fees	100,250	62,993	36,647	—
Total	7,111,057	7,763,626	6,002,596	4,437,076

“

I just wanted to give a heartfelt thank you to you both for all your help during this process with my case. I could truly feel that you were listening and that you cared. You treated me with fairness and respect, and your professionalism and knowledge helped me get through a very stressful time. Knowing that someone was willing to look at things fairly and thoughtfully meant more to me than I can express. Thank you both from the bottom of my heart, for being professional and truly warm and compassionate. I’m truly grateful for everything you’ve done.

— Homeowner

A Customer Service Story:

Helping homeowners understand the steps to having a warranty claim resolved

In 2025, a homeowner encountered a fair amount of uncertainty and pressure from their builder during a critical point in the warranty process.

As the homeowner approached the end of the first year of coverage, they reported all their items in the Year-End Form. This form is the final opportunity within their first year to report all outstanding or newly found deficiencies. The homeowner notified the builder about their outstanding deficiencies after their builder repair period ended. The builder advised the homeowner not to reach out to Tarion, assuring them that all necessary repairs would be completed as promised. The builder provided a repair date that fell after the homeowner's deadline to request a conciliation (the process through which Tarion can step in if the builder fails to resolve warranted items).

The homeowner was concerned about the conciliation deadline and getting the work completed before losing their first-year coverage but they also wanted to keep a good relationship with their builder. In abundance of caution, they decided to contact Tarion.

A Customer Service Representative (CSR) explained the importance of being able to request conciliation and still being able to work with the builder, even if they had promised to get the repairs done. The CSR told the homeowner that failure to request conciliation before their deadline meant that Tarion could not hold the builder accountable for any of the items not completed, and that they would move into the second year, where coverage is more limited.

The CSR reassured the homeowner that requesting conciliation would not prevent their builder from continuing the repairs. The homeowner was also informed that if the builder resolved all the warranted items before the conciliation inspection date, and if the request to cancel the conciliation is made at least 24 hours prior to the scheduled inspection date and time, then the conciliation fee would be fully refunded.

Feeling confident with the information provided, the homeowner decided to request a conciliation with the CSR before their Year-End Form request for conciliation deadline. The homeowner also reached out to their builder to communicate that their decision wouldn't be an act of bad faith.

The homeowner was relieved and grateful, expressing satisfaction in knowing that they had protected their warranty, knew their rights and that reaching out to the builder did not damage the relationship. They also knew they had support from Tarion going forward if their builder ever failed to meet their obligations.

"I was stuck between trusting my builder and protecting my home. Tarion helped me realize I could do both. Knowing I can come to Tarion without getting the builder in trouble has eased my mind."

Tarion's customer service support helped the homeowner understand their rights, make an informed decision, and protect their warranty coverage as their year-end deadline approached — all while maintaining a good relationship with their builder.

A Customer Service Story:

Supporting homeowners with resolving outstanding warranty issues

In 2025, a homeowner encountered significant challenges with their builder regarding the resolution of deficiencies identified in their new home.

The homeowner had placed her trust in the builder throughout the process, as there were never any major concerns with her home. Every issue raised with the builder was addressed promptly. However, the installation of her driveway was delayed for an extended period, with the builder citing weather conditions and the unavailability of trades as reasons for the postponement. After a year and a half of requests, the builder finally installed the driveway but only applied one coat, promising to return for a second coat/topcoat, which they never did. This left the relationship between the homeowner and builder strained.

In search of support, the homeowner reached out to Tarion. A Customer Service Representative (CSR) at Tarion listened attentively and offered assistance. With Tarion's validation, the homeowner sent an email to the builder, copying Tarion. Initially, the builder declined to address the issue; however, upon reviewing the Agreement of Purchase and Sale (APS), it became evident that the driveway was supposed to have two coats. This prompted the builder to agree to rectify the deficiency.

Tarion's intervention was instrumental in ensuring that the builder fulfilled their obligations and resolved the issue.

Tarion's involvement ensured that the homeowner's concerns were addressed, highlighting the organization's role in maintaining construction standards and protecting homeowners' interests. The homeowner was grateful for the support:

"If not for Tarion, I would be lost."

The homeowner's positive outcome serves as a testament to Tarion's commitment to supporting homeowners and ensuring builder compliance.



New Home Warranties Plan in Action

Accessibility

Ensuring stakeholders have easy access to our services is a priority for Tarion. Examples of accessibility requests include modifying home inspection procedures for homeowners with accessibility needs or having a sign-language interpreter available for an inspection. In 2025, Tarion responded to 11 requests for accommodations and fulfilled 10 of them. The remaining request was not fulfilled because the requested accommodations were not an accessibility request.

Multilingual Services

When Tarion receives inquiries or requests for services in languages other than English, we strive to respond appropriately. Warranty Services employs bilingual staff who can provide French-language information to customers via emails, phone calls and in-person inspections. Tarion also has a translation service provider that improves our ability to deliver services in multiple languages for homeowners and builders who may not be fluent in English. A Tarion Customer Service Representative simply calls the service and brings a translator on the line to be part of a three-way conversation. In addition, Tarion has warranty brochures for freehold and contract homes as well as for condominiums available in French, Simplified Chinese, Punjabi, Hindi and Arabic.

In 2025, there were 39 requests for French language service, 15 of them by phone and 24 by email. Tarion also had two requests for translation assistance in another language on phone calls that were accommodated through the translation service.

Complaints

Tarion receives complaints by email or phone, and they are handled by Tarion's Customer Service team. If the complaint is about Tarion specifically, Tarion's complaint policy sets out the steps to be taken. If the complaint or inquiry is about a builder, the builder's product (the new home), or some other builder issue, the Customer Service team will send it to the appropriate person, department or organization. For example, complaints related to illegal vending or building are referred to the Home Construction Regulatory Authority (HCRA), which is responsible for investigating and prosecuting these offences under the ONHWP Act on Tarion's behalf.

Tarion responded to 157 complaints in 2025, and all were or are being resolved. An apology or assistance was provided in 59 cases; contact information for the appropriate authority was provided in 53 cases; additional training was provided in one case; and 42 were in progress by the end of the year.

“

It was a pleasure meeting with you on site, and I sincerely appreciated the time you took to share your insights and observations. The summary you provided is a valuable reflection of broader industry practices and considerations that support builders in strengthening their approach to quality and risk management.

— Builder

Consumer Education and Stakeholder Outreach

Educating consumers and other stakeholders about Tarion and the new home warranty program is a critical component of our mandate, and we used multiple different strategies and communications channels to reach new homeowners and other stakeholders in 2025.

New Home Buying & Warranty Education

Since there is a lot to learn about buying a newly built home and its warranty, Tarion begins our outreach to buyers before they even sign a purchase agreement and throughout their new home journey.

In 2025, we sent welcome emails to 29,391 new homeowners to provide them with information about Tarion, the warranty program, and the pre-delivery inspection (PDI). We also let them know where they can find more information about their warranty.

In addition to the welcome emails, Tarion reached out to consumers and new home buyers using all of our digital channels.

Tarion distributed four issues of *Your Home Matters*, our e-newsletter for homeowners that provides information about home maintenance, the warranty program, resources that are available to homeowners, and important Tarion updates.

In 2025, we gained 569 new subscribers and achieved an average 61 per cent open rate, which is significantly higher than industry standard open rates.

In 2025, we published 13 Open Door blogs, including two guest blogs by the Tarion Ombudsperson. Topics covered included winter maintenance, Home Explorer (a resource where consumers can find warranty information for various parts of their home), condo terminology, the PDI, and radon, among others. We also developed several new videos, including a “10 Things to Know about Your Conciliation” as well as a three-part Warranty 101 series that will be released in 2026.

Throughout the year, we also welcomed a record number of visitors to our website, with an increase in traffic of 64.8 per cent over 2024. We also maintained a robust presence on social media channels – directing consumers to important resources about buying a home – and experienced a growth in reach and followers, particularly on LinkedIn and Instagram.

“

I want to take this opportunity to sincerely thank you for all your support and efforts in helping to make this outcome possible. Your guidance and assistance throughout this process have been truly appreciated.

– Homeowner

Purchase Agreement Registration Awareness Campaign

To support the rollout on April 1, 2026 of the new initiative that encourages new home buyers to register their new home purchase to Tarion within 45 days of entering into an agreement of purchase, Tarion has undertaken a number of awareness and education strategies to reach consumers, builders, and other stakeholders involved in the new home buying process.

We have published blogs and social media posts on Tarion’s own channels to help raise awareness of the new Agreement of Purchase and Sale (APS) registration process. Most significantly, Tarion launched a consumer awareness campaign promoting APS registration to consumers via digital content, placement in major media outlets, and advertising with a focus on areas with new developments and on channels where consumers seek out real estate information. We will continue investing in these tactics in 2026 and beyond, as well as engaging multicultural media and targeting regions with higher sales activity.

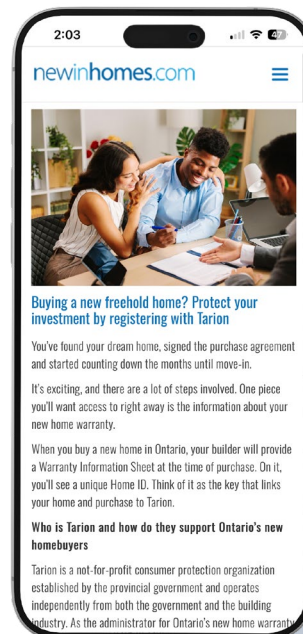
We have also focused on ensuring builders understand the benefits of encouraging their purchasers to register with Tarion. We conducted more than 45 builder education sessions in 2025 and piloted “point-of-sale” displays and materials to make it easy for home buyers to register.

Since home buyers often consult with variety of experts during the purchase process, we also engaged with realtors, lawyers, mortgage professionals and others to help them support their clients. This has included targeted communication to these professionals and associations, articles in relevant trade publications, as well as digital advertising on platforms such as LinkedIn. We have also worked with a number of organizations such as the Ontario Real Estate Association (OREA), Mortgage Professionals of Canada (MPC), and the Financial Services Regulatory Authority of Ontario (FSRA) to help educate their members and attended educational events to connect directly with these professionals.

Homeowner Education Sessions

Once again, Tarion held education sessions for homeowners in their first year of their home warranty. These sessions – a mix of in-person opportunities led by our CEO and VP of Warranty Services, and virtual ones led by other senior Tarion staff – provide homeowners with critical information about their warranty rights and the warranty process. These sessions cover a range of topics, including what Tarion does, the role of the builder and homeowner in the first year, warranty coverages and guidelines on how to submit a claim. After the presentation, Tarion representatives answer questions from the audience during a Q&A session. We also hosted similar sessions in partnership with the Condominium Authority of Ontario (CAO) that are targeted to condo buyers and included information from the CAO on condo living and condo boards.

In total in 2025, Tarion hosted six in-person sessions attended by about 225 people and 11 virtual sessions attended by about 3,000 people.



Additional Stakeholder Engagement

Realtors are a key resource for new home buyers, so Tarion holds regular education sessions with brokerages and real estate associations to inform them about our mandate and the warranty protections we provide to their clients when they buy a newly built home or a resale home with an existing warranty. In 2025, we conducted 14 education sessions for realtor brokerages, and we also hosted a booth at education events.

We engaged with other important stakeholders in home buying and residential construction, such as the Mortgage Professionals of Canada (MPC) and the Appraisal Institute of Canada (AIC). Other stakeholder outreach included condominium and property managers, and in 2025, we hosted two information sessions for these groups in partnership with the Condominium Managers Regulatory Authority of Ontario (CMRAO).

Tarion also conducted significant outreach to municipal officials throughout 2025 via various channels, including a mail campaign and holding drop-in sessions at local offices. We connected with 21 local chapters of the Ontario Building Officials Association (OBOA), and Tarion was invited to speak at five chapter meetings, allowing us to share important information with more than 50 local municipal associations.

Start Right Program

Tarion continued to review and enhance the Start Right Program which provides timely information and education to new builders about their warranty obligations. We produced two new educational videos to provide an introduction to Tarion and to help promote the Start Right Program and its benefits to new builders. Throughout the year, we communicated with new builders enrolled in the Start Right Program at various points during the warranty process so that they were aware of next steps in the process and their responsibilities.

Builder Updates and Help Sessions

Builder Updates are sessions that Tarion conducts to educate the builder community about Tarion and provide helpful reminders and guidance about the warranty program. They are a great opportunity for Tarion to update builders on changes to processes or policy and to review general information and builder requirements. In 2025, we hosted 11 in-person updates in the spring and nine in the fall. For those unable to attend those sessions, we held one webcast version in the spring and three in the fall.

We also continued to host sessions to support builders on how to navigate BuilderLink, Tarion's online builder portal, and the mandatory enrolment application process. In 2025, we hosted eight BuilderLink sessions: four focusing on warranty services and four on the Qualification for Enrolment (QFE) process. Quarterly sessions were also held for builders on how to complete and submit their QFE/Enrolment applications to Tarion to obtain authorizations to sell and/or to build homes. In addition, we held 14 information sessions and produced a nine-part series of video demos for builders about the new Home ID and changes to the Warranty Information Sheets that affected purchase agreements signed on or after July 14, 2025.

Tradeshows and Events

In 2025, Tarion connected with consumers, builders, municipal officials and other stakeholders at booths and sessions at a number of shows and events. These events allow Tarion to speak directly with attendees and provide them with information about Tarion, the warranty program, and any updates to our policies. We provided education at a number of conferences including the Ontario Building Officials Association (OBOA), Mortgage Professionals of Canada, (MPC), the Ontario Association of Home Inspectors (OAH), the Canadian Association of Property and Home Inspectors (CAPHI), RealtorQuest, and the Ontario Real Estate Association (OREA).

Public Consultations

Enrolment Fee Consultation

In 2025, Tarion sought public input on proposed changes to the enrolment fee schedule.

The enrolment fee is the per home fee charged to new home vendors and is Tarion's principal source of revenue to finance the cost of administering Ontario's new home warranty and protection program.

This consultation was initiated as a result of a higher-than-normal volume of builder receiverships and extraordinary claims payments to support consumers (i.e. over \$100 million) in recent years, and the need to support the Guarantee Fund to ensure it could continue to withstand possible future catastrophic losses, provide the ongoing financial foundation for the warranty program, and protect consumers in Ontario.

To protect against the risks of the Guarantee Fund facing insolvency in the event of a future catastrophic event, Tarion proposed changes to the enrolment fee structure, including:

- Implement a temporary enrolment fee increase of \$250 to replenish the Guarantee Fund's capital to increase the capital available to the program to address unexpected catastrophic losses in the future. This would be maintained until an internal financial target is met (projected to be by end of 2027).
- Apply a separate non-capital related fee adjustment of \$55 per home to address inflationary costs to the warranty program, including the impact of inflation on the general costs of repairs that are funded through the claim compensation program.

Tarion would like to thank all those who submitted feedback as part of the public consultation.

Tarion will not proceed with the \$250 temporary capital replenishment fee increase at this time in recognition of stakeholder feedback and will continue to focus on exploring other alternatives.

Instead, and following careful consideration of feedback received as part of our public consultation, Tarion updated the enrolment fee schedule to reflect a fee adjustment in the amount of \$55 per home, to address increases in claims costs due to inflation.

“

Thank you very much for your guidance and assistance throughout this process. You've been incredibly responsive, informative, and helpful in clarifying my understanding of the process and my rights as a homeowner.

– Homeowner

Corporate Social Responsibility

In 2025, Tarion’s employees stepped up to support important social causes as part of our Corporate Social Responsibility program.

Tarion’s employee resource groups – the Black Alliance, the Indigenous Alliance, the Women’s Network and Pride at Tarion – focused on engaging our employees in a variety of events and programs that aimed to share important information and foster a culture of equity and inclusion throughout the organization. Each of these groups reviewed employee engagement and inclusion data and then recommended initiatives that would enhance our employees’ workplace experiences and allow for meaningful opportunities to learn and grow.

The Black Alliance was created to empower, and advocate for, the Black community within Tarion. It celebrated Black History Month in February with several events, including weekly classes about Black heritage. In November, the Alliance held a panel discussion called – “Healing Forward: Mental Health in Black Communities” – that created a safe and open space to discuss mental health challenges and shared insights, strategies and hope for the future.

Tarion’s Indigenous Alliance celebrated National Indigenous History Month in June by inviting employees to participate in local Indigenous events, promoting a video to employees on how to celebrate National Indigenous Peoples Day and partnering with the Ecological Committee to take part in tree-planting events. In September, Tarion commemorated the National Day for Truth and Reconciliation (Orange Shirt Day), a day to learn about the painful history and ongoing impacts of residential schools.

The Women’s Network celebrated International Women’s Day on March 8 with an in-person social event honouring achievements of women in our lives and worldwide. In October, the Network held a speed mentoring event in which participants rotated through short, focused conversations with multiple colleagues to build connections across departments and roles.

Pride at Tarion was created to support inclusion of LGBTQ+ individuals in the workplace. In June, the group celebrated Pride Month by providing employees with a list of resources to encourage learning and growth and encouraging them to take a course, participate in an activity, donate to a charity supporting human rights, or volunteer at a local event to raise awareness.



Corporate Social Responsibility

In addition to these employee groups, Tarion also has an Ecological Committee that encouraged employees to participate in events – such as tree plantings – to enhance the ecological environment around us. In total, Tarion volunteers and family members planted more than 100 trees and shrubs as part of weekend events in 2025, contributing to greener spaces and healthier ecosystems for our community.

The Tarion Cares Committee is another way Tarion employees practise social responsibility and support vulnerable people and communities. In 2025, Tarion Cares raised almost \$5,500 through raffles, a bake sale and other employee events in support of seven different charities, including the Heart & Stroke Foundation, the Kids Help Phone, Ernestine’s Women’s Shelter, the Daily Bread Food Bank, and the Hurricane Melissa Appeal through the Canadian Red Cross. In addition, several employees raised money through personal fundraising activities for organizations such as the Canadian Cancer Society, the Terry Fox Run and the Hospital for Sick Children.

Tarion also hosted its annual Take Our Kids to Work Day on November 5, in partnership with the Students Commission of Canada (SCC). The day is an opportunity for Grade 9 students across Canada to experience the world of work first-hand and to learn about the skills that are important to thrive in the workplace. Five students participated this year at Tarion. With the theme of “Lift Up the Future”, the day’s agenda included a career readiness workshop, a session with Tarion employees sharing personal career stories that highlighted different paths and possibilities within the industry, and a site visit and tour of a condo building led by a Common Elements Warranty Services Representative.

Tarion once again supported not-for-profit builders who provide affordable housing. In 2025, Tarion waived \$34,385 (with tax) in enrolment fees for 26 homes built by six builders.



“

I want to express my sincere gratitude for the outstanding service you provided throughout the conciliation process. Your professionalism, prompt attention to the action items, and impartiality were truly appreciated. It was a real pleasure working with you.

– Homeowner

Performance Measurement

Tarion's 2025 Performance Measures reflect a selection of key metrics that align with the organization's mandate, strategic vision and mission. These Performance Measures have been allocated across the Strategic Objectives. The table below summarizes Tarion's 2025 Performance Measures with targets and outcomes.

2025 Performance Measures	2025 Target	2025 Outcome
Strategic Objective: Enhancing Consumer Outcomes		
New Homeowner Satisfaction	86%	83%
Stakeholder Interaction Score	92%	89%
Strategic Objective: Being a Trusted Resource		
Expense Management (Budget vs. Actual)	+/- 3.5%	- 0.1%
Strategic Objective: Empowering Our Stakeholders		
Customer Service Response Time (Composite Score)	100	136
Percentage of CARs Issued within 30 Days	92%	93%
Strategic Objective: Supporting Our People & Culture		
Employee Engagement	80%	77%
Employee Enablement	80%	78%

2025 Performance Measure Discussion

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

Enhancing Consumer Outcomes

New Homeowner Satisfaction

(Target 86 per cent, Outcome 83 per cent)

Each year, Tarion engages a third-party data research company to conduct a province-wide customer satisfaction survey among first-year homeowners to better understand consumer experiences and satisfaction with Tarion and their builders. This year, 47,772 new homeowners were invited to complete a satisfaction survey. The results are based on responses received between September 23, 2025 to November 12, 2025. 3,558 completed responses were received, resulting in a 7.4 per cent completion rate.

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

- Tarion is accessible to new homeowners (result – 87 per cent)
- Tarion listens to the needs and concerns of new homeowners (result – 80.4 per cent)
- Tarion is easy to do business with (result – 81.7 per cent)

The composite average response was 83 per cent, just over three percentage points under the target score of 86 per cent. The average score over the prior six years has been 83.1 per cent. Tarion has carried this Performance Measure forward into the 2026 Business Plan, with the target unchanged at 86 per cent.

Stakeholder Interaction Score

(Target 92 per cent, Outcome 89 per cent)

The Stakeholder Interaction score is a measure of homeowner and builder satisfaction with Tarion at different interaction touchpoints with Tarion (phone calls to our Customer Service Centre and conciliation inspections). It is composed of two separate surveys conducted by an independent third party. These touchpoint surveys are conducted continuously throughout the year.

→ Phone Calls to Our Customer Service Centre

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

→ Conciliation Inspections

After each conciliation inspection, both homeowners and builders are given the opportunity to complete a third-party survey to provide their assessment of the interaction.

In 2025, Tarion achieved an outcome measure of 89 per cent. This Performance Measure has been carried forward into the 2026 Business Plan, with a target of 90 per cent.

Being a Trusted Resource

Expense Management (Budget vs. Actual)

(Target +/- 3.5 per cent, Outcome -0.1 per cent)

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.

In 2025, Tarion achieved a positive actual result that was 0.1 per cent below budget, within the target range. Tarion has carried this Performance Measure into the 2026 Business Plan, with a target of +/- 3.5 per cent.

Empowering Our Stakeholders

Customer Service Response Time (composite score)

(Target – 100, Outcome – 132)

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 emails received by the Customer Service Team. Our goal is for an average of 50 seconds between the time a caller is put into the Call Waiting queue and the time an agent answers the call. Our goal for the average time taken to respond to an email received by the Customer Service Team (at customerservice@tarion.com) is one business day (eight business hours). These targets have been set by a review of past performance, planned resources, and comparison to comparable organizations, and they are 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.

In 2025, our average time taken to answer a call to our Customer Service Centre was 38 seconds. The average time taken to respond to emails received by the Customer Service Team was four business hours. Both times were under the goal set at the start of the year, and based on their relative weightings, resulted in an overall score of 136.

Tarion has carried this Performance Measure forward into the 2026 Business Plan, with a target score of 100.

Percentage of CARs Issued within 30 Days

(Target – 90 per cent, Outcome – 93 per cent)

Percentage of Conciliation Assessment Reports (CARs) Issued within 30 Days is a measure of the percentage of CARs we issue within our commitment of doing so within 30 days of the conciliation inspection or sending a communication to both the homeowner and builder within 30 days indicating a revised delivery date and reason for delay of issuance of the CAR. The target has been set aggressively but realistically, to represent the number of complex cases that will require more than 30 days to review and assess after the initial inspection.

In 2025, we exceeded our goal, achieving 93 per cent overall based on CARs issued within 30 days (83 per cent of the time, we issued the CAR itself within 30 days, and in 10 per cent of the cases, we communicated with the homeowner and builder in advance of the 30-day target to inform them of a delay in the issuance of the CAR).

Tarion has carried this Performance Measure forward into the 2026 Business Plan, with a target of 92 per cent.

Supporting Our People & Culture

Employee Engagement Score

(Target – 80 per cent, Outcome – 77 per cent)

Employee Engagement measures the commitment (effective attachment to, and intention to remain with, an organization) and discretionary effort (the willingness to go above and beyond formal job requirements) exhibited by employees. In 2025, Tarion achieved a score of 77 per cent.

The outcome on this measure reflects the revised survey methodology utilized by Tarion in 2025, which provides more neutral scoring options.

To ensure year-on-year comparison of our scores regardless of survey provider, Tarion will aim to be in the top 25 per cent benchmark score for the survey provider used in 2026.

Accordingly, Tarion has carried this Performance Measure forward into the 2026 Business Plan, with a target of being in the top 25 per cent benchmark score.

Employee Enablement Score

(Target – 80 per cent, Outcome – 78 per cent)

Employee Enablement measures the extent to which employees feel their jobs make good use of their skills/abilities, job conditions, and the extent to which opportunities exist for employees to do challenging and interesting work. In 2025, Tarion achieved a score of 78 per cent.

The outcome on this measure reflects the revised survey methodology utilized by Tarion in 2025, which provides more neutral scoring options.

To ensure year-on-year comparison of our scores regardless of survey provider, Tarion will aim to be in the top 25 per cent benchmark score for the survey provider used in 2026.

Accordingly, Tarion has carried this Performance Measure forward into the 2026 Business Plan, with a target of being in the top 25 per cent benchmark score.



Annual Homeowner Surveys

Our annual customer satisfaction surveys give homeowners the opportunity to provide feedback on both their builder and Tarion based on their experience throughout the purchase, possession and after-sales stages of ownership. Homeowners are invited to participate in the surveys in the fall of each year. The surveys are conducted by a third-party professional service provider. We use homeowner feedback about their builder to acknowledge best practices in customer service and to provide feedback to builders on how they can improve. Where responses are statistically valid, builders are provided with a copy of their results, as well as a comparison of their results to those in their category.

The following represents our survey sample and response rates for 2025.

Homeowner Satisfaction Survey	Number of Homeowners Invited to Take the Survey	Number of Survey Responses	Completion Rate
Homeowners in Year 1 of possession	47,772	3,558	7.4%
Homeowners in Years 2 to 7 of possession	293,535	15,238	5.2%

Homeowner Survey – Year 1

Amongst the first-year homeowners who responded to the survey, 61 per cent were first-time new home buyers and 39 per cent were repeat buyers. 66 per cent of homeowners felt that their builder had met or exceeded their expectations (a 4 per cent increase from 2024). Homeowners gave their builders good ratings for customer service before moving in (82 per cent across all builder size categories which was a 6 per cent increase over the previous year) as compared to after moving in (76 per cent, an increase of 5 per cent over 2024). In addition, 86 per cent of homeowners were somewhat to extremely satisfied with their coverage under the builder’s warranty which represents a 2 per cent improvement over 2024.

Satisfaction with Tarion – measured by the Service Orientation Index – increased from 82.7 per cent in 2024 to 83 per cent in 2025. This index is based on three measurables: accessibility, listening and ease of doing business. Of the three measures, Tarion continues to rate the highest on accessibility.

Key Performance Indicator Elements	2025 (%)	2024 (%)	2023 (%)	2022 (%)	2021 (%)
Tarion is accessible to homeowners	87.0	87.6	87.2	89.7	88.7
Tarion listens to the needs and concerns of homeowners	80.4	79.6	78.1	82.5	81.7
Tarion is easy to do business with	81.7	81.0	80.7	84.2	83.6
Homeowner Service Orientation Index	83.0	82.7	82.0	85.5	84.6

Annual Homeowner Survey – Years 2 to 7

The majority (92 per cent) of homeowners are the original owners of the home and most (68 per cent) have had a repair completed at some point. Homeowners’ satisfaction with their builder and their perception of their builder’s commitment to customer service remained fairly consistent, with 58 per cent reporting that their builder met or exceeded expectations and 69 per cent being satisfied with their builder’s commitment to customer service (both represented a decrease of 1 per cent from 2024). The majority (71 per cent) of homeowners in Years 2 to 7 also noted being somewhat to extremely satisfied with the builder’s warranty on their home. The percentage of homeowners who would be willing to buy a new construction home again in the future decreased by 3 per cent (43 per cent compared to 46 per cent in 2024).

While the number of interactions with Tarion varies throughout the seven-year warranty cycle, the percentage of Year 2 to 7 homeowners with favourable impressions of Tarion remained stable (71 per cent) and Tarion’s scores on key indicators, including accessibility, listening and ease of doing business, have remained consistent or increased incrementally from 2024. Perceptions of Tarion’s commitment to customer service have experienced a slight decrease, with 80 per cent reporting that it has remained consistent or improved (as compared to 82 per cent in 2024).

Homeowners agree that...	2025 (%)	2024 (%)	2023 (%)	2022 (%)	2021 (%)
Tarion is accessible to new homeowners	82	81	81	86	86
Tarion helps new homeowners understand their warranty rights and obligations	72	72	72	79	79
Tarion listens to needs and concerns of homeowners	71	70	70	76	76
Tarion is easy to do business with	71	71	70	77	77
Tarion makes sure new home builders fulfill their warranty obligations	68	67	65	73	73

Interaction and Conciliation Surveys

In 2025, the Customer Service team received 46,740 calls (7 per cent decrease compared to 2024) and fielded 99,776 emails (4.6 per cent increase compared to 2024).

Our interaction and conciliation surveys help gauge our customer service in real time by asking homeowners or builders to rate their satisfaction with the service they received after interactions with the Customer Service and Warranty Services teams – including elements such as professionalism, courtesy, ability to answer questions and follow-through. A total of 1,887 homeowners and 120 builders completed surveys on their Contact Centre interactions. Homeowners rated their satisfaction as 91.7 per cent (as compared to 89.3 per cent in 2024) and builders rated their satisfaction as 87.7 per cent (as compared to 87 per cent in 2024). Both homeowners and builders gave Tarion staff the highest marks on courtesy and professionalism.

In 2025, a total of 289 homeowners and 146 builders completed surveys after participating in a conciliation. Overall satisfaction with the conciliation was 83.7 per cent for homeowners and 89.3 per cent for builders (as compared to 86 per cent and 87 per cent, respectively, in 2024). Similar to the post-conciliation surveys, both groups gave Tarion staff the highest rating for courtesy and professionalism.

Risk Management

Tarion has adopted the Three Lines of Defence Model to ensure consistent application of risk management by all staff in the execution of strategy, achievement of business objectives and delivery of day-to-day operations. Tarion's risk management plan is outlined in detail within the 2026 Business Plan.

Risk Events Requiring Mitigation

Tarion employs mitigation strategies to help maintain the health of the Guarantee Fund for consumers. One of these strategies is to purchase excess loss reinsurance for warranty/deposit claims for enrolments in any given calendar year. This reinsurance program has been in place since 2016.

As a result of significant deposit losses that took place in 2023, associated with a mid-size builder in the GTA, Tarion has reflected its best estimate of recovery for warranty and deposit claims through this reinsurance program in the year-end audited financial statements. Considering economic conditions in residential development and the impact to the sector, Management continues to closely monitor insolvencies and receiverships.

Management is also assessing additional controls surrounding the sale of new homes by vendors or builders in excess of their approved units.

Annually, Tarion reviews its capital requirements for catastrophic stress scenarios and reassesses the reinsurance policy terms for the following enrolment year. Tarion has obtained a reinsurance policy for 2026 enrolments. Management has also completed a fee review as part of its capital replenishment strategy and increased the Enrolment Fee by \$55 to account for inflation for homes priced above \$550,000, effective September 1, 2025.



Legislative & Policy Changes

Legislative Changes

In December 2024, amendments were made by the provincial government to the *Ontario New Home Warranties Plan Act*. These changes expanded and clarified certain regulation-making authority in section 23 of the Act. With these changes, Tarion created a framework where consumers register their purchase agreement with Tarion to better help identify illegal sales activity and support purchasers in getting critical warranty information sooner. Disclosure of purchase agreements would also be an important deterrent to “illegal vendors” selling homes without required approvals by the Home Construction Regulatory Authority (HCRA) and Tarion.

The framework, when implemented, will have two principal elements; in respect new freehold homes (including freehold homes on parcels-of-tied-land): 1) purchasers must provide Tarion with notice of their purchase agreement; and 2) potentially differentiated deposit coverage may apply for those who do not register their purchaser agreement.

Additional changes under the framework include:

- setting out a specific claims process for deposit claims; and
- establishing a one-year limitation period for making deposit claims (after the purchase agreement is terminated).

The new framework would not impact construction warranties available after occupancy.

Pursuant to O Reg 128/25 and O Reg 388/25, the effective date for O Reg 17/25 is April 1, 2026.

Policy Updates

The following chart summarizes updates to policies that were implemented in 2025.

Policy	Date of Update	Changes
Travel and Expense Reimbursement Policy	March 2025	Administrative updates include guidelines for lunch expense, wellness subsidy, Health and Safety expense, and travel and auto expenses.
Policy for the Handling of Complaints about Tarion	August 2025	Administrative changes include updates to the existing process.
Code of Business Conduct	July 2025	Administrative updates to add existing Operational Conflicts Policy and to clarify that the code applies to all employees, contractors, consultants and other workers at Tarion, including all personnel affiliated with third parties.
Social Media Policy	November 2025	Administrative change to clarify language regarding application of the policy.
Board Social Media Policy	October 2025	Administrative changes to provide more practical guidelines for Board and advisory council members.
Code of Conduct, Confidentiality and Conflict of Interest Policy.	October 2025	Administrative changes were made to align with guidance provided in updated Social Media Policy.

Registrar Bulletins

In 2025, we made the following updates to our Registrar Bulletins:

In 2025, Tarion updated [Registrar Bulletin 05 – Builder Deliveries \(RB05\)](#) in response to improvements made to Tarion’s Qualification For Enrolment (QFE) process with the introduction of a new Home ID number for all approved homes and new Warranty Information Sheets.

In July 2025, Tarion launched the new unique Home ID number which is tied to every new home that a builder is approved by Tarion to build/sell. The Home ID number will ultimately become the enrolment number that Tarion currently uses when a builder enrolls the home in the warranty program.

RB05 was updated to include this new Home ID number and clearly outline the requirements for builders to provide this number, alongside an updated Warranty Information Sheet, to homeowners during the sales transaction. It also includes operational information about how to generate the new Home ID and Warranty Information Sheets.



Governance

The governance framework at Tarion is overseen by a Board of 12 directors, drawing candidates equally from three categories: at-large, the industry and the ministerial appointees (competencies of directors are specified in the Minister's Order).

Tarion's governance framework design is reflective of a large, complex and financially sophisticated public service institution that provides surety benefits for new homes built by the industry for Ontarians.

Since inception, Tarion has underwritten this protection for more than two million homes. Given the seven-year coverage period under this program, at any given point, this warranty program reaches approximately 400,000 homes across Ontario.

This leads to administering a maximum underwriting liability in the amount of \$1.2 trillion for construction warranty risk (considering freehold and Common Element caps) in addition to maximum non-construction warranty risk (deposit, financial loss and delayed closing risks), which may exceed \$8 billion in any given year, depending on building sales activity. In overseeing this service, Board members bring a wide variety of skills and competencies including consumer protection, data privacy, dispute resolution, financial literacy, risk management, housing industry knowledge, communications, business and strategic planning, information technology, insurance and governance.

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

The following is a list of individuals who served on the Board for all or part of 2025.

Fiona Coughlin, CFRE

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

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

Carol Jardine, FCIP, CRM, ICD.D

Andy Kenins, CPA, CA, ICD.D

Maria Kyveris, P. Eng., ICD.D

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

Jason Ottey

Marc Sammons

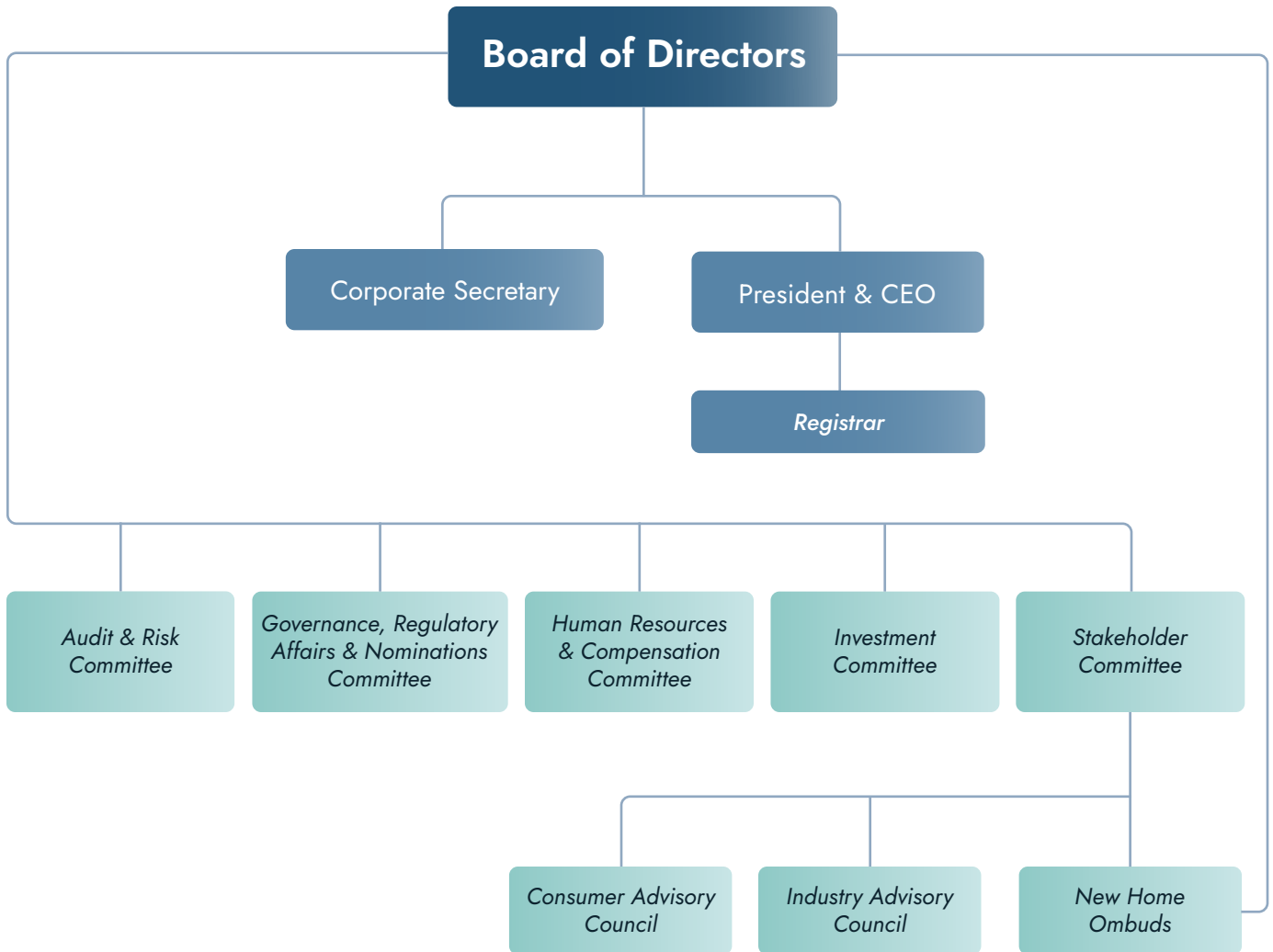
Toby Stolee, ICD.D

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

Amanda Walton, B.A., ICD.D

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

Governance Framework



Tarion's Senior Leadership Team

Peter Balasubramanian

President & Chief Executive Officer, Registrar

Gena Argitis

Vice President, Chief Operating Officer

Kevin Brodie

Vice President, Underwriting

Colin Grant

Vice President, General Counsel

John Hynes

Vice President, Chief Information Officer

Edmond Lee

Vice President, Chief Risk Officer

Jennifer Shiller

Vice President, Public Affairs

Melissa Sousa-Gatchalian

Vice President, Human Resources

Tieu-Minh To

Vice President, Chief Financial Officer

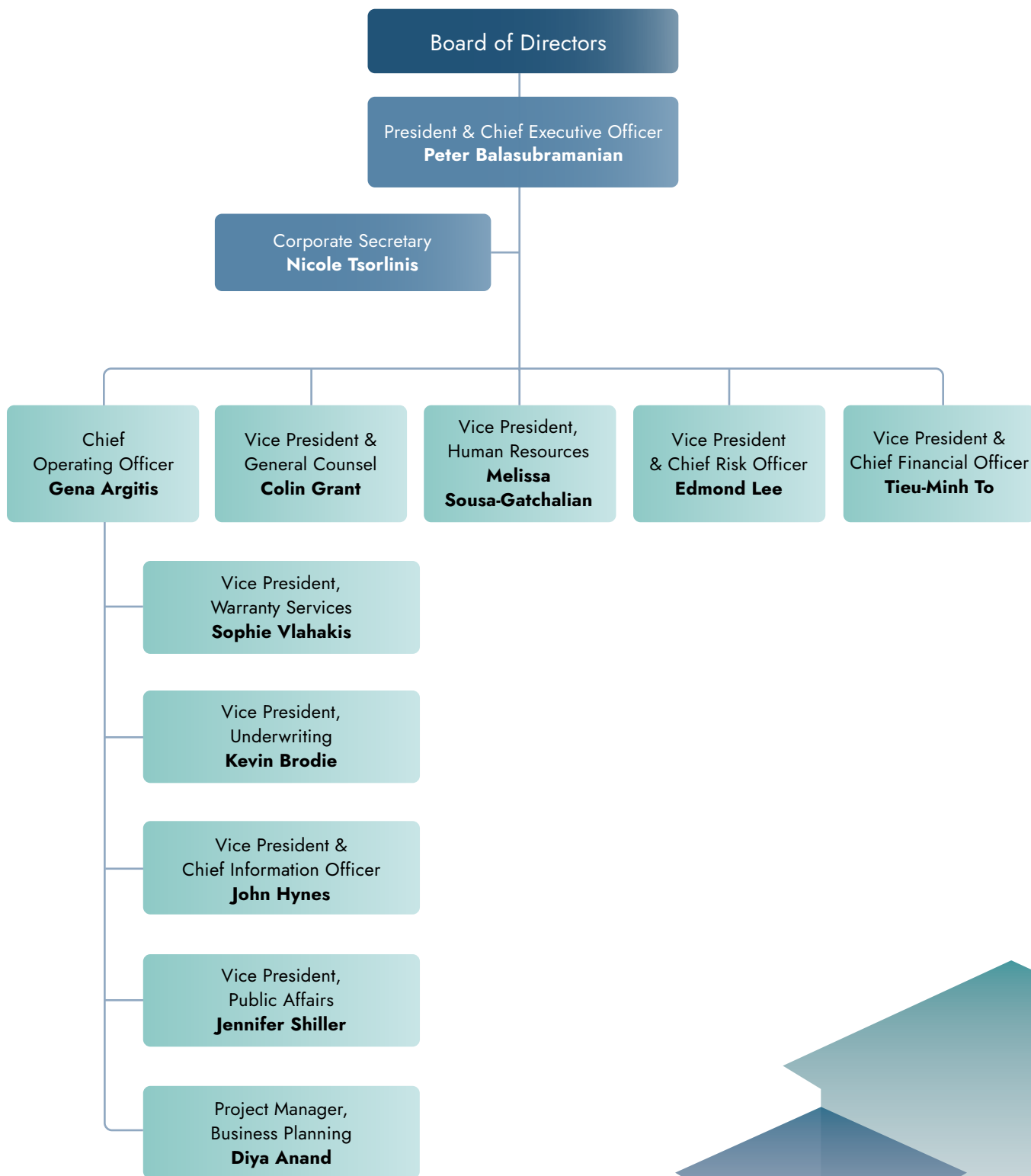
Nicole Tsorlinis

Corporate Secretary

Sophie Vlahakis

Vice President, Warranty Services

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



Tarion's Board has a governance structure that includes five standing committees, two stakeholder councils and the New Home Ombuds office. Its additional independent resources include the external auditor, the internal auditor, an actuary and other advisors when the Board sees the need for additional support.

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

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

Board Meetings and Performance

The Board, its standing and ad hoc committees, and the two councils meet as often as necessary to handle Tarion's business needs and deliver on its mandate. Meeting schedules are established every year by the Corporate Secretary. The New Home Ombuds attends the Stakeholder Committee meetings and is formally empowered to call for a Board and/or Stakeholder Committee meeting at any time.

The Board Chair, Committee Chairs and Council Chairs develop their agendas in alignment with the by-laws, the Administrative Agreement and work plans captured in their respective Terms of Reference. Meetings include advance information packages consistent with governance best practice. During the meetings, full participation is encouraged by all members.

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

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

The Board has a Code of Conduct & Governance Practices, Confidentiality & Conflict of Interest (the "Code"), which each member of the Board signs annually, and a Whistleblower Policy. These policies are intended to help the Board meet and exceed governance best practice. Tarion has a whistleblower policy in place and the program uses a third-party service provider.

The policy includes two key types of protection: (a) confidentiality and (b) protection against retaliation. Protections are included to encourage witnesses to participate in the investigation process. The protections are for Tarion Directors, employees, employment agency contractors, and independent consultants/contractors retained by Tarion. Complaints or tips can be reported (i) in as confidential a manner to the greatest extent possible; (ii) in an anonymous manner if the individual reporting so chooses; and (iii) without any fear of reprisal or adverse treatment for bringing such possible wrongdoing forward.

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

Annual Business Plan, Budget and Strategic Planning

Under its Administrative Agreement with the Minister of Public and Business Service Delivery and Procurement (MPBSDP), Tarion's Management develops its three-year operating plan, strategic priorities and the annual budget. In so doing, Tarion's Board examines and stress tests the strategy plan, its assumptions and the environmental scan, and approves those plans with

any amendments where needed. During the year, the Board receives regular reports, monitors performance and advises on any course correction as well as strategies to mitigate any related or emerging risks.

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

Governance Matters for 2025

In accordance with its annual Work Plan, the Board reviewed all of its policies, Terms of Reference and position descriptions for key Board roles. These documents are examined by the standing committees, the Governance, Regulatory Affairs & Nominations Committee and the Board to ensure they reflect the latest changes in legislation, expectations and their continued relevance. Tarion is fully compliant with the *Not-for-Profit Corporations Act, 2010* (ONCA) that was proclaimed on October 19, 2021.

Responsibilities of the Committees of the Board

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

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

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

Independent Ombudsperson

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

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

Audit & Risk Committee

Marc Sammons, Chair

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

Carol Jardine, FCIP, CRM, ICD.D, Vice Chair

Andy Kenins, CPA, CA, ICD.D, ex officio

Maria Kyveris, P.Eng., ICD.D

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

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

The Audit & Risk Committee (ARC), composed of up to six members of the Board, reviews the quarterly financial statements and key performance indicators, the annual business plan and budget, the annual audited financial statements and financial operating performance reported in Tarion's Annual Report, the assessment of reserves and the results of capital adequacy testing. The Committee is also responsible

for the development and monitoring of policies to address risk management, financial management as well as the framework for and system of internal control. It makes recommendations to the Board about the appointment of an external auditor, the internal auditor, the external actuary and any other independent assurance provider.

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

The Committee meets at least five times a year and at such other times as the Committee may determine. The Committee meets without the presence of Management with the actuary and the internal and external auditors.

Risk Management

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

An executive risk management committee, composed of Tarion's senior executives, also identifies emerging issues and regularly reports to the ARC. On a monthly basis, Management assesses Tarion's operational experience against established risk appetite limits and reports any material breaches to the Board via the ARC, highlighting any need for mitigating actions. In addition, a comprehensive dashboard of key risk metrics is reviewed quarterly with the ARC and the Board. The Board and Management's application of Tarion's Risk Appetite Framework is informed by the Own Risk and Solvency Assessment and other relevant guidelines issued by the Office of the Superintendent of Financial Institutions (OSFI) for federally regulated insurers as best practice.

Governance, Regulatory Affairs & Nominations Committee

Toby Stolee, ICD.D, Chair

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

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

Andy Kenins, CPA, CA, ICD.D, ex officio

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

Amanda Walton, B.A., ICD.D

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

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

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

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

Director Orientation (Onboarding) and Continuing Education

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

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

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

Nominations Committee

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

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

In our nominations process, the Committee reaches out to a variety of sources, including a search firm when needed. We advertise Board vacancies using a broad range of sourcing channels to reach a diverse pool of qualified candidates, ensuring we attract strong talent and select the best possible candidate for the role. Tarion also posts details of any Board vacancies and the nomination materials on its website.

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

In 2025, all vacancies were filled in accordance with our by-laws.

Human Resources & Compensation Committee

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

Fiona Coughlin, CFRE

Andy Kenins, CPA, CA, ICD.D, ex officio

Jason Ottey

Marc Sammons

Amanda Walton, B.A., ICD.D, Vice Chair

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

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

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

HRCC reviews director compensation every three years by engaging independent external experts who benchmark this against other comparable DAAs, as well as private and broader public sector organizations in similar sectors, or with similar risk profiles and governance frameworks. Board members are compensated for their contributions of time and expertise, covering a full schedule of Board and committee proceedings, attendance/participation

in conference calls for the Board or other designated committees/task forces, telephone calls in the conduct of Tarion's business, time spent on reviewing meeting materials, and research and information preparation for Board/Committee/Council meetings.

Board compensation is composed of a thoroughly researched annual retainer and a per diem fee for meetings held. Board members and the Chair receive an annual retainer of \$17,500 and \$55,000, respectively. The Committee Chairs receive an additional remuneration of \$8,000 per annum for the added workload carried by them throughout the year. Advisory Council Chairs receive \$4,000 per annum. Board members and the Advisory Council members receive a meeting fee of \$800 per meeting. Total Board remuneration for 2025, including the Councils, was \$695,101.



Investment Committee

John Macintyre, B.A., C.Dir, H.R.C.C.C., Chair
Fiona Coughlin, CFRE
Carol Jardine, FCIP, CRM, ICD.D
Andy Kenins, CPA, CA, ICD.D, ex officio
David Tsubouchi, B.A., J.D., LL.D, D.S.Litt., C. Dir,
E.C.O., Vice Chair

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

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

During 2025, the Committee substantially completed Tarion's transition to the Investment Management Corporation of Ontario (IMCO) as its Outsourced Chief Investment Officer (OCIO) for the Guarantee Fund as a result of the 2023 OCIO RFP process.

The Investment Committee also assesses the performance of the OCIO and recommends annually any changes to the invested asset mix of the company with the assistance of the OCIO and Appointed Actuary.

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

Stakeholder Committee

Maria Kyveris, P.Eng., ICD.D, Chair
Fiona Coughlin, CFRE
RJ Falconi, B.Sc., J.D., ICD.D, KC
Andy Kenins, CPA, CA, ICD.D, ex officio
Jason Ottey, Vice Chair
Toby Stolee, ICD.D

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

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

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

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

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

Consumer Advisory Council

Trevor Kezwer, Chair
Julia Chew
Graham Clarke
Sebastien Fournier
Vincenza Galatone

Helene Gilhooly
Jason Huang
Laurie Kennard
Justin Tudor, Vice Chair

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

The CAC met a total of six times in 2025. This included four quarterly meetings and two Joint Council Meetings with the Industry Advisory Council (IAC). The Chair of the CAC attends each meeting of the Stakeholder Committee. The Council is comprised of individuals who are or have been recent new home buyers and professionals who have new home buyer clients and experience with consumer advocacy. All individuals must have a positive orientation towards consumer protection.

At the meetings that took place in 2025, the CAC provided its perspectives on a number of topics including updates from the New Home Ombuds, results of the 2024 Homeowner and Builder Surveys, Pre-Delivery Inspection resources, Home Explorer, Registrar Bulletins 2 and 18, Construction Performance Guidelines, the enrolment fee, homeowner education, deposit protection and more.

Industry Advisory Council

Adam Carapella
Adam Clarke, Chair
Rick Martins
Kevin O'Shea

Natasha Paikin, Vice Chair
Bob Schickedanz
Rose Zonni

The Industry Advisory Council (IAC) consists of seven members and reports to the Stakeholder Committee.

The purpose of the IAC is to act as an advisory body who provides ongoing advice from a regulated industry perspective on any existing industry issues and proposed policies or on any of Tarion's proposed changes impacting new home builders.

The IAC met a total of six times in 2025. This included four quarterly meetings and two Joint Council Meetings with the Consumer Advisory Council (CAC). The Chair of the IAC attends each meeting of the Stakeholder Committee. The Council is comprised of individuals who possess a building sector competency in either freehold homes or condominiums.

At the meetings that took place in 2025, the IAC provided its perspectives on a number of topics including the results of the 2024 Homeowner and Builder Surveys, Registrar Bulletins 2, 12 and 18, Construction Performance Guidelines, Home Explorer, the enrolment fee, homeowner education, deposit protection, the enrolment process and more.

Directors' Attendance

The number of Board, Board standing committee and Council meetings held by the company during 2025 was as follows:

Board of Directors	12
Audit & Risk Committee	5
Governance, Regulatory Affairs & Nominations Committee	3
Human Resources & Compensation Committee	5
Investment Committee	5
Stakeholder Committee	4
Consumer Advisory Council	5
Industry Advisory Council	5
Total	44

The table below shows directors whose terms ended and/or commenced concurrent with the Annual Meeting of Members in April 2024. Board member profiles and terms are available on [Tarion.com](https://www.tarion.com).

	Board Meetings		Committee Meetings		Total Attended	
	Held	Attended	Held	Attended	Held	Attended
Coughlin, Fiona	12	12	11	11	23	23
Dicker, Marni	12	11	12	10	24	21
Falconi, R J	12	12	7	7	19	19
Jardine, Carol	12	12	10	10	22	22
Kenins, Andy	12	12	20	20	32	32
Kyveris, Maria	12	12	9	9	21	21
Macintyre, John	12	11	12	12	24	23
Otley, Jason	12	12	9	9	21	21
Sammons, Marc	12	11	9	9	21	20
Stolee, Toby	12	11	7	7	19	18
Tsubouchi, David	12	12	10	10	22	22
Walton, Amanda	12	12	10	9	22	21

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

Management's Discussion & Analysis

The Management's Discussion and Analysis (MD&A) provides relevant insights into the assessment of the financial condition and results of Tarion. This MD&A should be read in conjunction with Tarion's audited financial statements for the year ended December 31, 2025, which are prepared in accordance with the Internal Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

In 2025, Tarion faced a decline in financial performance compared to the prior year, ending the year with a deficit of \$9.1 million. The organization continued to be impacted by challenging economic conditions, including elevated unemployment rates and ongoing uncertainties related to U.S. trade disputes and tariffs, which significantly eroded both home buyer and builder confidence. Enrollment levels decreased from 34,460 in 2024 to 23,529 in 2025 while receivership deposit losses remained elevated, reflecting a depressed housing market.

While Tarion's Guarantee Fund investment portfolio delivered strong results, generating \$42.2 million in 2025, the ongoing receivership deposit payouts to purchasers and reduced enrolment levels necessitated the liquidation of \$39.2 million from the investment portfolio to meet claim obligations and support Tarion's operational needs. In 2025, Tarion paid \$78.0 million to resolve deposit and warranty claims with \$43.9 million attributable to deposit claims from receiverships. This brought the cumulative amount paid for receivership deposit claims since 2023 to \$123.0 million.

Insurance Results

Insurance revenue for 2025 declined by \$0.9 million, bringing the total to \$72.8 million, as compared to 2024.

This reduction is primarily attributable to the revenue release pattern from insurance contracts as they moved through their respective warranty coverage periods. Insurance service expenses increased over the prior year by \$26.1 million, driven mainly by the higher volume of claims incurred stemming from the receivership deposit losses and the adverse development of a large major structural warranty defect claim.

At the end of 2025, Tarion's insurance contract liability was \$366.4 million, marking a decrease of \$36.3 million from the previous year. The decrease was primarily driven by the settlement of receivership deposit claims and the recognition of revenue and expenses as warranty coverage periods expired. This overall reduction was partially offset by the incurrence of new claims and the impact of changes in the discount rate.

Tarion concluded the year with the Guarantee Fund valued at \$627.6 million, of which \$366.4 million is allocated to support net insurance contract liabilities to cover both current and expected claims. The remaining \$261.1 million is allocated for future warranty claims, service enhancements and to mitigate against potential catastrophic warranty losses or other unforeseen events. This allocation upholds the stability and reliability of the fund, enabling Tarion to continue providing comprehensive support and protection to homeowners.

Expenditures

	2025	2024	Variance
Salaries and benefits	46,191	43,188	3,003
General and administrative	30,740	29,616	1,124
Depreciation and amortization	3,288	6,081	(2,793)
Total Expenditures	80,219	78,885	1,334

Tarion's expenditures increased by \$1.3 million compared to 2024. Part of the increase is due to inflationary pressure as well as higher investment in strategic initiatives. This overall increase was partially offset by a \$2.8 million reduction in depreciation and amortization expenses, attributable to a reduction in depreciable asset base due to lower levels of capitalization of software and hardware.

Tarion invested \$7.8 million in 2025, an increase of \$1.3 million compared to the prior year, on strategic initiatives to enhance service delivery, regulatory effectiveness and organizational capability. These initiatives include modernizing both homeowner and builder experiences through the launch of HomeHub 2.0, continued implementation of a new Financial Management System to modernize financial operations and reporting capabilities, enhancing consumer protection by refining the Qualification for Enrolment process, and expanding the use of digital analytics and artificial intelligence to support informed decision-making and improve operational efficiency.

Collectively, these expenditures reflect Tarion's commitment to modernization, enhanced consumer protection, and maintaining effective oversight in an increasingly complex and digitally enabled operating environment.

Capital Expenditures

Additions to Property and Equipment of \$0.5 million were primarily attributable to computer equipment and applications for staff use.

Equity

Tarion's total equity balance decreased by \$9.1 million to \$190.2 million driven by the current year's negative bottom line of \$9.3 million, offset by a minor actuarial gain of \$0.2 million resulting from changes in assumptions related to post-employment benefit liabilities. Tarion's capital continues to be adversely affected by the development of ongoing significant receivership deposit losses and lower enrolment levels. Management is proactively exploring opportunities and solutions to restore the capital to its target level including disciplined cost containment of operational and future strategic initiatives spend while ensuring that we balance our fiscal responsibility and the need to maintain high service levels for our key stakeholders.

Financials

Tarion Warranty Corporation December 31, 2025

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Management's Responsibility for Financial Reporting

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

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

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

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

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

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

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

S/D

Peter Balasubramanian
President & Chief Executive Officer
April 22, 2026

S/D

Tieu-Minh To
Vice President & Chief Financial Officer
April 22, 2026

Independent Auditor's Report

To the Board of Directors of Tarion Warranty Corporation

Opinion

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

- the Statement of Financial Position as at December 31, 2025
- the Statement of Comprehensive Results of Operations for the year then ended
- the Statement of Changes in Equity for the year then ended
- the Statement of Cash Flows for the year then ended
- and notes to the financial statements, including a summary of material accounting policy information

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2025, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

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

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

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

Independent Auditor's Report

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Independent Auditor's Report

We also:

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

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

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



Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada

April 22, 2026

Appointed Actuary's Report

To the Board of Directors of the Tarion Warranty Corporation

I have valued the policy liabilities of the Tarion Warranty Corporation for its financial statements prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2025.

In my opinion, the amount of policy liabilities is appropriate for this purpose. The valuation conforms to accepted actuarial practice in Canada and the financial statements fairly present the results of the valuation.

S/D

Raul Martin, FCIA, FCAS, MAAA
Fellow, Canadian Institute of Actuaries
April 22, 2026

Tarion Warranty Corporation

For the year ended December 31, 2025 (in thousands of Canadian Dollars)

Statement of Financial Position

	Notes	2025	2024
ASSETS			
Cash and cash equivalents	4	3,905	56,620
Other receivables		-	763
Investments	6	627,566	608,912
Reinsurance contract assets held	12	26,498	33,356
Prepaid expenses and other assets	5	7,821	3,850
Property and equipment	7	2,501	3,756
Intangible assets	8	1,937	3,353
TOTAL ASSETS		670,228	710,610
EQUITY AND LIABILITIES			
LIABILITIES			
Accounts payable and accrued liabilities	9	17,022	9,261
Lease obligations and inducements	11	735	1,204
Insurance contract liabilities	12	366,428	402,773
Funds held as security	13	88,636	87,836
Derivatives	6	-	2,869
Employee future benefits liabilities	14	7,151	7,263
TOTAL LIABILITIES		479,972	511,206
Equity		190,256	199,404
TOTAL EQUITY		190,256	199,404
TOTAL EQUITY AND LIABILITIES		670,228	710,610

Commitments and contingencies 10

See accompanying notes to financial statements.

Approved by the Board of Directors

S/D

Andy Kenins
Director and Chair of the Board

S/D

Marc Sammons
Director and Chair of Audit & Risk
Committee

Tarion Warranty Corporation | For the year ended December 31, 2025 (in thousands of Canadian Dollars)

Statement of Comprehensive Results of Operations

	Notes	2025	2024
INSURANCE SERVICE RESULT			
Insurance revenue	12	72,755	73,632
Insurance service expense	12	(102,688)	(76,636)
Insurance service result before reinsurance contracts held		(29,933)	(3,004)
Allocation of reinsurance premiums	12	(1,223)	(1,060)
Amounts recoverable from reinsurers for incurred claims	12	6,639	(6,329)
Net recoverable (expense) from reinsurance contracts held		5,416	(7,389)
INSURANCE SERVICE RESULT		(24,517)	(10,393)
INVESTMENT RESULTS			
Investment income/(loss)	6, 12	42,174	47,262
Investment management expense	12	(1,900)	(2,217)
Insurance finance income (expense) for insurance contracts issued	12	(15,716)	(24,750)
Reinsurance finance income (expense) for reinsurance contracts held	12	1,180	1,128
NET INSURANCE FINANCIAL RESULT		25,738	21,423
OTHER INCOME	16	7,656	10,607
OTHER EXPENSES			
Salaries and benefits		(8,103)	(7,478)
General and administrative		(9,602)	(5,208)
Interest expense	15	(29)	(41)
Depreciation and amortization	7, 8, 11	(508)	(1,244)
OTHER INCOME AND EXPENSES		(10,586)	(3,364)
EXCESS/(DEFICIT) OF REVENUE OVER EXPENSES		(9,365)	7,666
OTHER COMPREHENSIVE RESULTS OF OPERATIONS			
<i>Amounts not subsequently classified to Statement of Results of Operations</i>			
Actuarial gains/(losses) for employee future benefits	14	217	(502)
TOTAL COMPREHENSIVE RESULTS OF OPERATIONS FOR THE YEAR		(9,148)	7,164

See accompanying notes to financial statements.

Tarion Warranty Corporation

For the year ended December 31, 2025 (in thousands of Canadian Dollars)

Statement of Changes in Equity

	2025	2024
Beginning of the year	199,404	192,240
Excess/(Deficit) of revenue over expenses for the year	(9,365)	7,666
Other comprehensive result of operations		
<i>Amounts not subsequently classified to Statement of Results of Operations</i>		
Actuarial gains/ (losses) for employee future benefits	217	(502)
TOTAL EQUITY, END OF YEAR	190,256	199,404

See accompanying notes to financial statements.

Statement of Cash Flows

	Notes	2025	2024
NET INFLOWS (OUTFLOWS) OF CASH RELATED TO THE FOLLOWING ACTIVITIES			
OPERATING			
Home enrolment fees received		34,622	57,080
Capital fees received		7,494	9,016
Recoveries from builders for claims and conciliation fees		23,343	19,483
Securities receipts from builders, net of releases		1,397	(4,507)
Payments to employees for salaries and benefits		(46,837)	(43,981)
Payments to suppliers for general and administrative expenses		(29,668)	(29,071)
Claims payments		(77,985)	(104,883)
Reinsurance premium paid		(3,000)	(3,800)
Recovery from reinsurer		16,454	-
Interest expenses		(374)	(627)
HCRA Loan repayment		200	-
Other miscellaneous fees received or paid		1,970	(11)
Cash used by operating activities		(72,384)	(101,301)
INVESTING			
Dividend received		1,517	1,291
Interest received		11,065	17,695
Proceeds from sale and maturity of investments		994,601	1,603,389
Purchase of investments		(984,993)	(1,462,483)
Investment management fees		(1,555)	(2,136)
Purchase of intangible assets		(132)	(1,441)
Purchase of equipment and leaseholds		(483)	(490)
Proceeds / (Settlement) of derivatives		118	(1,399)
Cash provided in investing activities		20,138	154,426
FINANCING			
Payment on lease obligation		(469)	(466)
Cash used in financing activities		(469)	(466)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR		(52,715)	52,659
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		56,620	3,961
CASH AND CASH EQUIVALENTS, END OF YEAR		3,905	56,620

See accompanying notes to financial statements.

Tarion Warranty Corporation

For the year ended December 31, 2025 (in thousands of Canadian Dollars)

Notes to Financial Statements

1. Corporation Operations

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

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

As part of a provincial legislation that was passed in December 2017, effective February 1, 2021, the Corporation transferred its regulatory mandate to register and license home builders and vendors in Ontario to a separate regulator, the Home Construction Regulatory Authority ("HCRA") while retaining its mandate to administer new home warranty in Ontario. As part of the transformation support, the Corporation entered into a funding agreement with the HCRA to provide financial support in the establishment of the HCRA. See Note 10B for details.

The Government of Ontario has designated the Corporation as a non-profit organization incorporated without share capital under the Act. The Corporation's equity is not traded in a public market, and it represents the retained accumulation of excess revenue over expenses and actuarial gains / (losses) for employee future benefits. The registered office is located at 5160 Yonge Street, 7th Floor, Toronto, Ontario, M2N 6L9.

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

The Financial Statements for the year ended December 31, 2025, were approved by the Corporation's Board of Directors and authorized for issue on April 22, 2026.

Notes to Financial Statements

2. Summary of Material Accounting Policies

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

A. CASH AND CASH EQUIVALENTS

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

B. PREPAID EXPENSES AND OTHER ASSETS

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

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

C. OTHER RECEIVABLES

Other receivables consist of all other accounts receivable aside from insurance contract-related cash flows. It can range from a variety of transactions, such as administration fees charged for services generally related to the handling of claims and underwriting, the non-refundable capital replenishment fee applied to each enrollment, the sales tax applied to each enrollment, security charged to vendor builder, etc.

D. FINANCIAL INSTRUMENTS

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

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

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

Notes to Financial Statements

2. Summary of Material Accounting Policies (Continued)

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

- *Derivatives*

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

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

Realized gains and losses on derivative assets are recorded as a component of investment income/(expense) on the Statement of Comprehensive Results of Operations.

- *Other financial liabilities*

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

E. PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost less accumulated depreciation and impairment. The assets' residual values, useful lives and the method of depreciation are reviewed at the end of each reporting period and adjusted as necessary on a prospective basis. The depreciation expense on property and equipment is disclosed separately in Note 7 to the Financial Statements and included in the Statement of Comprehensive Results of Operations.

Notes to Financial Statements

2. Summary of Material Accounting Policies (Continued)

Depreciation is provided at the following rates:

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

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

Recognized in accordance with IFRS 16 – Leases:

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

The Corporation recognizes right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease inducements receivable. Unless the Corporation is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any. If the right-of-use asset is impaired, the Corporation reduces the carrying amount of the asset to its recoverable amount and recognizes that impairment loss in the Statement of Comprehensive Results of Operations.

Short-term leases and leases of low-value assets

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

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

2. Summary of Material Accounting Policies (Continued)

F. INTANGIBLE ASSETS

Intangible assets consist of acquired software and applications and internal software enhancements related to the customization of these software systems and applications. These intangible assets have finite lives and are amortized over their useful economic life. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The amortization expense on intangible assets is disclosed separately in Note 8 to the Financial Statements and included in the Statement of Comprehensive Results of Operations.

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

G. LEASES

Lease liabilities

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

H. INSURANCE CONTRACT LIABILITIES

The Ontario New Home Warranty Plan Act statutorily mandates that a new home in Ontario is deemed to receive deposit and warranty coverages from its vendor or builder. The Corporation is also mandated by the Act to backstop the obligations if the vendor/builder does not perform.

As the administrator of the Act, the Corporation is exposed to insurance risk relating to the risk of loss if the Corporation pays compensation from the guarantee fund because vendors and/or builders have failed to perform their obligations to the new homeowners.

Insurance and reinsurance contracts classification

As a general guideline, the Corporation determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event had not occurred.

Insurance contract liabilities consist of insurance contracts issued to the homeowners.

Notes to Financial Statements

2. Summary of Material Accounting Policies (Continued)

The warranty period spans seven years and significant periods of time can elapse between the incurrence of claims liabilities and their settlement. Accordingly, the estimation of the liabilities involves significant measurement of uncertainty which is further described in Note 3.

Liability for incurred claims as part of Insurance contract liabilities include claims recoveries, and changes in the provisions for claims reported and in process, and for claims incurred but not yet reported. Claims recoveries include amounts recovered in the current year from builders/vendors and their guarantors/indemnitors on claims incurred, and changes in the estimate of amounts recoverable on outstanding insurance contract liabilities. Actual recovery may differ if the financial strength of the vendor/builder or the guarantors/indemnitors changes.

Separating components from insurance and reinsurance contracts

The Corporation assesses its insurance and reinsurance contracts to determine whether they contain components which must be accounted for under another IFRS rather than IFRS 17 (distinct non-insurance components). After separating any distinct components, an entity must apply IFRS 17 to all remaining components of the insurance contract.

The company has determined that both the capital replenishment fee and the regular enrollment fee are included within the same contract but represent distinct components. The capital replenishment fee is separate from the insurance components and is classified as an independent non-insurance performance obligation under IFRS 15. Therefore, it is excluded from the cash flow modeling of the insurance contract under IFRS 17.

Level of aggregation

IFRS 17 requires an entity to determine the level of aggregation for applying its requirements. The level of aggregation for the Corporation is determined firstly by dividing the business written into portfolios, comprising groups of contracts with similar risks which are managed together. Portfolios are divided into annual cohorts (i.e., by date of issue) and each annual cohort is further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. As such, what is treated as a contract for measurement purposes may differ from what is considered as a contract for other purposes (i.e., legal or management).

The Corporation has one portfolio of insurance contracts, and one portfolio of reinsurance contracts held:

- a) Residential Portfolio
- b) Excess of loss reinsurance Portfolio

Based on the analysis performed by the Corporation, the following three home types, namely: a) Freehold b) High Rise c) Low Rise are presented under one portfolio due to the fact that the home types are subject to similar risks and managed together.

Notes to Financial Statements

2. Summary of Material Accounting Policies (Continued)

The expected profitability of these groups at inception is determined based on the existing actuarial valuation models which take into consideration existing and new business.

Recognition

The Corporation recognizes groups of insurance contracts that it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts
- The date when the first payment from a policyholder in the group is due, or when the first payment is received if there is no due date
- For a group of onerous contracts, as soon as facts and circumstances indicate that the group is onerous

The Corporation recognizes a group of reinsurance contracts held from the beginning of the coverage period of the contract. The reinsurance contract held by the Corporation provides excess loss coverage.

The Corporation adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

Onerous contracts

The profitability of groups of contracts is assessed by actuarial valuation models that take into consideration existing and new business. For contracts that are not onerous, the Corporation assesses, at initial recognition, whether there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances.

The Corporation considers various factors and drivers to identify whether a group of contracts are onerous including a builder/vendor's tenure, size, financial condition, and claims history.

Contract Boundary

The Corporation includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Corporation requires that the builder/vendor enroll the home, or when the Corporation has a substantive obligation to provide the policyholder with insurance contract services.

For Tarion's contracts, the boundary is assumed to start at the earlier of when:

- The enrollment fee is required
- Tarion is on risk to provide either deposit or warranty coverage

Notes to Financial Statements

2. Summary of Material Accounting Policies (Continued)

The deposit coverage begins when the homeowner provides a deposit and signs an Agreement of Purchase and Sale. Once the new owner takes possession of the home, warranty coverage begins.

Measurement – General Model

(i) Insurance Contracts – Initial Measurement

The general model measures a group of insurance contracts as the total of:

- Fulfilment cash flows
- A CSM representing the unearned profit the Corporation will recognize as it provides insurance contract services under the insurance contracts in the group

Fulfilment cash flows comprise unbiased and probability-weighted estimates of future cash flows, discounted to present value to reflect the time value of money and financial risks, plus a risk adjustment for non-financial risk. The Corporation's objective in estimating future cash flows is to determine the expected value, or the probability-weighted mean, of the full range of possible outcomes, considering all reasonable and supportable information available at the reporting date without undue cost or effort.

The Corporation has performed a detailed expense analysis and determined how to systematically allocate costs that are directly attributable to the insurance contract.

When estimating future cash flows, the Corporation includes all cash flows that are within the contract boundary including:

- Enrollment fees and future fee adjustments
- Claims, including claim recoveries, reported claims not yet paid, incurred claims not yet reported and expected future claims
- An allocation of insurance acquisition cash flows attributable to the portfolio to which the contract belongs including direct underwriting costs
- Claims handling costs including conciliation, investigation, and dispute resolution of claims.
- Policy administration and maintenance costs
- An allocation of fixed and variable overheads directly attributable to fulfilling insurance contracts which include support services.

The Corporation does not provide investment-return services in respect of contracts that it issues, nor does it perform investment activities for the benefit of policyholders.

The Corporation estimates the probabilities and amounts of future payments under existing contracts based on information obtained, including:

Notes to Financial Statements

2. Summary of Material Accounting Policies (Continued)

- Reported claims;
- Other information about the known or estimated characteristics of the insurance contracts;
- Historical data about the Corporation's own experience, supplemented when necessary with data from other sources. Historical data is adjusted to reflect current conditions; and
- Current pricing information.

The measurement of fulfilment cash flows includes insurance acquisition cash flows which are allocated as a portion of enrolment fees to profit or loss (through insurance revenue) over the period of the contract in a systematic and rational way on the basis of the passage of time. The Corporation does not elect to accrete interest on insurance acquisition cash flows to be allocated to profit or loss.

(ii) Reinsurance contracts held – initial measurement

For all cohorts starting in 2023 and onwards, the Corporation measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues under the General Measurement Model. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued.

Where the Corporation recognizes a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Corporation establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

The Corporation calculates the loss-recovery component by multiplying the loss recognized on the underlying insurance contracts and the percentage of claims the Corporation expects to recover from the reinsurer. The loss-recovery component adjusts the carrying amount of the asset for remaining coverage.

For all other cohorts prior to 2023, The Corporation measures its reinsurance assets for a group of reinsurance contracts that it holds using Premium Allocation Approach (PAA). The standard allows PAA if results under both measurement models are not materially different. The Corporation has performed PAA eligibility testing for cohort years prior to 2023, and there is no material difference in measuring reinsurance contracts held under both measurement models. At initial recognition, the Corporation only records assets for remaining coverage which equals to reinsurance premium payable and does not record assets for incurred claims as the Corporation had no reinsurance claims for cohort years prior to 2023. The Corporation also does not record loss recovery component under PAA method.

(iii) Insurance Contracts – subsequent measurement

The CSM at the end of the reporting period represents the profit in the group of insurance contracts that has not yet been recognized in profit or loss, because it relates to future service to be provided.

Notes to Financial Statements

2. Summary of Material Accounting Policies (Continued)

For a group of insurance contracts, the carrying amount of the CSM of the group at the end of the reporting period equals the carrying amount at the beginning of the reporting period adjusted, as follows:

- The effect of any new contracts added to the group.
- Interest accreted on the carrying amount of the CSM during the reporting period, measured at the discount rates at initial recognition.
- The changes in fulfilment cash flows relating to future service, except to the extent that:
 - a. Such increases in the fulfilment cash flows exceed the carrying amount of the CSM, giving rise to a loss; or
 - b. Such decreases in the fulfilment cash flows are allocated to the loss component of the liability for remaining coverage.
- The amount recognized as insurance revenue because of the transfer of insurance contract services in the period, determined by the allocation of the CSM remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period.

The CSM release (or amortization pattern) is determined using a blended coverage unit approach with coverage units determined using the maximum contractual coverage.

The locked-in discount rate is the weighted average of the rates applicable at the date of initial recognition of contracts that joined a group over a 12-month period. The discount rate used for accretion of interest on the CSM is determined using the bottom-up approach at inception.

The changes in fulfilment cash flows that adjust the CSM are components relating to future services only, and comprises:

- Experience adjustments that arise from the difference between expected versus actual cash flows pertaining to home enrolment fees received or acquisition expenses disbursed
- Changes in estimates of the liability for remaining coverage driven by non-financial assumptions
- Changes in the risk adjustment for non-financial risk

Except for changes in the risk adjustment, adjustments to the CSM noted above are measured at discount rates used at initial recognition.

Where, during the coverage period, a group of insurance contracts become onerous, the Corporation recognizes a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Corporation for the liability for remaining coverage for such onerous groups depicting the losses recognized.

Notes to Financial Statements

2. Summary of Material Accounting Policies (Continued)

The Corporation measures the carrying amount of a group of insurance contracts at the end of each reporting period as the sum of: (i) the liability for remaining coverage comprising fulfilment cash flows related to future service allocated to the group at that date and the CSM of the group at that date; and (ii) the liability for incurred claims for the Corporation comprising the fulfilment cash flows related to past and current service allocated to the group at that date.

(iv) Reinsurance contracts held – subsequent measurement

For all cohorts starting in 2023 and onwards, the subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued under the General Measurement Model and has been adapted to reflect the specific features of reinsurance held.

Where the Corporation has established a loss-recovery component, the Corporation subsequently reduces the loss-recovery component to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held. Reinsurance liabilities related to premiums payable for reinsurance contracts are also part of reinsurance contract assets. The reinsurance premium paid is recognized as a net cost of reinsurance over the term of coverage provided. The enrolment-based policy is expensed based on the same claims pattern recognized for the home enrolment over the life of the warranty period.

For all other cohorts prior to 2023, the subsequent measurement of reinsurance contracts held follows PAA method. The asset for remaining coverage balance is linearly amortized using the straight-line method over the life of the warranty period. The asset for remaining coverage balance is also discounted, and a financing component is recognized to account for the time value of money. The Corporation also does not record loss recovery component under PAA method.

(v) Insurance contracts – Derecognition

The Corporation derecognizes insurance contracts when the rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled, or expired).

Insurance acquisition cash flows

Insurance acquisition cash flows arise from the costs of selling, underwriting, and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs.

Notes to Financial Statements

2. Summary of Material Accounting Policies (Continued)

The insurance acquisition cash flows are included in the initial measurement of the CSM of the related group of insurance contracts. The Corporation expects to derecognize all assets for insurance acquisition cash flows within one year. They are released in subsequent years in a manner reflecting the CSM amortization of the cohort to which they belong.

(vi) Presentation

The Corporation has presented separately in the Statement of Financial Position the carrying amount of portfolios of insurance contracts issued that are liabilities.

Any assets for insurance acquisition cash flows recognized before the corresponding insurance contracts are recognized are included in the carrying amount of the related portfolios of insurance contracts issued.

The Corporation disaggregates the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the change from methodology and assumptions as part of the insurance service result and the change from discount rates as part of the insurance finance result.

The Corporation separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

(vii) Insurance revenue

The Corporation's insurance revenue depicts the provision of services arising from a group of insurance contracts at an amount that reflects the consideration to which the Corporation expects to be entitled in exchange for those services.

Insurance revenue from a group of insurance contracts is therefore the relevant portion for the period of the total consideration for the contracts, (i.e., the amount of home enrollment fees paid to the Corporation adjusted for financing effect (the time value of money)). The total consideration for a group of contracts covers amounts related to the provision of services and is comprised of:

- Insurance service expenses, excluding any amounts relating to the risk adjustment for non-financial risk and any amounts allocated to the loss component of the liability for remaining coverage
- The risk adjustment for non-financial risk, excluding any amounts allocated to the loss component of the liability for remaining coverage
- The CSM release
- Amounts related to insurance acquisition cash flows

Notes to Financial Statements

2. Summary of Material Accounting Policies (Continued)

(viii) Insurance service expense

Insurance service expenses arising from insurance contracts are recognized in profit or loss generally as they are incurred. They comprise of the following items:

- Incurred claims and other insurance service expenses
- Amortization of insurance acquisition cash flows
- Losses on onerous contracts and reversals of such losses
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk, and changes therein

(ix) Loss Component

The Corporation has grouped contracts that are onerous at initial recognition separately from contracts in the same portfolio that are not onerous at initial recognition. Groups that were not onerous at initial recognition can also subsequently become onerous if assumptions and experience changes.

The Corporation has established a loss component of the liability for remaining coverage for any onerous group depicting the future losses recognized. A loss component represents a notional record of the losses attributable to each group of onerous insurance contracts (or contracts profitable at inception that have become onerous). The loss component is released based on a systematic allocation of the subsequent changes relating to future service in the fulfilment cash flows to: (i) the loss component; and (ii) the liability for remaining coverage excluding the loss component. The loss component is also updated for subsequent changes relating to future service in estimates of the fulfilment cash flows and the risk adjustment for non-financial risk. The systematic allocation of subsequent changes to the loss component results in the total amounts allocated to the loss component being equal to zero by the end of the coverage period of a group of contracts (since the loss component will have been materialized in the form of incurred claims). The Corporation uses the proportion on initial recognition to determine the systematic allocation of subsequent changes in future cash flows between the loss component and the liability for remaining coverage excluding the loss component.

(x) Insurance finance income or expenses

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- The effect of the time value of money and changes in the time value of money
- The effect of financial risk and changes in financial risk

The Corporation will recognize insurance finance income or expenses on insurance contracts issued for its portfolio in profit or loss. The impact of changes in market interest rates on the value of the insurance and related reinsurance assets and liabilities are reflected in profit and loss. The Corporation's financial assets backing the insurance issued portfolios are predominantly measured at FVTPL.

Tarion Warranty Corporation | For the year ended December 31, 2025 (in thousands of Canadian Dollars)

Notes to Financial Statements

2. Summary of Material Accounting Policies (Continued)

The Corporation systematically allocates expected total insurance finance income or expenses over the duration of the group of contracts to profit or loss using discount rates determined on initial recognition of the group of contracts.

(xi) Net income or expense from reinsurance contracts held

The Corporation presents separately on the face of the Statement of Comprehensive Results of Operations the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid. The Corporation treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held on the face of the Statement of Comprehensive Results of Operations.

Amounts relating to the recovery of losses on onerous direct contracts from reinsurance coverage are included in Reinsurance Contract Assets.

(xii) Fair value approach

The Corporation has applied the fair value approach on transition for all groups of insurance contracts issued prior to January 1, 2020 and was valued at January 1, 2022. Obtaining reasonable and supportable information to apply the full retrospective approach was impracticable without undue cost or effort.

The Corporation has determined the CSM of the liability for remaining coverage at the transition date, as the difference between the fair value of the group of insurance contracts and the fulfilment cash flows measured at that date.

In determining fair value, the Corporation has applied the requirements of IFRS 13 Fair Value Measurement, except for the demand deposit floor requirement. The Corporation has made the assumption that a market participant would require the same cost of capital or margin for all business transferred at transition. As such, because the cost of capital or margin required is relatively small compared to the for-profit insurance industry, no groups fall within the onerous grouping category.

The Corporation has aggregated contracts issued more than one year apart in determining groups of insurance contracts under the fair value approach at transition as it did not have reasonable and supportable information to aggregate groups into those including only contracts issued within one year.

The discount rate for the group of contracts applying the fair value approach was determined at the transition date.

Notes to Financial Statements

2. Summary of Material Accounting Policies (Continued)

I. PROVISIONS

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

J. EMPLOYEE FUTURE BENEFITS LIABILITIES

The Corporation offers a (i) defined contribution pension plan and (ii) a post-employment medical and dental benefits plan for its employees and (iii) Supplementary Executive Retirement Plan ("SERP").

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

Actuarial gains / (losses) are recognized in the Statement of Comprehensive Results of Operations in the period they occur. They are not reclassified to excess of revenue over expenses in subsequent periods. The Corporation accrues its obligations under employee benefit plans and the related costs. Fair value is determined based on market price information.

The accrued benefit obligation of the non-registered pension and other post-employment benefits is equal to the actuarial present value of all future benefits (net of any retiree cost sharing), multiplied by ratio of an employee's service at the valuation date to total service over the attribution period.

The attribution period used to determine the accrued benefit obligation and service cost for each employee for post-employment benefits runs from the date of hire to full eligibility (age 55). The attribution period used to determine the accrued benefit obligation and service cost for each employee for non-registered pension benefits runs from the date of hire to date to assumed retirement (age 65).

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

Tarion Warranty Corporation | For the year ended December 31, 2025 (in thousands of Canadian Dollars)

Notes to Financial Statements

2. Summary of Material Accounting Policies (Continued)

K. REVENUE RECOGNITION – OTHER INCOME

Other revenue comprises of various administration fees charged for services generally related to the handling of claims and underwriting and the non-refundable capital replenishment fee applied to each enrollment. The various administration fees are recorded as earned upon the delivery of the services and the capital replenishment fee is recognized when the enrollment is made.

L. INTEREST EXPENSE

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

M. IMPAIRMENT OF NON-FINANCIAL ASSETS

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

N. CURRENCY TRANSLATION

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

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

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

Notes to Financial Statements

2. Summary of Material Accounting Policies (Continued)

O. FUTURE ACCOUNTING CHANGES

Other standards effective for periods beyond 2025 including IFRS 19 (disclosures for subsidiaries without public accountability) and Amendments to IFRS 9 and 7 (contracts referencing nature-dependent electricity and classification and measurement of financial instruments) are not expected to have a significant impact on the Corporation.

IFRS 18 – Presentation and Disclosure in Financial Statements

IFRS 18 will replace IAS 1 (presentation of financial statements) and applies for annual reporting periods beginning on or after January 1, 2027. The new standard introduces the following key new requirements:

- Classify all income and expenses into five categories in the statement of profit or loss: operating, investing, financing, discontinued operations and income tax;
- Present a newly defined operating profit subtotal (with no impact on net profit); and
- Disclose management-defined performance measures (MPMs) in a single note in the financial statements

The introduction of IFRS 18 is not expected to have a material impact on the Corporation's Financial Statements.

P. CHANGES IN MATERIAL ACCOUNTING POLICIES

Other standards effective for 2025 are not expected to have a significant impact on the Corporation. The Corporation has consistently applied the accounting policies as set out in Note 2 to all periods presented in these financial statements, except in respect of some groups of insurance and reinsurance contracts existing at January 1, 2022, which is the date the Corporation transitioned to IFRS 17. For some groups of insurance and reinsurance contracts, the Corporation applied the fair value approach in IFRS 17 to identify, recognize and approach. This transition approach continues to impact a significant part of how the CSM balance has been determined at the reporting date. See Note 2H.

3. Key Accounting Judgments, Estimates and Assumptions

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

In the process of applying the Corporation's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the Financial Statements. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Notes to Financial Statements

3. Key Accounting Judgments, Estimates and Assumptions (Continued)

Internally generated software enhancements

Internally generated software enhancements costs are capitalized if, and only if, all of the following criteria are met:

- the technical feasibility can be demonstrated;
- management has the intention to complete the intangible asset and use it;
- management has the ability to use the intangible asset;
- the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and use the intangible asset; and
- expenditures attributable to the intangible asset can be measured reliably.

Measurement of fair values of financial instruments

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices. For all other financial instruments, the Corporation determines fair value through valuation techniques. Details of the key assumptions used in the estimates are contained in Note 6.

Insurance contracts and reinsurance contracts

Impact of builders' insolvencies

During 2025, a number of projects became insolvent and/or went into receivership. The Corporation has financial exposure from deposit claims on these projects. As circumstances and receivership proceedings are still ongoing, there is uncertainty surrounding the assumptions behind the timing and the amount of financial exposure on these projects including recovery estimates. Probability weighted estimates were used based on known facts at the time of reporting for the cashflows used in projecting insurance contract liabilities and reinsurance held assets. These matters resulted in \$43.0M (2024: 18.8M) undiscounted and unpaid claims within the insurance contract liabilities and \$5.9M (2024: nil) of reinsurance contract held assets.

Methods used to measure insurance contracts

The Corporation based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Corporation. Such changes are reflected in the assumptions when they occur. The Corporation's insurance contracts do not need to disaggregate information separately. The Corporation primarily uses triangulation methods to estimate the undiscounted future cash flows and those cash flows are discounted using the FIERA curves to estimate the present value of future cash flows. The following assumptions were used when estimating future cash flows:

Notes to Financial Statements

3. Key Accounting Judgments, Estimates and Assumptions (Continued)

Discount rates

Insurance contract liabilities and reinsurance contract assets are calculated by discounting expected future cash flows at a risk-free rate, plus an illiquidity or liquidity premium where applicable. The Corporation has selected the bottom-up approach to determine the discount rate. Further, the Corporation will utilize the liquid and illiquid yield curves published by FIERA Capital Corporation to discount future cash flows as it meets the needs of the Corporation and is appropriate for the valuation of its assets and liabilities. Discount rates applied for discounting future cash flows are listed below:

LIQUID FIERA CURVE			ILLIQUID FIERA CURVE		
Year	2025	2024	Year	2025	2024
1	2.44%	3.03%	1	3.30%	3.82%
2	2.66%	2.99%	2	3.60%	3.90%
3	2.84%	3.04%	3	3.81%	3.97%
4	3.02%	3.14%	4	3.98%	4.08%
5	3.20%	3.27%	5	4.13%	4.20%
6	3.38%	3.40%	6	4.30%	4.32%
7	3.55%	3.54%	7	4.45%	4.44%
8	3.72%	3.66%	8	4.60%	4.55%
9	3.87%	3.78%	9	4.72%	4.65%
10	4.01%	3.89%	10	4.84%	4.73%
11	4.14%	3.99%	11	4.94%	4.81%
12	4.25%	4.07%	12	5.03%	4.87%
13	4.36%	4.14%	13	5.11%	4.93%
14	4.45%	4.20%	14	5.17%	4.97%
15	4.54%	4.24%	15	5.23%	5.01%
16	4.61%	4.28%	16	5.28%	5.03%
17	4.67%	4.31%	17	5.33%	5.05%
18	4.73%	4.33%	18	5.36%	5.06%
19	4.77%	4.34%	19	5.39%	5.07%
20	4.81%	4.35%	20	5.41%	5.07%

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk represents the compensation that the Corporation requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts and covers insurance risk and expense risk. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the best estimate amount.

Notes to Financial Statements

3. Key Accounting Judgments, Estimates and Assumptions (Continued)

The Corporation has estimated the risk adjustment using the Cost of Capital approach. The Cost of Capital approach requires the Corporation to determine the amount of capital they must hold to support the insurance risk related to liabilities.

The risk adjustment for warranty contracts net of reinsurance corresponds to a 65% confidence level (2024: 65%).

Amortization of the Contractual Service Margin

The CSM is a component of the asset or liability that represents the unearned profit which will be recognized in the future. An amount of CSM is recognized as insurance revenue in each period as insurance services are provided. The amount of the CSM recognized in each period is determined by calculating the insurance coverage units that are expiring versus the insurance coverage units to be delivered in the future. The coverage unit is based on both the coverage limits and the duration of the coverage.

Coverage units are based on the maximum statutory deposit and warranty coverage limits for each home type. The maximum coverage limits for homes sold starting from July 2023 are:

- Freeholds – \$0.1M for deposits, and \$0.4M for warranty coverage
- Condo Units - \$0.02M for deposits, and \$0.3M for warranty coverage
- Common Elements - \$3.5M for warranty coverage
- The total coverage per condo project is capped at \$50M

For homes sold prior to July 2023, the maximum coverage limits are similar to the above except for the freehold warranty coverage which is \$0.3M and common elements coverage is \$2.5M

The durations of the deposit and warranty coverage are estimated based on historical average experience and can vary by home type: the deposit duration ranges from 2 to 5 years whereas the warranty coverage duration is fixed at 7 years.

For reinsurance contracts held, the CSM amortization is similar to the insurance contracts issued and reflects the expected pattern of underwriting of the underlying contracts because the level of service provided depends on the number of underlying contracts in-force.

Valuation of employee future benefits liabilities

The costs of other post-employment medical benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these benefits such estimates are subject to significant uncertainty. Details of the key assumptions used in the estimates are contained in Note 14F.

Tarion Warranty Corporation

For the year ended December 31, 2025 (in thousands of Canadian Dollars)

Notes to Financial Statements

4. Cash and Cash Equivalents

At December 31, 2025, cash and cash equivalents was solely cash at the bank and on hand of \$3,905 (2024: \$56,620) with no short-term deposits or bank overdrafts payable on demand. The Corporation also has a \$2,000 (2024: \$2,000) unsecured demand operating facility it can draw on of which the amount outstanding at December 31, 2025 is nil (2024: nil).

5. Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist of the following:

	2025	2024
Unsettled investment trades	4,000	-
Prepaid expenses	2,400	2,366
Other Receivable	1,421	1,484
Total prepaid expenses and other assets	7,821	3,850

The Corporation has a loan receivable of \$483 (2024 - \$683) included in the Other Receivable caption due May 2026 from the Home Construction Regulatory Authority related to a funding agreement that has since concluded in 2023.

6. Investments

Investments represent accumulated proceeds from the enrolment. These investments are made by the Corporation in accordance with the Strategic Asset Allocation, and represent the guarantee fund which supports:

- i. The Corporation's ability to fulfil current and future estimated warranty obligations: Due to the long warranty coverage period of up to seven years and to other factors explained in Note 12, warranty obligations are subject to a high level of measurement uncertainty and variability;
- ii. Funds held as security from the builders: The Corporation receives security in the form of cash, letters of credit and other guarantees from builders in order to reduce the risk of financial loss related to future insurance contracts from homeowners, as noted in Note 13. Security received in cash is invested as part of the Corporation's investment portfolio, and is recorded at amortized cost on the Statement of Financial Position as a liability; and
- iii. Financial stability of the Corporation: Financial stability of the Corporation is achieved by applying the capital management framework, as noted in Note 17, which has been modeled after the framework used by the property and casualty insurance industry in Canada.

6. Investments (Continued)

A. FAIR VALUE

Fair value represents the amount that would be exchanged in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act.

The Corporation has classified the fixed income portfolio, the equity portfolio, the alternative asset portfolio, and derivative assets as FVTPL financial assets. The fair values of bonds, equities and foreign currency forward contracts denominated in foreign currencies, if any, are translated into Canadian dollars at the exchange rate in effect as at the reporting date.

The carrying value for accounts payable and accrued liabilities approximates fair value due to their short-term nature. Under IFRS 13 – Fair Value Measurement, the fair value of financial liabilities measured using amortized cost has to be disclosed and categorized according to a fair value hierarchy. The fair value of the funds held as security is calculated based on discounted cash flow. The key inputs include cash flow received from builders as security, the estimated duration periods of such funds by building types and a discount rate of 5.45% (2024: 6.45%).

Fair value hierarchy

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

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

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

Tarion Warranty Corporation

For the year ended December 31, 2025 (in thousands of Canadian Dollars)

Notes to Financial Statements

6. Investments (Continued)

	2025			2025
	Level 1	Level 2	Level 3	Fair Value
Financial assets measured at FVTPL				
Fixed income portfolio:				
Canadian treasury bills and short-term notes	-	13,441	-	13,441
Canadian government and agency	-	396,182	-	396,182
Fixed income portfolio	-	409,623	-	409,623
Equity portfolio:				
Equity pooled fund	-	87,346	-	87,346
Alternative asset portfolio:				
Private market pooled funds	-	-	93,456	93,456
Infrastructure pooled funds	-	-	36,513	36,513
Derivatives	-	628	-	628
Total investments	-	497,597	129,969	627,566
Cash and cash equivalents	3,905	-	-	3,905
Total financial assets	3,905	497,597	129,969	631,471
Financial liabilities measured at amortized cost				
Funds held as security	-	-	81,349	81,349
Total financial liabilities	-	-	81,349	81,349

Tarion Warranty Corporation

For the year ended December 31, 2025 (in thousands of Canadian Dollars)

Notes to Financial Statements

6. Investments (Continued)

	2024			2024
	Level 1	Level 2	Level 3	Fair Value
Financial assets measured at FVTPL				
Fixed income portfolio:				
Canadian government and agency	-	351,857	-	351,857
Canadian Commercial Term Mortgage	-	56,221	-	56,221
Fixed income portfolio	-	408,078	-	408,078
Equity portfolio:				
Equity pooled fund	-	75,490	-	75,490
Alternative asset portfolio:				
Private market pooled funds	-	-	58,000	58,000
Infrastructure pooled funds	-	-	67,221	67,221
Derivatives	123	-	-	123
Total investments	123	483,568	125,221	608,912
Cash and cash equivalents	56,620	-	-	56,620
Total financial assets	56,743	483,568	125,221	665,532
Financial liabilities measured at FVTPL				
Derivatives	2,869	-	-	2,869
Financial liabilities measured at amortized cost				
Funds held as security	-	-	79,427	79,427
Total financial liabilities	2,869	-	79,427	82,296

Notes to Financial Statements

6. Investments (Continued)

Transfers between levels

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

During the years ended December 31, 2025 and December 31, 2024, there were no transfers between levels within the hierarchy.

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

For the year ended December 31	Private market pooled funds	Infrastructure pooled funds	Total
2025			
Fair value as at January 1 2025	58,000	67,221	125,221
Purchases (Contributions)	38,000	3,400	41,400
Sales (Redemptions)	(7,000)	(37,022)	(44,022)
Distributions received	-	(1,517)	(1,517)
Realized and change in unrealized gain / loss	4,456	5,089	9,545
Other Income and Expenses	-	(658)	(658)
Level transfers	-	-	-
Fair value as at December 31 2025	93,456	36,513	129,969
2024			
Fair value as at January 1 2024	-	63,156	63,156
Purchases (Contributions)	58,000	-	58,000
Sales (Redemptions)	-	-	-
Distributions received	-	(1,291)	(1,291)
Realized and change in unrealized gain / loss	-	6,083	6,083
Other Income and Expenses	-	(727)	(727)
Level transfers	-	-	-
Fair value as at December 31 2024	58,000	67,221	125,221

Tarion Warranty Corporation

For the year ended December 31, 2025 (in thousands of Canadian Dollars)

Notes to Financial Statements

6. Investments (Continued)

Fair values of private market pooled funds are based on unit prices provided by investment managers, which are based on net asset values of underlying investments.

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

Security Type	Valuation Technique	2025		
		Significant Unobservable Input	Relationship of unobservable inputs to fair value	Sensitivity ⁽¹⁾
Private market pooled fund	Net asset value	Net asset value	The higher the net asset value, the higher the fair value	\$9,346 / (\$9,346)
Infrastructure pooled funds	Net asset value	Net asset value	The higher the net asset value, the higher the fair value	\$3,651 / (\$3,651)

(1) At December 31, 2025, had the net asset value of the Investments increased/decreased by 10% compared to the current net asset value at December 31, 2025 with all other variables held constant, the increase or decrease respectively in the fair value of the investment.

Security Type	Valuation Technique	2024		
		Significant Unobservable Input	Relationship of unobservable inputs to fair value	Sensitivity ⁽¹⁾
Private market pooled fund	Net asset value	Net asset value	The higher the net asset value, the higher the fair value	\$5,800 / (\$5,800)
Infrastructure pooled funds	Net asset value	Net asset value	The higher the net asset value, the higher the fair value	\$6,722 / (\$6,722)

(1) At December 31, 2024, had the net asset value of the LP Investments increased/decreased by 10% compared to the current net asset value at December 31, 2024 with all other variables held constant, the increase or decrease respectively in the fair value of the investment.

Notes to Financial Statements

6. Investments (Continued)

B. MARKET RISK

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

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

Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Corporation is exposed to interest rate risk on its fixed income portfolio and its funds held as security.

Equity price risk

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

	2025		2024	
Health Care	9,084	10%	7,632	10%
Financials	14,063	16%	9,670	13%
Industrials	10,744	12%	8,440	11%
Information Technology	24,370	28%	19,657	26%
Consumer Staples	4,018	5%	3,344	4%
Consumer Discretionary	8,473	10%	9,021	12%
Telecommunication	7,686	9%	6,288	8%
Energy	2,096	2%	1,933	3%
Cash	2,620	3%	4,213	6%
Materials	2,009	2%	2,371	3%
Utilities	1,310	2%	1,615	2%
Real Estate	873	1%	1,306	2%
Total equity portfolio	87,346	100%	75,490	100%

6. Investments (Continued)

Foreign currency risk

Foreign currency risk is the risk of loss due to adverse movements in foreign currency rates versus the Canadian dollar. The equity portfolio contains investment in pooled funds along with investment in individual securities. The Corporation is exposed to currency risk on its global pooled fund and U.S. denominated investments. As at December 31, 2025, the Corporation had approximately 27.6% (2024: 20.1%) of its fair value of the total investments with foreign currency risk; the largest foreign currency exposure was to the U.S. dollar of 23.1% (2024: 17.3%) of the total portfolio. The Corporation manages its foreign currency exposure by limiting the foreign content in the investment portfolio and using foreign currency hedge contracts.

To mitigate the foreign currency risk, the Corporation has access to a foreign currency hedging facility using forward currency contracts. The hedging program remained active in 2025 and the Corporation continued to roll into forward contracts to mitigate major foreign currency risk (including the U.S. Dollar, the U.K. Pound, the Euro, and the Japanese Yen). The values associated with the derivative assets are presented below. The Notional amount serves as a basis for payments calculated under the forward contracts and are not exchanged.

	2025				2024			
	Term to maturity			Total	Term to maturity			Total
	Under 1 year	1 to 5 Years	Over 5 Years		Under 1 year	1 to 5 Years	Over 5 Years	
<u>Foreign exchange contracts</u>								
Forward contracts:								
Net fair value	628	-	-	628	(2,746)	-	-	(2,746)
Notional amount								
United States Dollar: (USD)	144,291	-	-	144,291	112,150	-	-	112,150
Euro: (EUR)	14,631	-	-	14,631	10,038	-	-	10,038
Pound Sterling: (GBP)	3,835	-	-	3,835	2,704	-	-	2,704
Japanese Yen: (JPY)	5,094	-	-	5,094	4,125	-	-	4,125
Swedish Krona: (SEK)	285	-	-	285	170	-	-	170
Danish Krone: (DKK)	169	-	-	169	106	-	-	106
Norwegian Krone: (NOK)	177	-	-	177	112	-	-	112
Australian Dollar: (AUD)	325	-	-	325	-	-	-	-
Swiss Franc: (CHF)	2	-	-	2	-	-	-	-

Sensitivity analysis on market risk

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

Notes to Financial Statements

6. Investments (Continued)

The stress scenarios for 2025 and 2024 are:

- Interest rate risk: a shift of -25/+25 basis points in interest rates for all maturities. Funds held as security are credited at floating interest rates (Prime plus 1%) and are changed semi-annually to calculate the interest paid on security. The annual interest paid impact on a -25/+25 basis points change in interest rates is applied on the carrying value of the funds held as security excluding accrued interest as disclosed below.
- Equity price risk: an increase/decrease of 10% in equity market prices.
- Foreign currency risk: a strengthening/weakening of 5% in the Canadian dollar relative to all foreign currencies in the portfolio.

	Fair Value	2025					
		Interest Rate Risk		Equity Price / Asset Valuation Risk		Foreign Exchange Rate Risk	
		-25 BP	+25 BP	-10%	+10%	-5%	+5%
Financial Assets							
FVTPL investments:							
Fixed income portfolio excl Mortgage							
Canadian Dollar	409,623	2,892	(2,862)				
Equity pooled fund							
Canadian Dollar	175			(18)	18		
United States Dollar	65,684					(3,284)	3,284
Euro	7,686					(384)	384
Great Britain Pound	3,232					(162)	162
Other currencies	10,569					(528)	528
Foreign	87,171			(8,717)	8,717	(4,358)	4,358
Private market pooled funds		489	(489)				
Canadian Dollar	23,925						
United States Dollar	64,204					(3,210)	3,210
Euro	4,579					(229)	229
Other currencies	748					(37)	37
Foreign	69,531					(3,476)	3,476
Infrastructure pooled funds							
Canadian Dollar	20,364					(746)	746
United States Dollar	14,928			(1,493)	1,493	(746)	746
Great Britain Pound	734			(73)	73	(37)	37
Other currencies	487			(49)	49	(24)	24
Foreign	16,149					(807)	807
Derivatives	628					8,440	(8,440)
Financial Liabilities							
Funds held as security	81,349	203	(203)				

Notes to Financial Statements

6. Investments (Continued)

	Fair Value	2024					
		Interest Rate Risk		Equity Price / Asset Valuation Risk		Foreign Exchange Rate Risk	
		-25 BP	+25 BP	-10%	+10%	-5%	+5%
Financial Assets							
FVTPL investments:							
Fixed income portfolio excl Mortgage							
Canadian Dollar	351,857	2,450	(2,434)				
Mortgage Trust Fund							
Canadian Dollar	56,221	219	(219)				
Equity pooled fund							
Canadian Dollar	1,381			(138)	138		
United States Dollar	57,199					(2,860)	2,860
Euro	5,745					(287)	287
Great Britain Pound	2,997					(150)	150
Other currencies	8,168					(408)	408
Foreign	74,109			(7,411)	7,411	(3,705)	3,705
Private market pooled funds							
Canadian Dollar	10,672	326	(326)				
United States Dollar	43,152					(2,158)	2,158
Euro	3,712					(186)	186
Other currencies	464					(23)	23
Foreign	47,328					(2,366)	2,366
Infrastructure pooled funds							
Canadian Dollar	19,307			(1,931)	1,931		
United States Dollar	47,914			(4,791)	4,791	(2,396)	2,396
Derivatives	123					6,470	
Financial Liabilities							
Derivatives	2,869						6,470
Funds held as security	79,427	199	(199)				

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

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

6. Investments (Continued)

C. CREDIT RISK

Credit risk arises from the possibility of financial loss occurring as a result of a default by a counterparty on its obligation to the Corporation. Financial instruments that potentially subject the Corporation to concentrations of credit risk consist of investments. The carrying value of \$631,471 (2024: 665,532) for financial assets, including investments, represents the maximum credit exposure. The Corporation has adopted the following strategies to mitigate this risk:

- The Corporation only deals with counterparties believed to be creditworthy and actively monitors credit exposure, requiring minimum credit ratings of A for debt securities and derivatives at the time an investment is purchased. At December 31, 2025, 100% of the fixed income securities have a rating of A or better (2024: 100%) and 100% of the derivatives have a rating of A or better (2024: 100%).
- Cash and cash equivalents and investments are placed with governments, well-capitalized financial institutions, and other creditworthy counterparties.
- The Corporation assesses the builders' risk profile, including their financial position, during the registration and renewal processes. Based on the assessment, a builder may be licensed and as disclosed in Note 13, security is obtained in the form of cash, letters of credit, and other guarantees from the builder in order to reduce the risk of financial loss related to future insurance contracts from homeowners.

D. LIQUIDITY RISK

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

The Corporation also has a \$2,000 (2024: \$2,000) unsecured demand operating facility it can draw on of which the amount outstanding at December 31, 2025 is nil (2024: nil).

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6. Investments (Continued)

Details of the Corporation's investment with liquidity exposure as at December 31 are disclosed below:

Terms of Maturity ⁽¹⁾	2025					Total
	Due within one year	Due one through five years	Due five through ten years	Due after ten years	No fixed maturity	
Financial assets measured at FVTPL						
Fixed income:						
Fixed income portfolio	16,080	391,291	2,252	-	-	409,623
Equities:						
Equity pooled fund	-	-	-	-	87,346	87,346
Alternative asset portfolio:						
Private market pooled funds ⁽²⁾	-	-	-	-	93,456	93,456
Infrastructure pooled funds ⁽²⁾	-	-	-	-	36,513	36,513
Derivatives	628	-	-	-	-	628
Total investments	16,708	391,291	2,252	-	217,315	627,566
Cash and cash equivalents	3,905	-	-	-	-	3,905
Total financial assets	20,613	391,291	2,252	-	217,315	631,471
Financial liabilities measured at amortized cost						
Funds held as security	39,816	41,533	-	-	-	81,349
Total financial liabilities	39,816	41,533	-	-	-	81,349

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

(2) The redemption of fund units is subject to the redemption policy of the respective investment managers.

Tarion Warranty Corporation

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6. Investments (Continued)

Terms of Maturity ⁽¹⁾	2024					Total
	Due within one year	Due one through five years	Due five through ten years	Due after ten years	No fixed maturity	
Financial assets measured at FVTPL						
Fixed income portfolio:						
Canadian government and agency	2,688	344,711	4,458	-	-	351,857
Canadian commercial term mortgage	-	53,857	2,364	-	-	56,221
Total Fixed income portfolio	2,688	398,568	6,822	-	-	408,078
Equities						
Equity pooled fund	-	-	-	-	75,490	75,490
Alternative asset portfolio:						
Private market pooled funds ⁽²⁾	-	-	-	-	58,000	58,000
Infrastructure pooled funds ⁽²⁾	-	-	-	-	67,221	67,221
Derivatives	123	-	-	-	-	123
Total investments	2,811	398,568	6,822	-	200,711	608,912
Cash and cash equivalents	56,620	-	-	-	-	56,620
Total financial assets	59,431	398,568	6,822	-	200,711	665,532
Financial liabilities measured at FVTPL						
Derivatives	2,869	-	-	-	-	2,869
Financial liabilities measured at amortized cost						
Funds held as security	39,155	40,272	-	-	-	79,427
Total financial liabilities	42,024	40,272	-	-	-	82,296

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

(2) The redemption of fund units is subject to the redemption policy of the respective investment managers.

Notes to Financial Statements

7. Property and Equipment

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

	Right-of-Use Assets	Computer Equipment	Furniture and office equipment	Leasehold improvements	Total
At cost					
Balance at January 1, 2024	5,491	1,333	687	3,362	10,873
Additions	5	440	-	49	494
Disposals	-	(95)	-	-	(95)
Balance at December 31, 2024	5,496	1,678	687	3,411	11,272
Balance at January 1, 2025	5,496	1,678	687	3,411	11,272
Additions	-	452	-	36	488
Disposals	-	(122)	-	-	(122)
Balance at December 31, 2025	5,496	2,008	687	3,447	11,638
Accumulated depreciation					
Balance at January 1, 2024	4,125	559	237	1,051	5,972
Depreciation expense	406	477	89	667	1,639
Disposals	-	(95)	-	-	(95)
Balance at December 31, 2024	4,531	941	326	1,718	7,516
Balance at January 1, 2025	4,531	941	326	1,718	7,516
Depreciation expense	383	601	73	686	1,743
Disposals	-	(122)	-	-	(122)
Balance at December 31, 2025	4,914	1,420	399	2,404	9,137
Carrying amount					
Balance at January 1, 2024	1,366	774	450	2,311	4,901
Balance at December 31, 2024	965	737	361	1,693	3,756
Balance at December 31, 2025	582	588	288	1,043	2,501

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Notes to Financial Statements

8. Intangible Assets

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

	Software and applications	Internal software enhancements	Total
At cost			
Balance at January 1, 2024	33,737	7,371	41,108
Additions	1,071	370	1,441
Derecognition of assets no longer in use	(19,687)	(4,822)	(24,509)
Balance at December 31, 2024	15,121	2,919	18,040
Balance at January 1, 2025	15,121	2,919	18,040
Additions	132	-	132
Disposal	-	-	-
Balance at December 31, 2025	15,253	2,919	18,172
Accumulated amortization			
Balance at January 1, 2024	28,359	6,392	34,751
Amortization expense	3,894	551	4,445
Derecognition of assets no longer in use	(19,687)	(4,822)	(24,509)
Balance at December 31, 2024	12,566	2,121	14,687
Balance at January 1, 2025	12,566	2,121	14,687
Amortization expense	1,140	408	1,548
Disposal	-	-	-
Balance at December 31, 2025	13,706	2,529	16,235
Carrying amount			
Balance at January 1, 2024	5,378	979	6,357
Balance at December 31, 2024	2,555	798	3,353
Balance at December 31, 2025	1,547	390	1,937

Research and other costs recognized as an expense under general and administrative in the Statement of Comprehensive Results of Operations during the year amount to \$7,718 (2024: \$6,403).

Notes to Financial Statements

9. Accounts Payable and Accrued Liabilities

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

	2025	2024
Salaries and benefits	3,610	3,454
Trade and supplier accruals	4,185	3,056
Unsettled investment trade payable	5,965	11
Contract liabilities	343	513
Other liabilities	2,919	2,227
Total accounts payable and accrued liabilities	17,022	9,261

10. Commitments and Contingencies

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

A. INDEMNIFICATION

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

These indemnification provisions will vary based on the nature and terms of the agreements. The nature of these agreements precludes the possibility of making a reasonable estimate of the maximum potential amount the Corporation could be required to pay as the agreements often do not specify a maximum amount and the amounts are dependent on the outcome of future contingent events, the nature and likelihood of which cannot be determined.

Historically, the Corporation has not made significant payments under such indemnification agreements. Accordingly, no amounts have been accrued related to these agreements as at December 31, 2025 and 2024.

Notes to Financial Statements

11. Leases

A. RIGHT-OF-USE ASSETS

The cost of the right-of-use assets arising from office space, computer and office equipment is reported as property and equipment on the Statement of Financial Position and includes deductions for lease inducements receivable.

I. Right-of-use assets

	Office building	Computer and office equipment	Total
Balance at January 1, 2025	891	74	965
Depreciation charge for the year	(357)	(26)	(383)
Additions to right-of-use assets	-	-	-
Derecognition of right-of-use assets	-	-	-
Balance at December 31, 2025	534	48	582

II. Amounts recognized in Statement of Comprehensive Results of Operations

During the year December 31, 2025

Interest on lease liabilities	29
Expenses relating to short-term leases	-

During the year December 31, 2024

Interest on lease liabilities	41
Expenses relating to short-term leases	6

III. Amounts recognized in Statement of Cash Flows

During the year December 31, 2025

Financing Activities - cash outflow for finance lease liabilities	(469)
Operating Activities	
Cash outflow for finance lease liabilities - interest expense	(29)
Cash outflow for short-term and low-value leases	-
Total cash outflow for leases	(498)

During the year December 31, 2024

Financing Activities - cash outflow for finance lease liabilities	(466)
Operating Activities	
Cash outflow for finance lease liabilities - interest expense	(41)
Cash outflow for short-term and low-value leases	(6)
Total cash outflow for leases	(513)

Notes to Financial Statements

11. Leases (Continued)

B. LEASE LIABILITIES

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

The total value of the right-of-use asset obligations as at December 31, 2025 is \$582 (2024: \$965). Interest expense of \$29 was incurred during 2025 (2024: \$41) on the leases and is reported in the Statement of Comprehensive Results of Operations.

These leases have renewal options for either single or multi-years. They may contain purchase options and escalation clauses. Renewals are at the option of the Corporation.

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

	2025	
	Minimum lease payments	Present value minimum lease payments
Within one year	498	483
Between one and five years	254	252
	752	735
Less amounts representing finance charges	17	-
Present value of minimum lease payments	735	735
	2024	
	Minimum lease payments	Present value minimum lease payments
Within one year	498	469
Between one and five years	754	735
	1,252	1,204
Less amounts representing finance charges	48	-
Present value of minimum lease payments	1,204	1,204

Notes to Financial Statements

12. Insurance Contracts and Reinsurance Contracts

A. ROLL-FORWARD OF NET LIABILITY FOR INSURANCE CONTRACTS ISSUED

The roll-forward of the net asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims for portfolios included in the residential portfolio, is disclosed in the table below:

	2025			Total
	Liabilities for remaining coverage Excluding loss component	Loss component	Liabilities for incurred claims	
Insurance contract liabilities as at January 1, 2025	271,291	47,492	83,990	402,773
Insurance revenue	(72,755)	-	-	(72,755)
Contracts under fair value approach	(17,440)	-	-	(17,440)
Other contracts	(55,315)	-	-	(55,315)
Insurance service expenses	5,652	(6,403)	103,439	102,688
Incurred claims and other expenses	-	(8,373)	114,771	106,398
Changes to liabilities for incurred claims	-	-	(11,332)	(11,332)
Losses on onerous contracts and reversals of those losses	-	1,970	-	1,970
Amortization of insurance acquisition cash flows	5,652	-	-	5,652
Insurance service result	(67,103)	(6,403)	103,439	29,933
Insurance finance expense	11,186	2,025	2,505	15,716
Total changes in the Statement of Comprehensive Income	(55,917)	(4,378)	105,944	45,649
Cash flows	21,092	-	(103,086)	(81,994)
Enrolment fees received	34,622	-	-	34,622
Claims and other expenses paid	-	-	(103,086)	(103,086)
Insurance acquisition cash flows	(13,530)	-	-	(13,530)
Insurance contract liabilities as at December 31, 2025	236,466	43,114	86,848	366,428

Notes to Financial Statements

12. Insurance Contracts and Reinsurance Contracts (Continued)

	2024			Total
	Liabilities for remaining coverage		Liabilities for incurred claims	
	Excluding loss component	Loss component		
Insurance contract liabilities as at January 1, 2024	280,217	49,890	138,187	468,294
Insurance revenue	(73,632)	-	-	(73,632)
Contracts under fair value approach	(24,491)	-	-	(24,491)
Other contracts	(49,141)	-	-	(49,141)
Insurance service expenses	3,876	(4,508)	77,268	76,636
Incurring claims and other expenses	-	(6,468)	99,285	92,817
Changes to liabilities for incurred claims	-	-	22,017	(22,017)
Losses on onerous contracts and reversals of those losses	-	1,960	-	1,960
Amortization of insurance acquisition cash flows	3,876	-	-	3,876
Insurance service result	(69,756)	(4,508)	77,268	3,004
Insurance finance expense	17,942	2,110	4,698	24,750
Total changes in the Statement of Comprehensive Income	(51,814)	(2,398)	81,966	27,754
Cash flows	42,888	-	(136,163)	(93,275)
Enrolment fees received	57,080	-	-	57,080
Claims and other expenses paid	-	-	(136,163)	(136,163)
Insurance acquisition cash flows	(14,192)	-	-	(14,192)
Insurance contract liabilities as at December 31, 2024	271,291	47,492	83,990	402,773

Notes to Financial Statements

12. Insurance Contracts and Reinsurance Contracts (Continued)

The table below presents a roll-forward of the net asset or liability for insurance contracts issued showing estimates of the cash flows, risk adjustment and CSM for portfolios included in the residential portfolio.

	2025			
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin	Total
Insurance contract liabilities as at January 1, 2025	280,676	14,564	107,533	402,773
Changes that relate to current services	54,964	(1,720)	(13,949)	39,295
Contractual service margin recognized for services provided	-	-	(13,949)	(13,949)
Risk adjustment recognized for the risk expired	-	(1,720)	-	(1,720)
Experience adjustments	54,964	-	-	54,964
Changes that relate to future services	10,353	1,466	(9,849)	1,970
Contracts initially recognized in the year	5,177	1,016	1,840	8,033
Changes in estimates that adjust the CSM	10,738	951	(11,689)	-
Changes in estimates that relate to losses and reversal of losses on onerous contracts	(5,562)	(501)	-	(6,063)
Changes that relate to past services	(9,998)	(1,334)	-	(11,332)
Adjustments to liabilities for incurred claims	(9,998)	(1,334)	-	(11,332)
Insurance service result	55,319	(1,588)	(23,798)	29,933
Insurance finance expense	10,883	595	4,238	15,716
Total changes in the Statement of Comprehensive Income	66,202	(993)	(19,560)	45,649
Cash flows	(81,994)	-	-	(81,994)
Enrolment fees received	34,622	-	-	34,622
Claims and other expenses paid	(103,086)	-	-	(103,086)
Insurance acquisition cash flows	(13,530)	-	-	(13,530)
Insurance contract liabilities as at December 31, 2025	264,884	13,571	87,973	366,428

Notes to Financial Statements

12. Insurance Contracts and Reinsurance Contracts (Continued)

	2024			
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin	Total
Insurance contract liabilities as at January 1, 2024	350,324	23,551	94,419	468,294
Changes that relate to current services	40,051	(3,180)	(13,810)	23,061
Contractual service margin recognized for services provided	-	-	(13,810)	(13,810)
Risk adjustment recognized for the risk expired	-	(3,180)	-	(3,180)
Experience adjustments	40,051	-	-	40,051
Changes that relate to future services	(15,240)	(5,988)	23,188	1,960
Contracts initially recognized in the year	(5,823)	1,448	10,760	6,385
Changes in estimates that adjust the CSM	(7,598)	(4,830)	12,428	-
Changes in estimates that relate to losses and reversal of losses on onerous contracts	(1,819)	(2,606)	-	(4,425)
Changes that relate to past services	(20,570)	(1,447)	-	(22,017)
Adjustments to liabilities for incurred claims	(20,570)	(1,447)	-	(22,017)
Insurance service result	4,241	(10,615)	9,378	3,004
Insurance finance expense	19,386	1,628	3,736	24,750
Total changes in the Statement of Comprehensive Income	23,627	(8,987)	13,114	27,754
Cash flows	(93,275)	-	-	(93,275)
Enrolment fees received	57,080	-	-	57,080
Claims and other expenses paid	(136,163)	-	-	(136,163)
Insurance acquisition cash flows	(14,192)	-	-	(14,192)
Insurance contract liabilities as at December 31, 2024	280,676	14,564	107,533	402,773

Notes to Financial Statements

12. Insurance Contracts and Reinsurance Contracts (Continued)

B. ROLL-FORWARD OF NET ASSET OR LIABILITY FOR REINSURANCE CONTRACTS HELD

The roll-forward of the net asset or liability for reinsurance contracts held showing assets for remaining coverage and amounts recoverable on incurred claims arising business ceded to reinsurers is disclosed in the table below. Reinsurance contracts under the PAA and GMM method are included:

	2025				
	Assets for remaining coverage		Amounts recoverable on incurred claims		Total
	Excluding loss recovery component	Loss recovery component	Estimates of present value of future cash flows	Risk adjustment on non-financial risk	
Reinsurance contract assets as at January 1, 2025	8,418	6,074	18,714	150	33,356
Allocation of reinsurance premiums	(1,223)	-	-	-	(1,223)
Amounts recoverable from reinsurers for incurred claims	-	(1,691)	7,747	(71)	5,985
Amounts recoverable for incurred claims and other expenses	-	(1,141)	7,778	61	6,698
Loss-recovery on onerous underlying contracts and adjustments	-	(550)	-	-	(550)
Changes to amounts recoverable for incurred claims	-	-	(31)	(132)	(163)
Net income or expense from reinsurance contracts held	(1,223)	(1,691)	7,747	(71)	4,762
Reinsurance finance income	335	298	543	4	1,180
Effect of change in non-performance risk of reinsurers	229	-	425	-	654
Total changes in the Statement of Comprehensive Income	(659)	(1,393)	8,715	(67)	6,596
Cash flows	3,000	-	(16,454)	-	(13,454)
Premiums paid	3,800	-	-	-	3,800
Receivable from reinsurer	(800)	-	-	-	(800)
Amounts received	-	-	(16,454)	-	(16,454)
Reinsurance contract assets as at December 31, 2025	10,759	4,681	10,975	83	26,498

	2024				
	Assets for remaining coverage		Amounts recoverable on incurred claims		Total
	Excluding loss recovery component	Loss recovery component	Estimates of present value of future cash flows	Risk adjustment on non-financial risk	
Reinsurance contract assets as at January 1, 2024	6,590	6,705	22,653	669	36,617
Allocation of reinsurance premiums	(1,060)	-	-	-	(1,060)
Amounts recoverable from reinsurers for incurred claims	-	(1,006)	(4,783)	(540)	(6,329)
Amounts recoverable for incurred claims and other expenses	-	(603)	1,046	53	496
Loss-recovery on onerous underlying contracts and adjustments	-	(403)	-	-	(403)
Changes to amounts recoverable for incurred claims	-	-	(5,829)	(593)	(6,422)
Net income or expense from reinsurance contracts held	(1,060)	(1,006)	(4,783)	(540)	(7,389)
Reinsurance finance income	(112)	375	844	21	1,128
Effect of change in non-performance risk of reinsurers	-	-	-	-	-
Total changes in the Statement of Comprehensive Income	(1,172)	(631)	(3,939)	(519)	(6,261)
Cash flows	3,000	-	-	-	3,000
Premiums paid	3,000	-	-	-	3,000
Amounts received	-	-	-	-	-
Reinsurance contract assets as at December 31, 2024	8,418	6,074	18,714	150	33,356

Notes to Financial Statements

12. Insurance Contracts and Reinsurance Contracts (Continued)

The tables below present a roll-forward of the net asset or liability for reinsurance contracts issued showing estimates of the cash flows, risk adjustment and CSM for portfolios included in the reinsurance unit under GMM, excluding groups reporting under PAA.

	2025			
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin	Total
Reinsurance contract assets as at January 1, 2025	30,142	827	(2,157)	28,812
Changes that relate to current services	6,224	27	3	6,254
Contractual service margin recognized for services provided	-	-	3	3
Risk adjustment recognized for the risk expired	-	27	-	27
Experience adjustments	6,224	-	-	6,224
Changes that relate to future services	(3,510)	(45)	3,005	(550)
Contracts initially recognized in the year	(2,695)	12	2,897	214
Changes in estimates that adjust the contractual service margin	(210)	1	209	-
Changes in estimates that relate to losses and reversal of losses on onerous underlying contracts	(605)	(58)	-	(663)
Changes in recoveries of losses on onerous underlying contracts that adjust the contractual service margin	-	-	(101)	(101)
Changes that relate to past services	(31)	(132)	-	(163)
Adjustments to assets for incurred claims	(31)	(132)	-	(163)
Effect of changes in non-performance risk of reinsurers	654	-	-	654
Net expenses from reinsurance contracts	3,337	(150)	3,008	6,195
Reinsurance finance income	1,066	35	(6)	1,095
Total changes in the Statement of Comprehensive Income	4,403	(115)	3,002	7,290
Cash flows	(13,454)	-	-	(13,454)
Premiums paid	3,800	-	-	3,800
Receivable from reinsurer	(800)	-	-	(800)
Amounts received	(16,454)	-	-	(16,454)
Reinsurance contract assets as at December 31, 2025	21,091	712	845	22,648

Tarion Warranty Corporation

For the year ended December 31, 2025 (in thousands of Canadian Dollars)

Notes to Financial Statements

12. Insurance Contracts and Reinsurance Contracts (Continued)

	2024			
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin	Total
Reinsurance contract assets as at January 1, 2024	34,304	1,708	(4,609)	31,403
Changes that relate to current services	83	25	94	202
Contractual service margin recognized for services provided	-	-	94	94
Risk adjustment recognized for the risk expired	-	25	-	25
Experience adjustments	83	-	-	83
Changes that relate to future services	(2,499)	(351)	2,443	(407)
Contracts initially recognized in the year	(2,768)	14	2,882	128
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM	439	(4)	(435)	-
Changes in estimates that adjust the CSM	(170)	(361)	-	(531)
Changes in estimates that relate to losses and reversal of losses on onerous underlying contracts	-	-	(4)	(4)
Changes that relate to past services	(5,829)	(593)	-	(6,422)
Adjustments to assets for incurred claims	(5,829)	(593)	-	(6,422)
Effect of changes in non-performance risk of reinsurers	-	-	-	-
Net expenses from reinsurance contracts	(8,245)	(919)	2,537	(6,627)
Reinsurance finance income	1,083	38	(85)	1,036
Total changes in the Statement of Comprehensive Income	(7,162)	(881)	2,452	(5,591)
Cash flows	3,000	-	-	3,000
Premiums paid	3,000	-	-	3,000
Amounts received	-	-	-	-
Reinsurance contract assets as at December 31, 2024	30,142	827	(2,157)	28,812

Notes to Financial Statements

12. Insurance Contracts and Reinsurance Contracts (Continued)

C. CONTRACTUAL SERVICE MARGIN

The impact on the current period of the transition approaches adopted to establishing CSMs for insurance contracts portfolios is disclosed in the table below:

	2025		
	Contracts using the fair value approach	All other contracts	Total
Contractual service margin as at January 1, 2025	7,855	99,678	107,533
Changes that relate to current services			
Contractual service margin recognized for services provided	(1,009)	(12,940)	(13,949)
Changes that relate to future service			
Contracts initially recognized in the period	-	1,840	1,840
Changes in the estimates that adjust the contractual service margin	(6,058)	(5,631)	(11,689)
Insurance service result	(7,067)	(16,731)	(23,798)
Insurance finance expense	219	4,019	4,238
Total changes in the Statement of Comprehensive Income	(6,848)	(12,712)	(19,560)
Other movements			-
Contractual service margin as at December 31, 2025	1,007	86,966	87,973
	2024		
	Contracts using the fair value approach	All other contracts	Total
Contractual service margin as at January 1, 2024	5,983	88,436	94,419
Changes that relate to current services			
Contractual service margin recognized for services provided	(3,524)	(10,286)	(13,810)
Changes that relate to future service			
Contracts initially recognized in the period	-	10,760	10,760
Changes in the estimates that adjust the contractual service margin	5,249	7,179	12,428
Insurance service result	1,725	7,653	9,378
Insurance finance expense	147	3,589	3,736
Total changes in the Statement of Comprehensive Income	1,872	11,242	13,114
Other movements			-
Contractual service margin as at December 31, 2024	7,855	99,678	107,533

Notes to Financial Statements

12. Insurance Contracts and Reinsurance Contracts (Continued)

The impact on the current period of the transition approaches adopted to establishing CSMs for reinsurance contracts portfolios is disclosed in the table below:

	2025		Total
	Contracts using the fair value approach	All other contracts	
Contractual service margin as at January 1, 2025	-	(2,157)	(2,157)
Changes that relate to current services			
Contractual service margin recognized for services received	-	3	3
Changes that relate to future service			
Contracts initially recognized in the year	-	2,897	2,897
Changes in the estimates that adjust the contractual service margin	-	209	209
Changes in estimates that relate to losses and reversal of losses on onerous underlying contracts	-	-	-
Changes in recoveries of losses on onerous underlying contracts that adjust the contractual service margin	-	(101)	(101)
Net expenses from reinsurance contracts	-	3,008	3,008
Reinsurance finance income	-	(6)	(6)
Total changes in the Statement of Comprehensive Income	-	3,002	3,002
Other movements	-	-	-
Contractual service margin as at December 31, 2025	-	845	845

Notes to Financial Statements

12. Insurance Contracts and Reinsurance Contracts (Continued)

	2024		
	Contracts using the fair value approach	All other contracts	Total
Contractual service margin as at January 1, 2024	-	(4,609)	(4,609)
Changes that relate to current services			
Contractual service margin recognized for services received	-	94	94
Changes that relate to future service			
Contracts initially recognized in the period	-	2,882	2,882
Changes in the estimates that adjust the contractual service margin	-	(435)	(435)
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM	-	-	-
Changes in estimates that relate to losses and reversal of losses on onerous underlying contracts	-	(4)	(4)
Net expenses from reinsurance contracts	-	2,537	2,537
Reinsurance finance income	-	(85)	(85)
Total changes in the Statement of Comprehensive Income	-	2,452	2,452
Other movements	-	-	-
Contractual service margin as at December 31, 2024	-	(2,157)	(2,157)

The disclosure of when the CSM is expected to be in profit or loss in future years is presented below:

	Insurance contract issued		Reinsurance contract held	
	Warranty Contract		Excess of loss contract	
	2025	2024	2025	2024
Less than 1 year	15,608	15,890	(109)	(251)
1-2 years	16,341	17,159	(185)	(355)
2-3 years	15,647	17,470	(227)	(428)
3-4 years	13,598	16,372	(244)	(469)
4-5 years	10,665	13,985	(208)	(486)
More than 5 years	16,114	26,657	1,818	(168)

Notes to Financial Statements

12. Insurance Contracts and Reinsurance Contracts (Continued)

D. NET INSURANCE FINANCE RESULT

The table below presents an analysis of insurance finance result recognized in profit or loss in the period:

	2025	2024
Investment result		
Investment income/(expense)	42,174	47,262
Investment management fees	(1,900)	(2,217)
Total net investment result	40,274	45,045
Insurance finance income (expenses) from insurance contracts issued		
Changes in fair value of underlying assets of contracts measured	-	-
Interest accreted	(14,480)	(16,660)
Effect of changes in interest rates and other financial assumptions	(1,236)	(8,090)
Effect of changes in fulfilment cash flows at current rates when contractual service margin is unlocked at locked-in rates	-	-
Total insurance finance income (expenses) from insurance contracts issued	(15,716)	(24,750)
Reinsurance finance income (expenses) from reinsurance contracts held		
Interest accreted	1,205	1,342
Effect of changes in interest rates and other financial assumptions	(25)	(214)
Total reinsurance finance income (expenses) from reinsurance contracts held	1,180	1,128
Amounts recognized in profit or loss	25,738	21,423
Total net investment income, insurance finance expenses, and reinsurance finance income	25,738	21,423

Investment Income/(Loss)

	2025	2024
Realized and change in unrealized gains / (losses) of equity portfolio	14,457	18,878
Realized and change in unrealized gains / (losses) of private assets portfolio	4,456	-
Dividends from private assets portfolio	615	-
Realized and change in unrealized gains / (losses) of infrastructure assets portfolio	3,208	4,442
Dividends from infrastructure assets portfolio	1,517	1,291
Realized and change in unrealized gains / (losses) of fixed income portfolio	2,962	12,118
Interest income from fixed income portfolio	11,467	18,416
Realized and change in unrealized gains / (losses) on Derivative Assets	3,492	(7,883)
Total investment income/(Loss)	42,174	47,262

Notes to Financial Statements

12. Insurance Contracts and Reinsurance Contracts (Continued)

E. THE COMPONENTS OF NEW BUSINESS

The components of new business for insurance contracts issued included in the residential portfolio is disclosed in the table below:

	Non-onerous		Onerous		Total	
	2025	2024	2025	2024	2025	2024
Insurance contract liabilities						
Estimates of present value of future cash outflows, excluding insurance acquisition cash flows	12,346	20,247	14,609	13,543	26,955	33,790
Estimates of insurance acquisition cash flows	7,176	11,826	6,354	2,366	13,530	14,192
Estimates of present value of future cash outflows	19,522	32,073	20,963	15,909	40,485	47,982
Estimates of present value of future cash inflows	(21,649)	(43,666)	(13,659)	(10,139)	(35,308)	(53,805)
Risk adjustment	287	833	729	615	1,016	1,448
CSM	1,840	10,760	-	-	1,840	10,760
Losses recognized on initial recognition for the period ending December 31	-	-	8,033	6,385	8,033	6,385

The components of new business for reinsurance contracts issued included in the residential portfolio is disclosed in the table below:

	Without loss-recovery component		With loss-recovery component		Total	
	2025	2024	2025	2024	2025	2024
Reinsurance contract assets						
Estimates of present value of future cash inflows	(62)	(104)	(245)	(188)	(307)	(292)
Estimates of present value of future cash outflows	1,839	2,483	1,163	577	3,002	3,060
Risk adjustment	(1)	(5)	(11)	(9)	(12)	(14)
Loss recovery related to losses on underlying insurance contracts at initial recognition	-	-	214	128	214	128
CSM on initial recognition for the period ending December 31	1,776	2,374	1,121	508	2,897	2,882

12. Insurance Contracts and Reinsurance Contracts (Continued)

F. SIGNIFICANT RISKS AND ASSUMPTIONS RELATED TO INSURANCE CONTRACTS

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

Insurance risk

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

Insurance risks are managed through the Corporation's builder underwriting strategy. Underwriting assessments are performed on new and existing registered builders to verify that they have the technical experience, customer service capabilities and financial capacity required to build new homes in compliance with the terms and conditions of the Act.

The Corporation has entered into an excess loss reinsurance contract with a third-party insurance Corporation to reinsure its insurance risk for warrantable claims for specified enrolment periods in accordance with the Corporation's risk management framework starting in 2016. The reinsurer has a rating of A+ as at December 31, 2025 (2024: AA+). The third-party reinsurer provides coverage on net claims paid in excess of \$85 million to a maximum of \$40 million, subject to a \$5 million cap for illegally vended homes.

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

- Collection of home enrolment fees from builders prior to construction of each home to help discharge the related liabilities;
- Obtain securities in the form of cash, letters of credit and other guarantees from the builders during the registration and renewal process to reduce risk of financial loss related to the claims;
- Experienced claims service representatives work closely with homeowners and builders to assess the adequacy of the claims in accordance with the Act;

Notes to Financial Statements

12. Insurance Contracts and Reinsurance Contracts (Continued)

- Processes exist to ensure that all claims are captured, reviewed and updated on a timely basis with a realistic assessment of the ultimate settlement costs;
- Engage qualified actuaries annually to review and assess the adequacy of the Insurance contract liabilities and the provisioning amounts; and
- The appointed actuary determines assumptions used to measure Insurance contract liabilities in accordance with the process recommended by the Canadian Institute of Actuaries. Management reviews the assumptions recommended by the actuary.

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

- *Future claims adjustment cost* – This assumption reflects the costs generally related to claims administration, including claims staff salaries and a related share of facilities overhead and rent, none of which are allocated to individual claim files. An actuarially estimated cost percentage of the future claim cost is applied to the outstanding claims at the end of the reporting period. This assumption is reviewed annually by the Corporation's actuary.
- *Incurred but not reported claims* – Actual claim settlements may differ from estimated claim settlements and claims may exist of which the Corporation is unaware. These claims are estimated based on historical patterns of fluctuations in claim estimates and settlements. In general, the longer the period of time between the incidence of loss and the settlement of the related claim, the greater the potential for actual settlement amounts to differ from the recorded estimates. The impact of changes in incurred but not reported claims is set out in the sensitivity analysis in Note 12G.
- *Discounting and Inflation* – As claims will be settled in the future, the cost to settle the claims will be subject to inflationary pressure. Accepted actuarial practice requires that insurance contracts be discounted to reflect the time value of money over the periods between the reporting date and the settlement date.

The developments of assumptions for future claims are based on the Corporation's experience and known cases or potential issues. Such assumptions require a significant amount of professional judgment; therefore, actual experience may be materially different than the assumptions made by the Corporation. Subsequent claim developments relating to known or existing cases as of the reporting date are assessed and, if deemed material, appropriate adjustments are made. Home builder payment patterns, renewals, withdrawals and surrender activities can be influenced by many factors including market and general economic conditions. Their behavior also has an impact on assessing future claims. The impact of changes in adverse deviation is set out in the sensitivity analysis in Note 12G.

Notes to Financial Statements

12. Insurance Contracts and Reinsurance Contracts (Continued)

Concentration of insurance risk

The Corporation's exposure to concentration of insurance risk is mitigated by the establishment of a diversified portfolio of competent builders through the Corporation's strong underwriting strategy. The annual licensing of builders is being conducted by an independent regulatory authority.

The table below shows the liabilities for incurred claims as part of Insurance contract liabilities, by claim types as at December 31:

	2025			Total
	Freehold	Condo High-Rise	Condo Low-Rise	
Unpaid claims	43,806	17,182	2,804	63,792
Estimated recoveries	22,693	13,170	346	36,209
Incurred but not reported	(20,385)	(10,364)	(244)	(30,993)
Insurance service expenses	3,255	14,317	2,752	20,324
Discount and inflation impact	(1,554)	(2,671)	(36)	(4,261)
Risk adjustment	359	1,376	42	1,777
Total liabilities for incurred claims	48,174	33,010	5,664	86,848

	2024			Total
	Freehold	Condo High-Rise	Condo Low-Rise	
Unpaid claims	44,543	19,629	1,816	65,988
Estimated recoveries	(13,057)	(10,191)	(209)	(23,457)
Incurred but not reported	19,508	5,479	350	25,337
Insurance service expenses	5,062	12,033	1,971	19,066
Discount and inflation impact	(2,313)	(2,365)	(90)	(4,768)
Risk adjustment	537	1,229	58	1,824
Total liabilities for incurred claims	54,280	25,814	3,896	83,990

Liquidity risk

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

Notes to Financial Statements

12. Insurance Contracts and Reinsurance Contracts (Continued)

Credit risk

Credit risk arises from the possibility of financial loss occurring as a result of a default by a counterparty on its obligation to the Corporation.

Market risk

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

- *Interest rate risk*

Interest rate risk is the risk that the value of future cash-flows of a financial instrument will fluctuate because of changes in market interest rates. Insurance contract liabilities are discounted to reflect the time value of money over the periods between the reporting date and settlement date based on accepted actuarial practice. Risk free rates are determined by reference to the yields of highly liquid AAA-rated sovereign securities in the currency of the insurance contract liabilities. The illiquidity premium is determined by reference to observable market rates, including sovereign debt, corporate debt and market swap rates. The impact of changes in interest rate is set out in the sensitivity analysis in Note 12G.

- *Inflation rate*

The cost to resolve claims is subject to inflationary pressure. The Corporation used the Construction Price Index as the basis of inflationary index, adjusted by expected economic and housing industry implications based on management's past experiences and expertise. The impact of changes in inflation rate is set out in the sensitivity analysis in Note 12G.

G. SENSITIVITY ANALYSIS AND MATURITY PROFILE ON INSURANCE CONTRACT LIABILITIES

The following table illustrates the assumptions used in developing the adequate insurance contract liability included in insurance contract liabilities required for the Statement of Financial Position:

	2025	2024
Discount rate	4.17%	4.25%
Inflation rate	4.00%	4.00%
Future claims adjustment costs	46.51%	45.53%

Notes to Financial Statements

12. Insurance Contracts and Reinsurance Contracts (Continued)

Sensitivity analysis on insurance contract liabilities

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

2025								
	Change in assumptions	Impact on insurance contract liabilities	Impact on excess of revenue over expenses gross of reinsurance	Impact on excess of revenue over expenses net of reinsurance	Impact on equity gross of reinsurance	Impact on equity net of reinsurance	Impact on CSM gross of reinsurance	Impact on CSM net of reinsurance
Discount rate	-1%	8,191	(7,875)	(7,144)	(7,875)	(7,144)	(316)	(298)
Discount rate	+1%	(7,692)	7,387	6,707	7,387	6,707	305	288
Inflation risk	-1%	(7,540)	5,284	4,787	5,284	4,787	2,256	2,300
Inflation risk	+1%	7,748	(5,566)	(5,056)	(5,566)	(5,056)	(2,182)	(2,229)
Frequency & severity	-10%	(21,057)	16,469	14,441	16,469	14,441	4,588	4,827
Frequency & severity	+10%	21,057	(17,907)	(15,882)	(17,907)	(15,882)	(3,150)	(3,392)

2024								
	Change in assumptions	Impact on insurance contract liabilities	Impact on excess of revenue over expenses gross of reinsurance	Impact on excess of revenue over expenses net of reinsurance	Impact on equity gross of reinsurance	Impact on equity net of reinsurance	Impact on CSM gross of reinsurance	Impact on CSM net of reinsurance
Discount rate	-1%	8,832	(8,086)	(7,158)	(8,086)	(7,158)	(746)	(733)
Discount rate	+1%	(8,304)	7,596	6,729	7,596	6,729	708	696
Inflation risk	-1%	(8,051)	5,410	5,038	5,410	5,038	2,641	2,269
Inflation risk	+1%	8,538	(5,670)	(5,272)	(5,670)	(5,272)	(2,869)	(2,483)
Frequency & severity	-10%	(21,687)	16,415	14,042	16,415	14,042	5,271	5,601
Frequency & severity	+10%	21,687	(16,415)	(14,044)	(16,415)	(14,044)	(5,271)	(5,603)

Maturity profile of insurance contract liabilities

The table below summarizes the maturity profile of the insurance contract liabilities. The maturity profiles are determined based on the estimates of the present value of the future cash flows expected to be paid out in the periods presented.

	Due within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
2025	44,632	20,882	11,508	5,072	1,280	1,697	85,071
2024	41,727	19,089	12,771	4,448	2,732	1,399	82,166

Tarion Warranty Corporation | For the year ended December 31, 2025 (in thousands of Canadian Dollars)

Notes to Financial Statements

12. Insurance Contracts and Reinsurance Contracts (Continued)

H. CLAIMS HISTORY

Claims are classified, managed, analyzed and reserved for based on specific known cases and potential cases and the liability is adjusted for adverse deviation.

As required by IFRS 17, in setting claims provisions, the Corporation gives consideration to the probability and magnitude of future experience being more adverse than assumed which is reflected in the risk adjustment. In general, the uncertainty associated with the ultimate cost of settling claims is greatest when the claim is at an early stage of development. As claims develop, the ultimate cost of claims becomes more certain.

The following tables illustrate the past experience related to the claims that the Corporation has settled gross of reinsurance, followed by claims net of reinsurance.

Notes to Financial Statements

12. Insurance Contracts and Reinsurance Contracts (Continued)

Claims Development Table (Gross of Reinsurance)	All Prior years claims with outstanding liability													Total	
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025		
Estimate of ultimate claims															
All prior years	106,895														
At end of occurrence year		8,420	11,256	15,391	18,001	16,102	17,015	19,655	20,049	36,456	43,946	148,186	76,878	104,931	
One year later		6,538	9,505	13,448	17,501	15,547	17,530	20,355	29,792	32,023	42,664	128,891	69,074		
Two years later		6,411	10,044	13,837	17,369	17,697	20,113	33,459	27,463	34,174	39,844	124,470			
Three years later		6,487	10,328	14,055	18,166	19,565	21,738	31,983	24,781	32,015	39,053				
Four years later		6,747	10,348	13,843	17,943	20,365	21,870	28,775	22,614	30,700					
Five years later		6,762	10,305	13,852	18,983	20,487	21,501	29,344	22,299						
Six years later		6,749	10,175	15,651	18,958	20,639	21,042	28,216							
Seven years later		6,706	9,877	15,663	18,425	20,773	21,062								
Eight years later		6,802	12,962	15,566	18,154	20,471									
Nine years later		6,887	11,080	14,999	18,165										
Ten years later		6,788	11,062	14,023											
Eleven years later		6,789	11,063												
Twelve years later		6,791													
Current Estimate of Ultimate Claims Reported	106,895	6,791	11,063	14,023	18,165	20,471	21,062	28,216	22,299	30,700	39,053	124,470	69,074	104,931	617,213
Claims Paid (incremental)															
All prior years	106,893														
At end of occurrence year		3,375	2,992	5,079	5,014	4,041	5,376	7,706	6,693	8,626	14,312	19,420	14,626	23,826	
One year later		2,333	3,689	5,290	5,703	8,195	6,946	7,898	7,262	9,101	15,268	79,724	31,717		
Two years later		585	1,832	1,948	2,239	2,695	5,158	4,216	5,369	5,506	4,855	15,265			
Three years later		275	855	443	1,579	2,299	1,281	3,388	1,751	3,581	2,689				
Four years later		13	132	196	266	612	1,649	3,271	818	3,040					
Five years later		41	22	175	198	1,939	311	810	244						
Six years later		19	33	328	104	153	109	827							
Seven years later		20	26	416	23	125	56								
Eight years later		18	125	41	32	201									
Nine years later		6	1,375	9	10										
Ten years later		90	(17)	100											
Eleven years later		1	-												
Twelve years later		7													
Cumulative Claims Paid	106,893	6,783	11,064	14,025	15,168	20,260	20,886	28,116	22,137	29,854	37,124	114,409	46,343	23,826	496,888
Current reported provision before discounting & risk adjustment	2	8	(1)	(2)	2,997	211	176	100	162	846	1,929	10,061	22,731	81,105	120,325
Recoveries (Undiscounted)	-	2	7	15	1,830	70	127	227	395	822	1,535	3,512	7,325	15,126	30,993
Discounting and inflation impact	2	(1)	1	1	(98)	(11)	(5)	9	18	(1)	(36)	(514)	(923)	(2,703)	(4,261)
Risk adjustment impact	0	0	(0)	(0)	49	1	6	1	(6)	(5)	28	128	292	1,283	1,777
Present Value recognized on the Statement of Financial Position (Net of Recoveries)	4	5	(7)	(16)	1,118	132	49	(118)	(220)	19	385	6,163	14,776	64,558	86,848

Notes to Financial Statements

12. Insurance Contracts and Reinsurance Contracts (Continued)

Claims Development Table (Net of Reinsurance)	All Prior years claims with outstanding liability													Total	
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025		
Estimate of ultimate claims															
All prior years	106,895														
At end of occurrence year	8,420	11,256	15,391	18,001	16,102	17,015	19,655	20,049	36,456	43,946	124,224	75,752	96,826		
One year later	6,538	9,505	13,448	17,501	15,547	17,530	20,355	29,792	32,023	42,664	109,904	68,843			
Two years later	6,411	10,044	13,837	17,369	17,697	20,113	33,459	27,463	34,174	39,844	104,887				
Three years later	6,487	10,328	14,055	18,166	19,565	21,738	31,983	24,781	32,015	39,053					
Four years later	6,747	10,348	13,843	17,943	20,365	21,870	28,775	22,614	30,700						
Five years later	6,762	10,305	13,852	18,983	20,487	21,501	29,344	22,299							
Six years later	6,749	10,175	15,651	18,958	20,639	21,042	28,216								
Seven years later	6,706	9,877	15,663	18,425	20,773	21,062									
Eight years later	6,802	12,962	15,566	18,154	20,471										
Nine years later	6,887	11,080	14,999	18,165											
Ten years later	6,788	11,062	14,023												
Eleven years later	6,789	11,063													
Twelve years later	6,791														
Current Estimate of Ultimate Claims Reported	106,895	6,791	11,063	14,023	18,165	20,471	21,062	28,216	22,299	30,700	39,053	104,887	68,843	96,826	589,294
Claims Paid (incremental)															
All prior years	106,893														
At end of occurrence year	3,375	2,992	5,079	5,014	4,041	5,376	7,706	6,693	8,626	14,312	19,420	14,626	23,827		
One year later	2,333	3,689	5,290	5,703	8,195	6,946	7,898	7,262	9,101	15,268	79,724	31,717			
Two years later	585	1,832	1,948	2,239	2,695	5,158	4,216	5,369	5,506	4,855	(1,189)				
Three years later	275	855	443	1,579	2,299	1,281	3,388	1,751	3,581	2,689					
Four years later	13	132	196	266	612	1,649	3,271	818	3,040						
Five years later	41	22	175	198	1,939	311	810	244							
Six years later	19	33	328	104	153	109	827								
Seven years later	20	26	416	23	125	56									
Eight years later	18	125	41	32	201										
Nine years later	6	1,375	9	10											
Ten years later	90	(17)	100												
Eleven years later	1														
Twelve years later	7														
Cumulative Claims Paid	106,893	6,783	11,064	14,025	15,168	20,260	20,886	28,116	22,137	29,854	37,124	97,955	46,343	23,827	480,435
Current reported provision before discounting & risk adjustment	2	8	(1)	(2)	2,997	211	176	100	162	846	1,929	6,932	22,500	72,999	108,859
Recoveries (Undiscounted)	-	2	7	15	1,830	70	127	227	395	822	1,535	3,512	7,325	15,126	30,993
Discounting and inflation impact	2	-	1	1	(98)	(11)	(5)	9	18	(1)	(36)	(394)	(914)	(2,397)	(3,825)
Risk adjustment impact	-	-	-	-	49	1	6	1	(6)	(5)	28	105	290	1,224	1,693
Reinsurance non-performance risk	-	-	-	-	-	-	-	-	-	-	-	16	1	41	58
Present Value recognized on the Statement of Financial Position	4	6	(7)	(16)	1,118	131	50	(117)	(221)	18	386	3,147	14,552	56,741	75,792

Tarion Warranty Corporation

For the year ended December 31, 2025 (in thousands of Canadian Dollars)

Notes to Financial Statements

13. Funds Held as Security

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

Security received in cash is invested as part of the Corporation's investment portfolio. As at December 31, 2025, the funds held as security of \$88,636 (2024: \$87,836), presented at amortized cost on the Statement of Financial Position as a liability are the potentially refundable security deposits received in cash, including cumulative accrued interest thereon to December 31, 2025 of \$1,522 (2024: \$1,820).

The fair value of the funds held as security is \$81,349 as at December 31, 2025 (2024: \$79,427). Letters of credit and other guarantees are available to be drawn upon to settle known claims. Such drawn amounts would reduce the amounts recoverable from builders in the Statement of Financial Position.

14. Employee Future Benefit Plans

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

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

A. DEFINED CONTRIBUTION PLAN

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

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

Notes to Financial Statements

14. Employee Future Benefit Plans (Continued)

There also exists a Supplementary Executive Retirement Plan ("SERP") that operates on an unfunded basis for senior management. The purpose of the SERP is to offset the limitation on contributions otherwise payable under the registered pension plan resulting from the application of the maximum contribution limits specified under the Income Tax Act (Canada). The SERP provides only for benefits in excess of those payable under the Registered Plan. Benefits under the SERP are not prefunded and all contributions and returns are determined on a notional account basis. See Note 14E for the notional contribution and liabilities relating to the SERP.

B. OTHER POST-EMPLOYMENT BENEFITS

The Corporation has a December 31 measurement date for financial reporting purposes. The results of the OPEB are based on valuation of the OPEB performed as at December 31, 2023. The next valuation of the OPEB will be performed as at December 31, 2026.

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

C. PENSION PLAN REGULATORY FRAMEWORK

The DC Plan is registered with the Financial Services Regulatory Authority of Ontario (# 1322577) and with the Canada Revenue Agency.

D. PLAN GOVERNANCE

The Human Resources & Compensation Committee and the Investment Committee are responsible for the management and administration of the DC Plan, which it delegates to various providers. Manulife Financial is the custodian and is responsible for maintaining the assets, receiving contributions and investment income, and paying out benefits and expenses as instructed. People Corporation, the actuary and pension consultant, is responsible for providing actuarial, administrative, and investment consulting services to the plan. All external providers report to the plan administrator.

E. SIGNIFICANT RISKS TO WHICH THE PLAN EXPOSES THE CORPORATION

The OPEB and SERP plan is exposed to the traditional risks (interest rate risk, longevity risk, investment risk, etc.). The plan exposes the Corporation to no other unusual risk. The amounts recognized in the Statement of Financial Position for employee future benefits liabilities at the reporting date are shown in the table below:

Notes to Financial Statements

14. Employee Future Benefit Plans (Continued)

	2025	2024
	OPEB & SERP	OPEB & SERP
Fair value of assets		
Present value of the defined benefit obligation	(7,151)	(7,263)
Net Defined benefit surplus (obligation)	(7,151)	(7,263)
Impact of asset ceiling	-	-
Accrued asset/(liability)	(7,151)	(7,263)
Employer contributions	331	215
Employee contributions	-	-
Benefit Payments and transfers to other plans	331	215

The present value of the SERP obligation as at December 31, 2025 was \$1,640 (2024: \$1,679), which is included in the OPEB & SERP amount in the table above. The benefit payments from the SERP paid during the year ended December 31, 2025 were \$210 (2024: \$96). For the year ended December 31, 2025, the employer contributions to the DC Plan were \$2,232 (2024: \$2,165), and the employee contributions to the DC Plan were \$1,512 (2024: \$1,517). The net notional employer contributions for the SERP were \$131 (2024: \$42).

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

	2025	2024
Accrued Benefit Obligation, OPEB	5,511	5,584
Accrued Benefit Obligation, SERP	1,640	1,679
Net Employee Benefits Obligation Reported	7,151	7,263

As of December 31, 2025, the current liabilities were \$152 (2024: \$138) with respect to the OPEB plan and \$86 (2024: \$96) with respect to the SERP plan.

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

Notes to Financial Statements

14. Employee Future Benefit Plans (Continued)

	2025	2024
	OPEB & SERP	OPEB & SERP
Beginning of year	(7,263)	(6,588)
Current Service Cost	(103)	(85)
Past Service Cost	-	-
Interest Costs	(333)	(302)
Benefit Payments	331	215
Actuarial Gain/(Loss) arising from plan experience	(46)	(576)
Actuarial Gain/(Loss) arising from changes in demographic assumptions	-	7
Actuarial Gain/(Loss) arising from changes in financial assumptions	263	66
Actuarial Gain/(Loss) arising from settlement	-	-
Curtailments/Settlements	-	-
Accrued Obligation, end of year	(7,151)	(7,263)

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

	2025	2024
	OPEB & SERP	OPEB & SERP
Beginning of year	-	-
Contributions by Employer	331	215
Expected Income on Plan Assets	-	-
Actuarial Gains/(Losses)	-	-
Benefits Payments (including Settlement)	(331)	(215)
Administration Costs*	-	-
Curtailments/Settlements	-	-
Plan Assets, end of the year	-	-

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

A discount rate of 5.00% per annum was used for the disclosures at December 31, 2025 for the OPEB. Specifically, the discount rate was determined as the single discount rate that would produce the present value of obligations determined by discounting the plan cash flows using Corporate AA spot rates at December 31, 2025.

A discount rate of 4.50% per annum was used for the disclosures at December 31, 2025 for the SERP. Specifically, the discount rate was determined as the single discount rate that would produce the present value of obligations determined by discounting the plan cash flows using the AA corporate bond yields at December 31, 2025.

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

Notes to Financial Statements

14. Employee Future Benefit Plans (Continued)

	2025	2024
	OPEB & SERP	OPEB & SERP
Current Service Costs	103	85
Administration Costs (non-investment related)	n/a	n/a
Past service cost (including curtailment)	-	-
Loss (gain) on settlement	-	-
Service Cost	103	85
Interest Cost on the defined benefit obligation	333	302
Expected income on plan assets	-	-
Interest on the effect of the asset ceiling	-	-
Net interest on the net defined benefit liability (asset)	333	302
Expense (income) recognized in profit or loss	436	387
Remeasurements of the net defined benefit liability (asset)		
Actuarial loss (gain) on the defined benefit liability (asset)	(217)	502
Return on plan assets less expected income on plan assets	-	-
Change in the effect of the asset ceiling (excluding interest)	-	-
Total amount recognized in Other Comprehensive Income	(217)	502

The net expense for the SERP in 2025 was \$135 (2024: \$99) included in the OPEB & SERP amounts above. The net expense for the DC Plan in 2025 was \$2,232 (2024: \$2,165).

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

F. SIGNIFICANT ASSUMPTIONS

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

Notes to Financial Statements

14. Employee Future Benefit Plans (Continued)

	2025	2024
	OPEB	OPEB
Accrued Benefit Obligation as of December 31:		
Discount rate	5.00%	4.70%
Salary Increase	N/A	N/A
General Inflation	2.00%	2.00%
Mortality	Canadian Pensioner Mortality Priv Table (CPM2014Priv), projected with Scale MI-2017	Canadian Pensioner Mortality Priv Table (CPM2014Priv), projected with Scale MI-2017
Form of benefit elected	N/A	N/A
Benefit Cost for the Period:		
Discount rate	4.70%	4.60%
Salary Increase	N/A	N/A
General Inflation	2.00%	2.00%
Mortality	Canadian Pensioner Mortality Priv Table (CPM2014Priv), with improvement Scale B	Canadian Pensioner Mortality Priv Table (CPM2014Priv), with improvement Scale B
Assumed Health Care Cost Trend Rates at December 31:		
Initial health care cost trend rate	5.97%	5.97%
Cost trend rate declines to	3.57%	3.57%
Year that the rate reaches the rate it is assumed to stay at	2040	2040

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

	2025	2024
	SERP	SERP
Accrued Benefit Obligation as of December 31:		
Discount rate	4.50%	4.40%
Notional Investment Return	5.00%	5.00%
Salary Increase	2.00%	2.00%
General Inflation	2.00%	2.00%
Retirement Age	65 or in one year if later	65 or in one year if later
Mortality	None	None
Withdrawal Rate	None	None
Disability	None	None

Notes to Financial Statements

14. Employee Future Benefit Plans (Continued)

G. SENSITIVITY ANALYSIS FOR OPEB

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

Valuation Assumptions	1% Change in Health and Dental Care Trend Rates		1% Change in Discount Rate		
	Increase	Decrease	Increase	Decrease	
Accrued benefit obligation as at December 31, 2025 at 5.00% per annum	5,511	1,003	(813)	(735)	915

Valuation Assumptions	1% Change in Health and Dental Care Trend Rates		1% Change in Discount Rate		
	Increase	Decrease	Increase	Decrease	
Accrued benefit obligation as at December 31, 2024 at 4.70% per annum	5,584	1,002	(820)	(786)	987

H. SENSITIVITY ANALYSIS FOR SERP

Valuation Assumptions	1% Change Notional Investment Return		1% Change in Discount Rate		
	Increase	Decrease	Increase	Decrease	
Accrued benefit obligation as at December 31, 2025 at 4.50% per annum	1,640	80	(74)	(99)	111

Valuation Assumptions	1% Change Notional Investment Return		1% Change in Discount Rate		
	Increase	Decrease	Increase	Decrease	
Accrued benefit obligation as at December 31, 2024 at 4.40% per annum	1,679	74	(68)	(108)	121

Tarion Warranty Corporation

For the year ended December 31, 2025 (in thousands of Canadian Dollars)

Notes to Financial Statements

15. Interest Expense

	Notes	2025	2024
Interest on funds held as security	13	-	-
Interest on lease obligations	11	29	41
Total interest expense		29	41

16. Other Income

Other income is comprised mainly of capital replenishment fees of \$7,504 (2024: \$9,454) received from builders during the year ended December 31, 2025.

17. Capital Management

The Corporation's capital consists of its equity. Although there are no external regulatory requirements imposed on the Corporation's capital, management has adopted a capital management framework modeled after the framework used in the property and casualty insurance industry in Canada and modified to reflect the Corporation's circumstances including its inability to raise capital in traditional ways. This framework incorporates the business requirements for sufficient capital throughout the variations of the new home building cycle, including possible losses from a future catastrophic event. It also reflects the relatively high-risk profile of the Corporation's warranty operations, including the high level of measurement uncertainty inherent in its insurance contract liabilities due to the long warranty period of up to seven years and to other factors explained in Note 12. As part of the Corporation's capital management framework, reinsurance arrangement was put in place since 2016; the excess loss limits from the reinsurance arrangement were established after a review of large historic claim losses of other jurisdictions.

18. Related Party Transactions

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

As at December 31, 2025, there are collection and litigation account receivables and cash securities recognized due from related parties of nil (2024: nil). Letters of credit and other guarantees lodged by related parties are recognized in the Financial Statements only to the extent they are expected to be drawn upon to settle known claims. Transactions between related parties are made at normal market prices.

Tarion Warranty Corporation

For the year ended December 31, 2025 (in thousands of Canadian Dollars)

Notes to Financial Statements

18. Related Party Transactions (Continued)

The Corporation pays an oversight fee to the Government of Ontario for each calendar year. The fee payable is set by the Government of Ontario based on its cost recoverability. In 2025, the Corporation incurred a fee of \$669 (2024: \$654).

Key management personnel compensation

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

	2025	2024
Short-term employee benefits	3,533	3,234
Board of directors fees	595	597
Post-employment benefits	457	428
Compensation for key leadership personnel	4,585	4,259



SUPPORTING YOUR NEW HOME WARRANTY

Contact Information

Email Us

Help us direct your questions to the right people.
Write to us at customerservice@tarion.com.

Call Us

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



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