



# Annual Report

# 2023

# Contents

<b>Introduction</b> .....	<b>3</b>	<b>Performance Measurement</b> .....	<b>33</b>
Who We Are	3	2023 Performance Measure Discussion	33
Tarion's Mandate	3	Enhancing Consumer Outcomes	33
Vision, Mission and Values	4	Being a Trusted Resource	34
The Ontario New Home Warranties and Protection Plan	5	Empowering Our Stakeholders	34
		Supporting Our People & Culture	35
		Annual Homeowner Surveys	36
<b>Message from the Chair</b> .....	<b>7</b>	<b>Risk Management</b> .....	<b>39</b>
		Risk Events Requiring Mitigation	39
<b>Message from the CEO and Registrar</b> .....	<b>9</b>	<b>Legislative and Policy Changes</b> .....	<b>40</b>
		Regulatory Changes	40
<b>New Homes in Ontario</b> .....	<b>10</b>	Changes to Tarion's General By-law	41
		Policy Updates	41
		Regular Bulletins	41
<b>Strategic Objectives</b> .....	<b>11</b>	<b>Governance</b> .....	<b>42</b>
1. Enhancing Consumer Outcomes	11	Governance Framework	43
2. Being a Trusted Resource	13	Tarion's Senior Leadership Team	44
3. Empowering Our Stakeholders	15	Governance Structure, Policies & Practices	45
4. Supporting Our People and Culture	16	Board Meetings and Performance	45
		Code of Conduct & Governance Practices, Confidentiality & Conflict of Interest, and the Whistleblower Policy	45
<b>Auditor General's Report and Other Consumer Protection Initiatives</b> .....	<b>17</b>	Annual Business Plan, Budget and Strategic Planning	46
Improvements to the Customer Service Standard	17	Governance Matters for 2023	46
		Responsibilities of the Committees of the Board	46
<b>Operational Highlights</b> .....	<b>18</b>	Independent Ombudsperson	46
Early Intervention	18	Audit & Risk Committee	47
Independent Mediation	18	Risk Management	47
Qualifications for Enrolment	19	Governance, Regulatory Affairs & Nominations Committee	47
Emergency Claims	19	Director Orientation (Onboarding) and Continuing Education	48
Investigative Inspections	19	Nominations Committee	48
New Home Warranties & Protection Plan in Action	20	Human Resources & Compensation Committee	49
How the Warranty Process Works	22	Investment Committee	49
How Tarion Makes Itself Accessible and Responsive	26	Stakeholder Committee	50
Customer Service Case Study	27	New Home Ombuds Selection Committee	51
Risk-Based Inspections	27	Consumer Advisory Council	51
		Industry Advisory Council	51
<b>Consumer Education &amp; Stakeholder Outreach</b> .....	<b>29</b>	Directors' Attendance	52
Consumer Education Campaign and New Visual Identity	29	<b>Management's Discussion &amp; Analysis</b> .....	<b>54</b>
New Website	29		
New Home Buying and Warranty Education	29	<b>Financials</b> .....	<b>56</b>
Additional Stakeholder Engagement	30		
Builder Updates and Help Sessions	30		
Trade Shows	31		
Public Consultations	31		
<b>Corporate Social Responsibility</b> .....	<b>32</b>		

# 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. Tarion advances consumer protection by providing free tools, guides and resources to help homeowners understand their builder's warranty and navigate warranty claims with confidence.

If a builder fails to meet their warranty 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'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. Our mandate includes:

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



## Introduction

### Our Vision

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

### Our Mission

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

### Our Values

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

#### Service Oriented

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

#### Continuously Improving

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

#### Solution Seeking

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



#### Inclusive

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

#### Caring

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

#### Trustworthy

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

# The Ontario New Home Warranties and Protection Plan

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

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

A new home is 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 homes or other types of residential homes for temporary periods, or homes that do not have permanent foundations.

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



## Before Possession:

- Deposit protection of up to \$60,000 on homes with a purchase price of \$600,000 or less, or for homes with a purchase price of greater than \$600,000, 10 per cent of the purchase price up to \$100,000 (for agreements of purchase signed on or after January 1, 2018);
- Deposit coverage of up to \$20,000 for condominium units (condominium deposits are also protected by the trust provisions of the *Condominium Act*);
- Coverage for delayed closing/ occupancy of up to \$7,500; and,
- Financial loss 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.



## One-Year Warranty:

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



## Two-Year Warranty:

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



## Seven-Year Warranty:

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

## Condominium Common Element Coverage:



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

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



### The Builder's Role

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



### The Homeowner's Role

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



### Tarion's Role

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

# Message from the Chair

It is fair to say that 2023 was a challenging year filled with uncertainty and upheaval in the Ontario housing market. Fortunately, Tarion was able to provide some stability for Ontarians in this challenging time.



As broadly reported, the issues experienced by the housing industry were precipitated by the steady rise of interest rates over the year as the Bank of Canada sought to combat inflation. Interest rate increases had two impacts: they hampered a buyer's ability to purchase a newly built home and they increased borrowing costs for builders, making it more difficult for them to complete homes. The end result was that construction commenced on far fewer homes (lowering the number enrolled with Tarion) in 2023 and fewer homes were bought by Ontarians – all of which contributed to a challenging housing situation for consumers to navigate.

The year was made even more difficult when StateView Homes Group entered into receivership, affecting approximately 900 pre-construction homes. Buyers of these homes had put down deposits with the expectation that they would be built.

Under the *Ontario New Home Warranties Plan Act*, purchasers of new homes have deposit protection coverage that is backstopped by Tarion's Guarantee Fund – a fund that has been in place for more than 45 years for precisely this kind of unfortunate event. The market fragility in 2023, as exemplified by the StateView situation, means that Tarion is anticipating providing deposit claims protection to close to 900 home buyers in an amount which may near \$90 million when things are fully settled. The scope of the homeowner claims highlights the importance of the provincial warranty backstop. It also highlights

the kind of risk that can arise in a volatile and uncertain market, and Tarion is working both internally and with the Ontario Government to mitigate the risk of further builder failures that could affect more Ontarians.

Despite these significant challenges, Tarion achieved a number of successes during the year that promoted consumer confidence.

First and foremost, Tarion increased the warranty compensation limit from \$300,000 to \$400,000 for freehold homes, making this coverage the highest available in Canada. This protection is in addition to the existing \$300,000 in coverage for condominium units, up to \$3.5 million for condo common elements, and other supports and protections from Tarion, such as the aforementioned deposit protection.

Tarion's Board of Directors also announced the appointment of Tom Barber as the new leader of the New Home Ombuds office. The New Home Ombuds office is an independent and confidential service for homeowners that reports directly to the Board and not to Tarion management. Homeowners who believe they have been treated unfairly in a warranty decision may make a complaint to this Office, and if the Office finds that Tarion has treated them unfairly, it will recommend action to remedy the situation. Mr. Barber has years of experience investigating and resolving complaints, and the Board is confident he will be a valuable resource for home buyers to address questions or concerns.

## Message from the Chair

Tarion welcomed four new members to the Board of Directors in 2023: Carol Jardine, an at-large appointee; Maria Kyveris and Fiona Coughlin, being directors with experience in the building industry; and Jason Ottey, a ministerial appointee. Combined, these new directors have a wealth of experience in governance, consumer protection and industry, and are terrific additions to the Board. Our Board remains a skill-based one, with 12 members drawn from a variety of backgrounds and with two-thirds of the Board being made up of individuals, like myself, who come from non-industry backgrounds.

And, last but certainly not least, after an extensive review process, we have decided to move the investment management of the Guarantee Fund to the Investment Management Corporation of Ontario (IMCO). The decision to move our investment management function to IMCO is in keeping with good governance practice to review our investment strategy regularly over time, and in particular, allows the organization to partner with an Ontario-based, not-for-profit advisor that specializes in providing services to broader public sector organizations. We believe that the move to IMCO represents a key alignment to our organization's own approach to risk management and will continue to reassure consumers that the Guarantee Fund that protects new homebuyers and backstops the warranty of more than 400,000 homes currently enrolled in the warranty program will continue to be there for homeowners when they need it most.

In closing, I would like to thank all Board members for their support during this eventful year. And, on behalf of the Board, I would like to thank management and staff for their hard work, innovation and dedication in fulfilling Tarion's consumer protection mandate in 2023. I am confident that Tarion is well positioned to deliver even better service and protections to new home buyers in 2024 and beyond.

Sincerely,

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



# Message from the CEO & Registrar

In 2023, we continued to make progress toward our consumer protection mandate as a not-for-profit and independent program, supporting new home buyers and working to keep builders accountable for their warranty promises.



The year saw the launch of our new visual identity and a province-wide consumer awareness campaign. We also implemented key improvements, including increasing the warranty compensation limit for freehold homes from \$300,000 to \$400,000. Ontario's freehold home coverage is now the highest in Canada.

We also continued to successfully implement our commitments arising from the Auditor General of Ontario's 2019 recommendations: the Auditor General publicly acknowledged that we have completed 95 per cent of the recommendations directed toward the warranty program.

In the past year, Tarion was also recognized as a progressive employer, providing some additional positive feedback on our modernization journey. First, Tarion was named one of Greater Toronto's Top Employers for the second consecutive year, recognizing our workplace culture of respect and support. And second, our annual customer satisfaction survey — sent to thousands of new home buyers — resulted in a score of 82 per cent, indicating that even in a challenging year, overall consumer satisfaction with Tarion remained positive.

As noted by our Board Chair, there were a number of issues in the housing market which impacted new home buyers and builders in 2023. From a consumer support perspective, and driven by the impact of several builder receiverships, we experienced the highest claims activity that we have seen in years. I am proud of what we accomplished in 2023 given the challenging housing environment. While we continue to have work ahead of us, our 2023 results show that we remain headed in the right direction.

None of our achievements this past year would have happened without the ongoing efforts and commitment of our staff. So, I would like to thank all Tarion employees for their performance in 2023, and I would also like to recognize our Executive team for their leadership and the Board of Directors for their engagement and support. I look forward to working with all of you in 2024 to continue to deliver on our mandate.

Sincerely,

**Peter Balasubramanian**  
*President & CEO*

# New Homes in Ontario

## Total Enrolments\*

2023

**54,352**

2022

**73,383**

2021

**74,022**

2020

**68,559**

2019

**64,964**

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



### Freehold Enrolments

2023	25,368
2022	31,651
2021	40,904
2020	33,914
2019	32,137



### Condo Enrolments

2023	28,984
2022	41,732
2021	33,118
2020	34,645
2019	32,827



### High-Rise Condo Enrolments

2023	24,250
2022	36,636
2021	28,702
2020	31,976
2019	30,755



### Low-Rise Condo Enrolments

2023	4,734
2022	5,096
2021	4,416
2020	2,669
2019	2,072



### New Home Possessions (restated)\*\*

2023	2022	2021	2020	2019
<b>63,106</b>	53,495	57,506	58,360	52,311

\*\*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 2023 in support of these objectives. Our performance against specific targets related to these objectives is reported in the Performance Measurement section on page 33.



## 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 by providing their homeowners with a great home and after-sales service. Enhancing consumer outcomes is critical to achieving our vision. For Tarion, this involves making fair and consistent decisions and being transparent about these decisions so that the outcomes are easily understood. It also involves ensuring the statutory warranty remains relevant to the needs of the Ontario market and that our stakeholders are informed about their rights, responsibilities and the scope of consumer protection that is available.

Activities in 2023 that supported this objective include:

#### Missing Items Warranty

*(Auditor General Recommendation #5)*

Sometimes a new home may not be fully finished on the date a homeowner takes possession or occupancy and the warranty begins. Tarion supported the Ontario Auditor General's recommendation to make improvements to the minimum occupancy requirement in the Ontario Building Code, and in 2021, Tarion sought public input on a warranty that would protect homebuyers who are missing items in their homes.

On March 1, 2023, Tarion made policy and operational changes to protect homeowners by creating a process for tracking and resolving missing or uninstalled items at the time they took occupancy.

Now, if any items are missing upon occupancy, the builder is expected to extend the warranty on them so that homeowners receive the full coverage they're entitled to under the Ontario New Home Warranty Program. This extended warranty applies to items that are entirely absent from the home or condominium.

## Strategic Objectives

It begins on the date the builder installs the missing item and lasts for one year. To ensure they can take advantage of this coverage, homeowners should advise Tarion of the missing item by including it on a warranty form within the first year of possession or occupancy.

This extended warranty applies to missing items and does not apply to items that are present on the date of possession but later replaced, or items that are present on the date of possession but incomplete, unfinished, or defective.

### Increase in Compensation Limit

*(Ontario Legislature's Standing Committee on Public Accounts Recommendation #5)*

In 2023, in recognition of the rising costs to repair newly built homes, Tarion increased the new home warranty compensation limit to \$400,000 from \$300,000.

This increase in coverage applies only to freehold homes with Agreements of Purchase and Sale signed on or after July 1, 2023. It does not apply to condominium units as those types of homes currently have additional coverage under the builder's Common Elements warranty. The Common Elements warranty coverage for condominiums was increased to \$3.5 million in 2021.

With this increase to the warranty compensation limit, Ontario new home buyers now have the highest overall coverage available in Canada when compared to other provincial warranty programs.

### New Temporary Relocation Warranty Coverage

Tarion introduced a new Temporary Relocation Warranty in July 2023 that provides financial assistance to freehold or condominium homeowners who must leave their home while warranted repairs or remediations are made.

This new warranty provides homeowners with \$150 per day, up to a maximum of \$15,000, to help defray accommodation costs they may incur

if a warranted defect or necessary repairs make their home uninhabitable due to builder's defect. The warranty is for homeowners who signed a purchase agreement on or after July 1, 2023.

A home may be considered uninhabitable if, for example, there are ongoing health and safety concerns related to hazardous substances like mould, or the structural integrity of the home makes it unsafe.

### Changes to the Customer Service Standard (CSS)

*(Auditor General Recommendations #6 and #7)*

Tarion's Customer Service Standard provides structure and allows for the efficient scheduling of trades and repair appointments for finishing and cosmetic items in the home, such as paint issues or surface defects. Following the implementation of interim measures in September 2020, and multiple public consultations in 2020, 2021 and 2022, Tarion successfully made regulatory changes to improve the Customer Service Standard, effective July 1, 2023.

As part of these changes, Tarion put in place a new Public Service Standard (AG#7) that provides homeowners with quicker service for the conciliation process. The standard requires Tarion to issue all Conciliation Assessment Reports within 30 days of the last day of the conciliation inspection. If Tarion cannot issue a Conciliation Assessment Report in that 30-day period for any reason, Tarion must send an email update to the homeowners and builders in that 30-day period.

Dates for inspections must be scheduled and provided to the homeowner and builder within 15 days of the conciliation request and payment of the fee. For example, if a homeowner requests conciliation on September 1 and pays the fee that day, Tarion must provide them with a date for the conciliation inspection by September 15. The inspection itself must be conducted as quickly as is practicable, taking into account all builder repair periods.

## Strategic Objectives

In addition, following extensive consultations with stakeholders, Tarion took steps to make operational and systems changes to carry forward key improvements to the CSS that will come into effect May 1, 2024.

The changes include:

- The addition of a six-month form for homeowners to submit potential defects;
- Extending the initial homeowner submission period by 10 days (now 40 days);
- Making the interim 10-day grace period at the end of the first-year warranty period permanent;

- Expanding the window for requesting a conciliation inspection during the first-year warranty period; the 30-day timeline for a homeowner to request a conciliation has been removed and, instead, they are allowed to request a conciliation for each submission from the time it is submitted up until the next submission date.

The CSS is supported by Tarion's digital portal, MyHome, which helps homeowners make and keep track of warranty service claims. It also provides a platform to help homeowners, builders and Tarion communicate about warranty matters. The changes to the CSS will increase flexibility for homeowners and will make it easier for homeowners to ask for Tarion's assistance through the MyHome portal.

### 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 (MPBSD) and working in partnership with municipalities and all other key stakeholders to achieve its vision and mission.

## Strategic Objectives

In 2023, Tarion's activities included the following:

### Consumer Awareness Campaign

In March 2023, Tarion launched a new visual identity and tagline – “Supporting Your New Home Warranty” – aimed at building a better public understanding of Tarion's role in protecting consumers who have purchased new-built homes with a new home warranty. The launch of the new visual identity was followed by multi-platform consumer education campaigns in the spring and fall to help inform them of their rights and protections.

The new visual identity project was informed by market research we conducted to measure public awareness of Tarion and the new home warranty. This research gathered information on the demographics of new home buyers as well as their thought process, motivation, priorities and activities related to purchasing a new home. The findings were contained in Tarion's first [New Home Buyers Report](#), that was released to the public.

The consumer education campaign included television placements of 15-second ads and banners, programmatic digital ad placements, social media advertising on Facebook and Instagram, Google Ad Words and sponsored content placements with various publications.

The ads introduced Tarion's updated identity to Ontarians and targeted consumers intending to purchase a new home. All ads directed the audience to the Tarion website, where a campaign gateway page was created to provide them with more detailed information about the warranty program.

The spring and fall campaigns were successful in helping to build awareness amongst Ontarians, achieving a total reach of 90.4 million media impressions across all channels.

### Implementation of IFRS 17 Accounting Standards

Tarion follows the International Financial Reporting Standards (IFRS) for the accounting and reporting of its financial statements. A new insurance accounting standard – IFRS 17 – was issued by the International Accounting Standards Board (IASB) to be effective January 1, 2023, and Tarion completed the transition to this new standard by year-end. In 2024, we will continue to improve our processes to make the reporting process more efficient.

This new accounting standard significantly changes how insurance contracts are measured and reported, and will affect the recognition of enrolment fees and expenses associated with the insurance contracts.

The added complexity required Tarion to invest in new data and system updates, and a new application to support the calculations and measurement of insurance contracts. With the completion of this project in 2023, Tarion's financial statements now fully meet the applicable international standards for transparency.

### 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 2023 that supported this objective include:

### HomeHub

HomeHub is a digital platform that allows homeowners and builders to collaboratively review and manage reported home defects, simply and intuitively through MyHome and BuilderLink. It was first launched as a pilot in 2018.

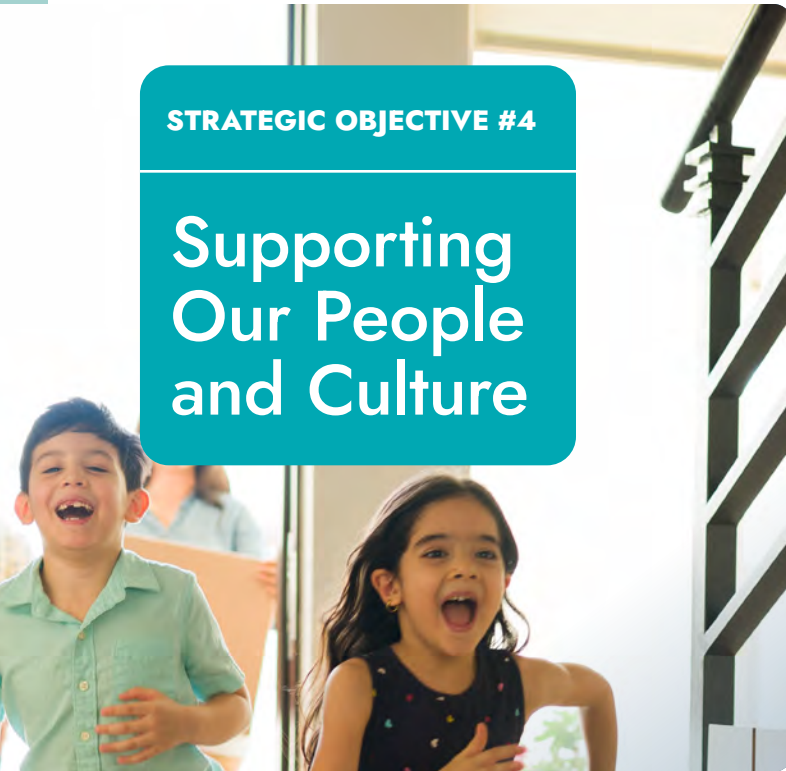
In 2021, Tarion completed the process of converting our Customer Relationship Management (CRM) system to Salesforce CRM. This new CRM has much greater flexibility, is built to support a cloud-based infrastructure and has a large universe of related applications designed to integrate seamlessly. Tarion completed the conversion of BuilderLink to the Salesforce Communities platform in 2021 and the transition of MyHome followed in 2022.

In 2023, Tarion began creating a production version of HomeHub on the Salesforce platform. This will allow homeowners and builders to communicate on and resolve defects much earlier in the process. This initiative supports the 'Ease of Doing Business' strategic pillar by providing homeowners and builders with a simple tool and is expected to be completed in 2024.

In 2023, the percentage of homeowners who submitted forms via MyHome was 96.9. The percentage of builders using BuilderLink was 88.5.

### 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 2023 that supported this objective include:

### The Salesforce Migration Completion Program

In 2021, Tarion completed the process of replacing our core PeopleSoft Customer Relationship Management (CRM) system with the Salesforce CRM. As mentioned earlier, Salesforce has greater flexibility, is built to support a cloud-based infrastructure and has a large universe of related applications designed to integrate seamlessly. Tarion also completed the conversion of BuilderLink to the Salesforce Communities platform in 2021, followed by the MyHome transition in 2022.

The Salesforce Migration Completion Program is a three-year program that involves the transition of the remaining 11 smaller applications and the Financial Management System (FMS) to Salesforce by the end of 2025.

In 2023, the transition of the Risk Assessment (RA) application and Umbrella 360 (U360) application to Salesforce was completed. These two apps were

combined into one project and released on the Salesforce platform as a 'one-stop shop' for Tarion's underwriting team to perform vendor/builder data collection and analysis, significantly enhancing our ability to perform risk assessments. Work on other applications – FRC Connect, Vendor Builder Agreement and MyHome Planner – also began in 2023 and will be completed in 2024.

By enhancing the functionality of these key applications, including greater integration and security, we can help our staff deliver improved warranty protection service – thus fulfilling our 'Supporting our People and Culture' strategic pillar. Moreover, by providing homeowners, builders, condo boards and consultants with digital tools to accurately and effectively communicate with Tarion, we further advance our strategic objective to provide stakeholders with an 'Ease of Doing Business'.



# Auditor General's Report and Other Consumer Protection Initiatives

Tarion continues to make progress in addressing recommendations from the Auditor General of Ontario with the release of the Auditor General's 2023 follow-up to their report and Tarion's updated implementation plan.



We have now completed 95 per cent of the recommended actions and, with the new Customer Service Standard (CSS) regulations coming into effect as of May 1, 2024, we will have completed 54 of 55 recommended actions by the end of next year.

Additionally, Tarion has developed and implemented a new policy for addressing items which were missing when a homeowner took possession, as well as reviewed and improved Tarion's processes for the timely resolution of homeowner issues.

These modernization efforts and changes will have meaningful benefits for homeowners in Ontario and build on previous improvements Tarion has made, specifically by increasing the warranty compensation limit to \$400,000, and creating a new Temporary Relocation Warranty to help homeowners if they are required to re-locate while repairs are completed.

## Improvements to the Customer Service Standard

The new warranty process will increase flexibility for homeowners, make it easier for homeowners to ask for Tarion's assistance, and make improvements to Tarion's MyHome portal to make the warranty process simpler and more accessible for consumers.

In response to the Auditor General's Recommendations #6 and #7, Tarion's changes to the CSS will help homeowners and improve their new home buying experience by:

- Extending the initial homeowner submission period by 10 days (now 40 days) and making the 10-day grace period at the end of the first-year warranty period permanent.
- Creating a mid-year submission at six months.
- Allowing homeowners to add items to MyHome at any time during the first-year warranty period.
- Expanding when homeowners can ask for a conciliation inspection during the first-year warranty period by removing the 30-day timeline for a homeowner to request a conciliation.
- Creating a new requirement that Tarion must schedule a conciliation inspection within 15 days of the request being made and make changes to the current timeline requirements for conducting the conciliation inspection and issuing the Conciliation Assessment Report.

These are complex changes, requiring a lot of adjustments not only to Tarion's policies but to the technological systems used by our organization and the broader new home industry. In particular, some elements of Tarion's new CSS (specifically those in response to Recommended Actions 6.1 and 6.2) were created following numerous consultations, fixing some of the biggest issues Tarion heard from consumers and other stakeholders.

Further changes to builder repair periods will be consulted on after 2024, after the implementation of the necessary system and operational changes for the Customer Service Standard regulatory changes on May 1, 2024.

# Operational Highlights

In 2023, Tarion continued to strengthen its customer service and warranty resolution processes and resources in support of both homeowners and builders.



## Early Intervention

Tarion continually seeks to improve how we resolve warranty claims disputes between homeowners and builders before they escalate to conciliation. In June 2023, Tarion introduced an enhanced Early Intervention program.

The Early Intervention process is triggered when there is reason to believe that the relationship between the homeowner and the builder is strained and/or when the issues are so complex – for example, if there are more than 75 items on the claims list – they make the warranty process difficult. The goal is to resolve disputes earlier by preventing problems from escalating, promoting effective communication and fostering positive relationships between all parties.

If a conciliation inspection has been booked by one of the parties, Tarion’s Early Intervention representatives work with the homeowner and builder in advance of that inspection to try to resolve the issues so that a conciliation inspection is not required. In the five months after the enhanced program was introduced, Tarion achieved a cancellation rate for a conciliation inspection of 83 per cent due to issues being resolved and a conciliation no longer being required.

## Independent Mediation

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

Tarion’s mediation program is governed by a provincial regulation that came into effect on July 1, 2021. The process involves just the homeowner, Tarion and a neutral and impartial mediator. It does not involve the builder unless both Tarion and the homeowner agree that the builder be invited to participate. The builder is not required to attend. The regulation requires those involved in mediation to keep the information about the mediation confidential, with limited exceptions. This is in keeping with dispute resolution best practices which are meant to ensure that the mediation environment is one that is safe to share information without a concern that things said might be used in a subsequent dispute.

A homeowner can request mediation for issues regarding warranty and major structural defect claims disputes i.e. disputes related to claims under s. 14(3) and (4) of the Ontario New Home Warranties Plan Act. Mediation is a voluntary, collaborative and user-friendly process. It supplements a homeowner’s range of appeal options that include having a manager review their claim or applying to have their claim reviewed by the Licence Appeal Tribunal, the province’s independent warranty claim appeal body.

In 2023, 81 independent mediations were completed.

In 2024, we anticipate publishing additional statistics relating to the first few years of the mediation program.

### Qualification for Enrolment

Since 2021, Tarion has been responsible for administering the Qualification for Enrolment (QFE) process for vendors and builders. Once a vendor/ builder has received a licence from the Home Construction Regulatory Authority (HCRA), they must apply to Tarion for QFE confirmation for a new home they are considering selling and an Enrolment Confirmation for a home they are considering building. Tarion may propose additional conditions that must be satisfied prior to confirming that the proposed home has QFE or is enrolled in the Plan. BuilderLink, Tarion's online builder portal, allows builders to apply to enrol homes electronically. In 2023, 1,189 QFE applications were confirmed, covering 58,339 homes.

#### Five Basic Steps to Obtain a QFE:



### Emergency Claims

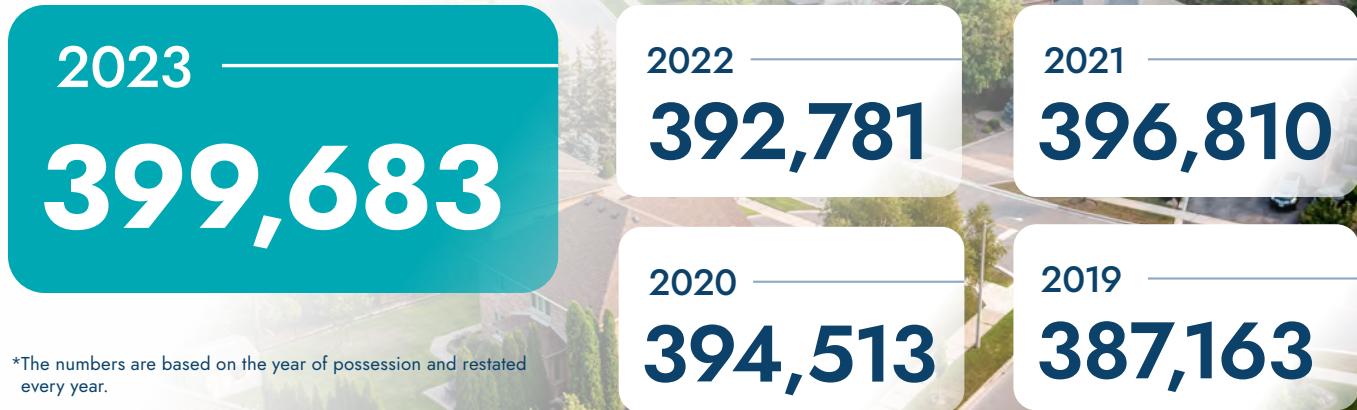
The Emergency Claims process allows homeowners to obtain help from their builder and Tarion if they are dealing with a serious warranted defect which either raises health and safety concerns or, if left unaddressed, could result in increased damage. Emergency claims must be related to a warranted builder 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 mould throughout a major portion of the home, and structural defects that raise health and safety concerns. Homeowners can file an emergency claim with Tarion at any time after they have taken possession within the scope of the warranty. In 2023, Tarion handled 133 emergency claims.

### Investigative Inspections

Tarion's warranty department conducted 67 investigative inspections in 2023. These inspections are done when Tarion receives notice of an emergency or health and safety issue that a builder is not addressing. They occur outside of the timelines set out in the Customer Service Standard (CSS) and are meant to support the emergency claims process. If an emergency claim is made that requires an investigation, we look into the matter promptly by abridging the steps in the CSS. If we determine that the issue needs to be dealt with on an emergency basis, we shorten the applicable repair period and direct the builder to address the matter on a shortened timeline.

# New Home Warranties & Protection Plan in Action

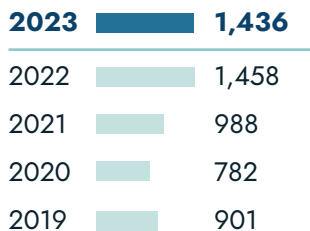
## Total Homes Under Warranty (restated\*)



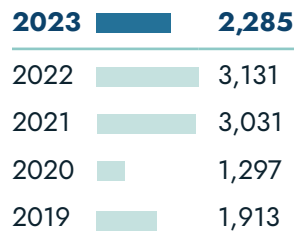
\*The numbers are based on the year of possession and restated every year.



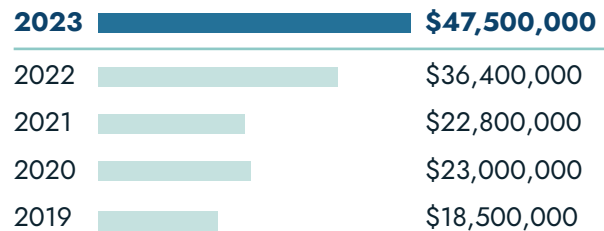
### Number of Homes with Claims Paid



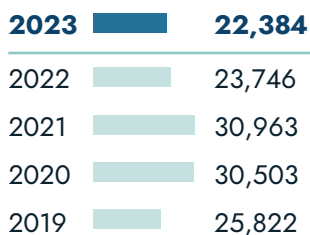
### Number of Homes with an Inspection



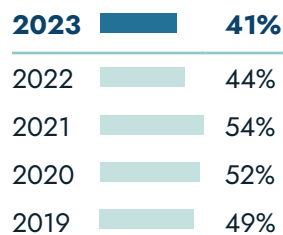
### Total Claims Paid (\$)



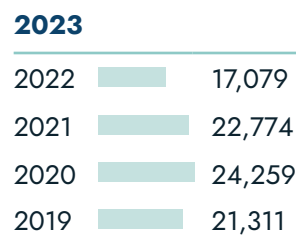
### # of 30-Day Forms Submitted\*



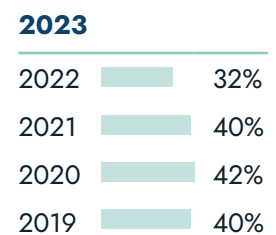
### % of Homes for which 30-Day Forms Submitted\*



### # of Year-End Forms Submitted\*\*



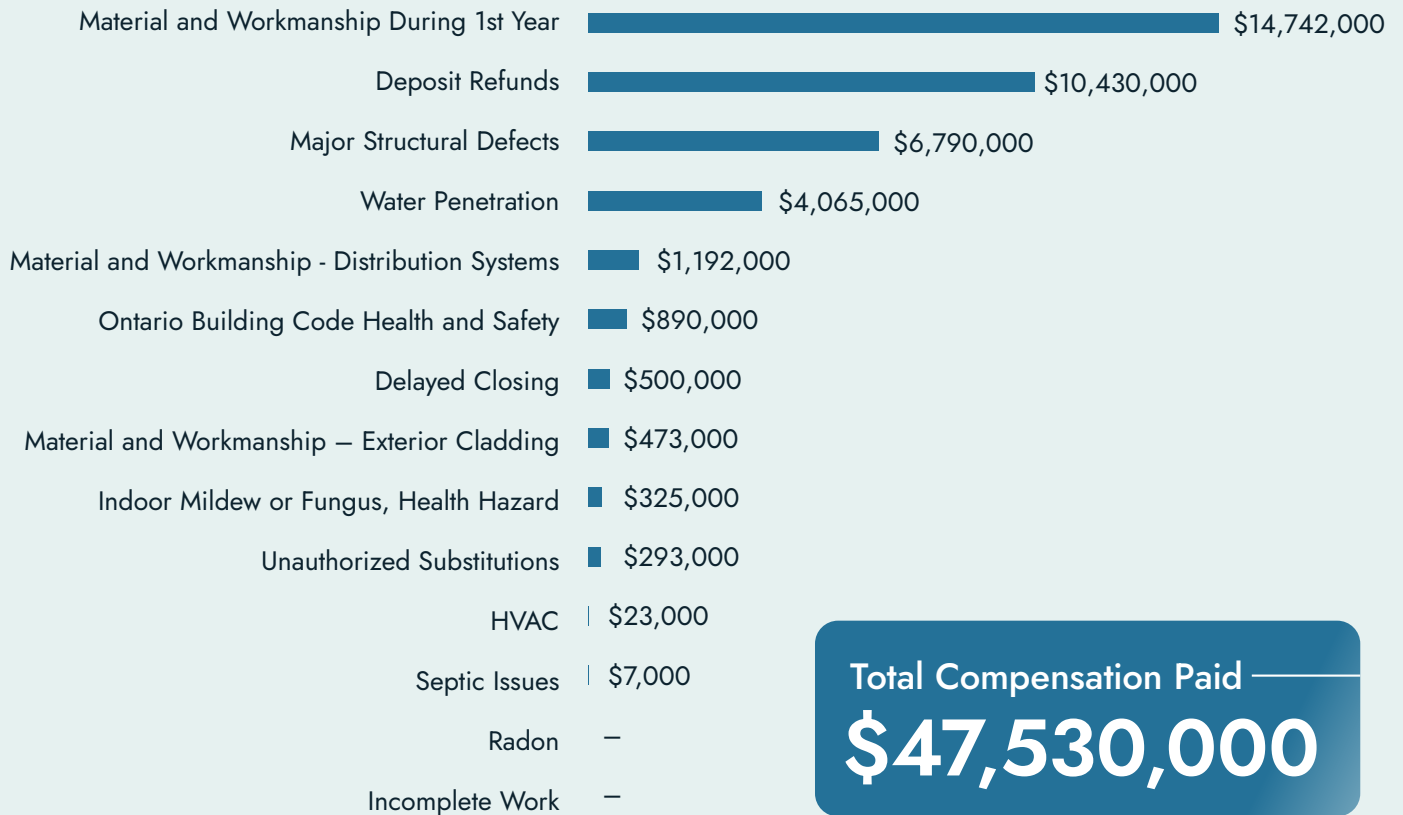
### % of Homes for which Year-End Forms Submitted\*\*



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

\*\*The numbers are based on the Year of Possession and restated every year. Statistics are not provided for the year 2023 because possessions for 2023 are not yet eligible for the year-end form submission.

## New Home Warranties & Protection Plan in Action



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

## How the Warranty Process Works

New-built homes in Ontario come with a statutory warranty that is provided by the builder. If you have any issues with your new home, you should 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, or delays in repairs or communication breakdowns – and that’s when Tarion staff can step in to get the warranty process back on track. Here is how the claims process works for freehold homes and condominiums (note that common elements have a different process as common elements have a separate warranty):



# New Home Warranties & Protection Plan in Action

## 1. Making a Claim

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

## 2. Builder Repair Period

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

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

There are exceptions to the standard 120-day period. For example, an emergency situation may require a shorter timeframe for repair. There is also a specific process for Major Structural Defect claims made in years 3 to 7, which is outlined in [Registrar Bulletin O3](#).

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

Please note that effective May 1, 2024, changes are coming to the Customer Service Standard set out above.

## 3. Conciliation

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

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

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

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

# New Home Warranties & Protection Plan in Action

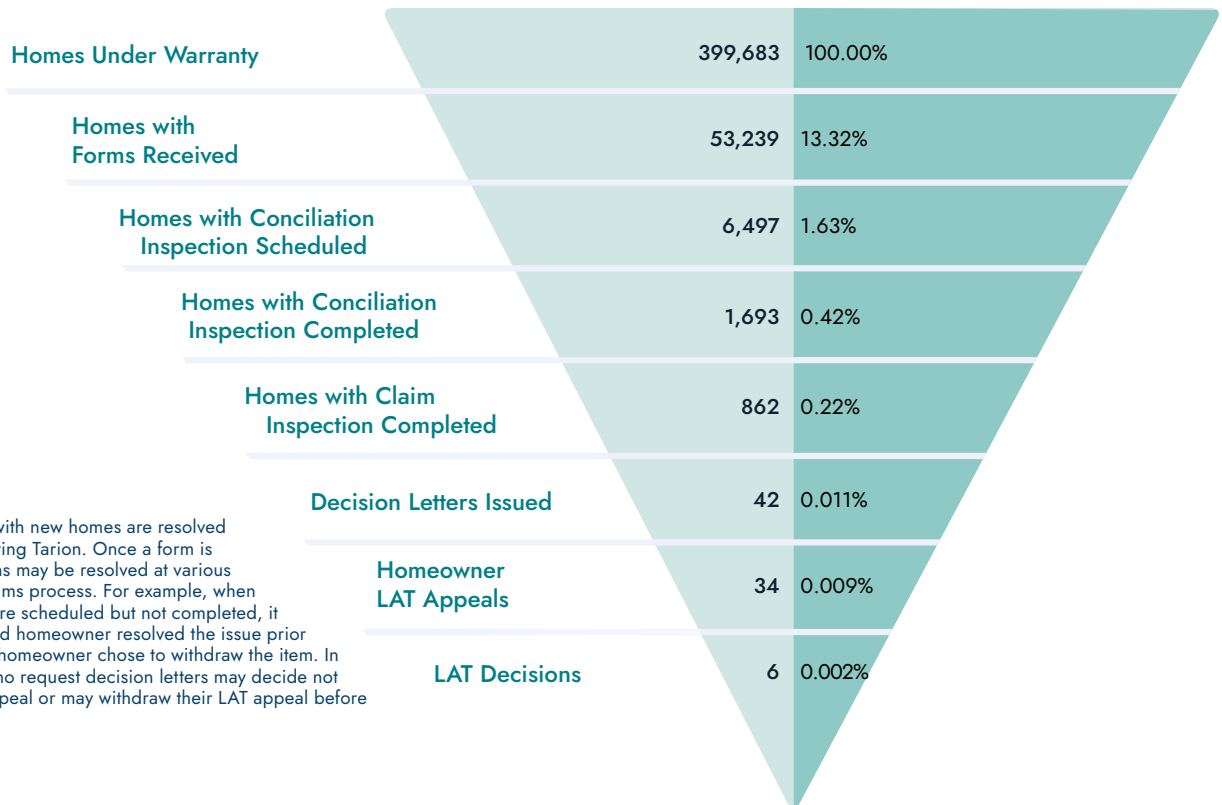
## 4. Conciliation Assessment

Following the conciliation inspection, Tarion provides the homeowner and the builder with a Conciliation Assessment Report (CAR) that indicates whether the items assessed are covered under the warranty and need to be resolved by the builder. If the report contains items that are covered by the warranty, the builder has 30 days to resolve them. Tarion will contact the homeowner 30 days after the date of the report to confirm that all the warranted items listed in the report have been repaired or otherwise resolved by the builder. If the report finds that some items are not covered by the warranty, the builder is not required to take any action on those items.

## 5. Resolution

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

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



\* 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.



## New Home Warranties & Protection Plan in Action

### Legal Matters

As noted earlier in this Annual Report, Tarion's mandate extends, among other things, to administering the statutory warranty program, stewardship of the Guarantee Fund and the approval processes associated with new home enrolments. This broad mandate gives rise to a number of complex and varied legal issues which require both day-to-day legal guidance and specialized legal advice. This includes warranty and claims administration and resolution, dispute resolution/litigation management (e.g., homeowner and builder challenges to warranty decisions, defence litigation and collection matters), employment and human resources, advice to Finance and Underwriting, 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 three years. Overall legal costs have increased for a number of reasons. Increased costs reflect a combination of factors, including inflationary costs relating to external legal services as well as general salaries and benefits. As Tarion expands its services to stakeholders, expanded legal support is needed both in terms of internal legal resources and specialized legal advice. In 2023, increases are also as a result of expanded workload due to a number of builder insolvencies.

Internal & External Legal Fees & Disbursement (\$)	2023	2022	2021
Operational cost	2,881,503	2,503,765	2,315,072
External legal fees	3,084,446	1,933,311	2,144,832
LAT external legal fees	36,647	—	434
<b>Total</b>	<b>6,004,619</b>	<b>4,437,077</b>	<b>4,460,338</b>

## How Tarion Makes Itself Accessible and Responsive

### 1. Accessibility

The ability for a consumer to easily access Tarion services is a key priority for us. We receive a variety of accessibility requests, including having a sign-language interpreter available for an inspection or modifying home inspection procedures for homeowners with accessibility needs. In 2023, Tarion responded to 34 requests for accommodations and fulfilled 13 of them, with another pending the receipt of a form. The remaining 20 requests were not fulfilled because the requested accommodations were either not an accessibility request, or the homeowner was advised to make the request to their vendor/builder.

### 2. French Language Services

When Tarion receives enquiries or requests for services in French, Tarion strives to respond appropriately in French. Warranty Services employs bilingual staff who can provide French-language information to customers via emails, phone calls and in-person inspections. Tarion also 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. When the need arises, a Tarion Customer Service representative simply calls the service and brings a translator on the line to be part of a three-way conversation. In 2023, there were 40 requests for French language service, 15 of them by phone and 25 by email. Tarion also had one request for translation assistance in another language on a phone call that was accommodated through the translation service. In addition, Tarion introduced French translations of its warranty brochures for freehold and contract homes as well as for condominiums.

### 3. Complaints

Tarion's Customer Service team receives complaints by email or phone. If the complaint is about Tarion specifically, [Tarion's Complaint Policy](#) describes the steps to be taken..

If the complaint is about a builder, the builder's product (the new home), a question or inquiry, or some other builder issue, the Customer Service team will send it to the appropriate person, department, or other organization. Complaints related to illegal vending or building are referred to the Home Construction Regulatory Authority, which is responsible for investigating and prosecuting these offences under the ONHWP Act on Tarion's behalf.

Tarion responded to 56 complaints in 2023 and all were resolved. An apology or assistance was provided in 35 cases; contact information for the appropriate authority was provided in eight cases; and 13 cases were resolved through investigations by Tarion.



### Customer Service Case Study

## Request for Assistance and Information from a Condominium Unit Owner to the Call Centre

A homeowner purchased a unit in a high-rise condominium building and moved in during November 2021. The homeowner was experiencing water leaking onto their balcony and forming ice in the winter, and they considered it to be a safety issue. They called the Call Centre in June 2023 to complain that they were getting the run-around from the builder because they had reported the issue and nothing had been done. They also said they had electrical and plumbing issues that were still outstanding. They considered their items to be emergencies.

A Senior Call Centre Representative took the call from the homeowner and explained the process for submitting claims to Tarion. He also told the homeowner that the issues appeared to be common element concerns and that the common element warranty is different from the unit warranty. He explained the common element process to the homeowner and recommended they speak to someone on the technical desk about their concerns.

The rep subsequently contacted the technical desk, which contacted the Common Element Team for assistance in opening a line of communication between the unit owner and the Property Manager/ Board of Directors. The homeowner's builder then worked with them to resolve their second-year warranty unit deficiencies, and the Property Manager is communicating with them about the schedule for the common element repairs.

As a result of their call with Tarion's rep, the owner left a voicemail for the rep's supervisor. The homeowner praised the rep for his patience and how he helped them understand their rights under warranty. They also voiced how it was good to know that "Tarion had their back" and was there to support them.

## Risk-Based Inspections

Tarion's Risk-Based Inspection (RBI) Program consists of onsite inspections conducted by Tarion at key stages during new home construction. The purpose of these inspections is two-fold:

- to identify construction practices and technical issues that may represent future warranty claims; and,
- to provide a coaching opportunity between Tarion and a builder to encourage long-term improvement through best practices.

Condominium projects that are required to meet the reporting requirements outlined in [Registrar Bulletin 19](#) (typically Type C & D condominiums) are currently excluded from the program.

In 2023, the RBI team completed 572 inspections. The vast majority of these inspections 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.

## New Home Warranties & Protection Plan in Action

For example:

- visiting sites where the builder was in receivership to catalogue the site and assess potential issues and defects;
- visiting builders that have a history of health and safety and major structural defect related claims to assess the builder's actions to mitigate the risk and

- proactively identifying high-risk construction practices during routine visits.

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

## Homeowner Compliments

“

I'm dealing with your customer service department right now from a personal standpoint and they are outstanding! Quick, courteous and polite. Great communication throughout.

– Homeowner

“

We would like to thank you for standing for the positions that you hold. Also, we are glad Tarion is there should you be needed. Thank you.

– Homeowner

“

As a homeowner for multiple new homes, I have witnessed great improvements Tarion has done over the past few years, such as the new MyHome portal, auto-submissions of warranty forms, quick response for scheduling a conciliation inspection, etc. Appreciated.”

– Homeowner

“

I greatly appreciate your prompt attention to my claim, and your thoughtful consideration, without which, this resolution would not have culminated.

– Homeowner

“

My wife and I would like to take this opportunity to express our utmost gratitude in the service you folks gave to us. You have no idea how much stress you all have removed on us in that really difficult time.

– Homeowner

# Consumer Education and Stakeholder Outreach

## Consumer Education Campaign and New Visual Identity

Tarion conducted a comprehensive multi-platform consumer education campaign in 2023 following the launch of its new visual identity and tagline – “Supporting Your New Home Warranty”. The new visual identity more clearly reflects our consumer-focused mission and the role we play in Ontario’s new home industry, and the education campaign was aimed at building awareness of Tarion’s role in protecting consumers who have purchased new-built homes. It was informed by market research we conducted to measure public awareness of Tarion and the new home warranty. The findings of this research were included in [Tarion’s first New Home Buyers Report](#), which also provided insights into the demographics and motivations of new home buyers.

## New Website

In order to improve the user experience and make it a more useful tool for stakeholders, Tarion launched a new website with a streamlined structure, simpler and quicker navigation, and improved content. The site was launched in March 2023 and has received positive feedback from homeowners, builders and other stakeholders. The new site’s improvements have resulted in faster downloading of content and a decrease in the use of the search function. Follow-up consultations with a representative sample of stakeholders garnered very positive feedback: 100 per cent of those interviewed found that there is sufficient context on each page to take next steps, the menus are intuitive and easy to understand, and the new interface, visual identity and imagery are pleasing to the eye. Tarion completed an accessibility audit after the launch and found opportunities for further site improvements that will be made in 2024.



## New Home Buying and Warranty Education

In addition to the public awareness campaign, Tarion continued to educate consumers via social media posts, blogs and articles in media outlets in order to assist them in understanding the warranty, their rights and how to maintain their new homes. Media outreach resulted in 152 media placements with a reach of more than four million impressions in regional and local media outlets across the province.

Tarion made improvements to its [Learning Hub](#), updating existing modules to make them more visually appealing, interactive and easier to navigate. A search function was also added, making the Hub a more robust resource for consumers. The Learning Hub attracted 42,960 views and 27,945 users in 2023.

To expand our consumer education channels, Tarion developed a [new podcast](#), ‘Unpacked’, to help new home buyers with their journey to homeownership. The first eight-part series, to be released in early 2024, will cover how Tarion supports home buyers and provide an in-depth look at all the steps involved in buying a new home – starting with the decision to buy, the questions a home buyer needs to ask, what to expect from a builder, details about the warranty, and what happens once a home buyer receives the keys to their new home.

## Consumer Education and Stakeholder Outreach

In 2023, Tarion hosted eight information webinars – unique virtual townhalls which are targeted to homeowners in the first year of their warranty. More than 1,500 homeowners participated in these sessions.

The session included a short presentation explaining a homeowner’s warranty rights and responsibilities, and provided a general overview of the warranty. We then opened the floor for participants to ask any home warranty questions to the participating Tarion staff.

Four of the eight sessions were targeted to condominium owners and included participation from staff from the Condominium Authority of Ontario (CAO), who also provided an overview of CAO’s services to inform and support condominium owners, directors and other members of Ontario’s condominium communities.

### Additional Stakeholder Engagement

Tarion was actively involved with our municipal partners throughout 2023. Activities included our participation at the 2023 Association of Municipalities of Ontario (AMO) conference, where we hosted an information booth at the trade show. Tarion also conducted two in-person presentations to Ontario Building Officials Association (OBOA) chapters and eight municipalities to provide small presentations to their building departments about Tarion and our consumer protection mandate.

Tarion held 10 education sessions for realtor brokerages in 2023. Topics included the types of homes that have warranty coverage and a review of the warranty coverage to which Ontario’s new homeowners are entitled. Additionally, Tarion hosted a booth at the RealtorQuest tradeshow to share information on the warranty with attendees.

Tarion developed a new education course with the Condominium Regulatory Authority of Ontario (CMRAO) as part of their mandatory continuing education program. This initial session was attended by 350 managers and was well-received, and Tarion plans to hold more in 2024.

Additionally, we delivered education sessions for mortgage professionals, legal professionals and more in 2023 to provide an overview of the warranty program.

### Builder Updates and Help Sessions

Builder Updates have long been a great way for Tarion to educate the builder community about Tarion and to review any process and policy related changes. In the spring, we hosted nine in-person Builder Updates, along with one webcast to ensure a broader segment of builders could attend an update. Fourteen in-person sessions were held in the fall, along with one webcast.

In addition, Tarion hosted a series of 10 BuilderLink help sessions in 2023, where Tarion staff demonstrated key elements of the Tarion application process and warranty services functions of BuilderLink.

Tarion also hosted several webinars, attended by hundreds of builders, to educate them about upcoming changes to the Customer Service Standard, the warranty cap increase and the new relocation warranty. We also hosted two technical builder education sessions on the impacts of water penetration and mould.



### Trade Shows

Tarion participates as an exhibitor in trade shows and home shows to enhance its visibility, educate homeowners and builders, and address questions from attendees. General questions from homeowners, builders and industry professionals revolve around warranty processes and Tarion’s role in increasing education awareness for all stakeholders.

In 2023, we participated in six trade and home shows across the province.

### Public Consultations

#### Enrolment Fee Schedule

In the fall of 2023, Tarion conducted a public consultation on proposed changes to its fee schedule and, after some modifications based on stakeholder feedback, moved forward with implementing a new enrolment fee schedule.

The one-time enrolment fee is the per-home fee charged to new home vendors. It is Tarion’s principal source of revenue to finance the cost of administering Ontario’s new home warranty and protection program, and it provides seven years of protection for new homebuyers in Ontario, with the highest per-home coverage limit (\$400,000) offered by programs of this kind anywhere in Canada.

Tarion had not raised its home enrolment fee in five years, and a change to the fee structure was necessary to address the rising costs of construction and repairs, which increase the cost of resolving claims. Updating the home enrolment fee also helps to ensure Tarion can continue to make investments in improving service delivery.

The average enrolment fee increase is \$300 and will be applied progressively, starting from homes with a sale price greater than \$600,000 up to homes with a sale price of \$4 million. The new average one-time fee will be \$1,600 payable by the vendor for a new home, and there will be no change in the enrolment fee for homes with a sale price of \$600,000 or lower – about 23 per cent of total homes enrolled annually.

These fee changes took effect January 1, 2024, and further information is in the updated [Registrar Bulletin 15](#).

#### Construction Performance Guidelines

In November, Tarion launched a consultation on several articles from the Construction Performance Guidelines (CPG). The CPG sets out the acceptable performance standards that apply to some of the most commonly identified after-sales warranty issues and promotes confidence in the new home construction sector with a consistent framework on how warranty questions may be determined.

The items that are part of the consultation include general updates to align the CPG with the current regulatory environment and Tarion processes, incorporating Tarion’s current approach to assessing radon claims, and changes to articles involving ice damming and blocked sewers, drains and fixtures.

The consultation wrapped up on January 29, 2024, and more information on final changes will follow later in the year.



# Corporate Social Responsibility

Over the years, Tarion employees have embraced the organization's Corporate Social Responsibility (CSR) goals, finding creative ways to give back to the community and support different charitable causes. This past year was no different.



In 2023, three Tarion employee resource groups – the Women's Network, Pride at Tarion and the Indigenous Alliance – were once again actively involved in promoting equity, inclusion and a sense of belonging for all employees.

Tarion's Women's Network hosted a women's speed networking event as well as an industry panel discussion on women in the construction industry. Pride at Tarion hosted an employee networking event and a fundraiser for the Rainbow Railroad. And Tarion's Indigenous Alliance invited employees to join in a traditional Pow Wow hosted by Na-Me-Res Native Men's Residence in celebration of Indigenous Peoples Month. The group also hosted an in-office event in recognition of the National Day for Truth and Reconciliation.

A fourth employee group – the Ecological Committee – actively championed environmental sustainability within the organization with several initiatives. These included a small electronics recycling campaign, two tree planting events, a trail cleaning event, and employee participation in community clean up days at Mel Lastman Square and Gibson Park in recognition of Earth Day.

Beyond these groups, Tarion employees also championed a variety of causes through our Tarion Cares committee. Each year, we ask our employees to tell us what local charities are important to them, and Tarion Cares then develops a plan to support these charities throughout the year. In 2023, funds were raised for the Rainbow Railroad, Ernestine's Women's Shelter, the Canadian Red Cross, the Daily Bread Food Bank, the Terry Fox Foundation, the Heart & Stroke Foundation and the Kids Help Phone. Through these efforts, we raised \$5,348.

In addition, a team of 10 Tarion employees volunteered with the Men's Street Ministry in Hamilton – a charity that serves the homeless – putting together 300 bags of food and socks for those in need.

Tarion also hosted its annual Take Our Kids to Work Day on November 1, 2023, a day filled with education, inspiration and fun activities. The event was a great success, providing a glimpse into the various facets of our professional world: students heard career stories from Tarion employees, learned about the technologies that support Tarion's business, participated in a resume writing workshop, and visited a condo site to learn more about common elements and construction.

And, for almost 30 years, Tarion has been supportive of not-for-profit builders who provide affordable housing. In 2023, Tarion waived \$59,090 in enrolment fees for 76 homes.



# Performance Measurement

Tarion's 2023 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 2023 performance measures with targets and outcomes.



2023 Performance Measures	2023 Target	2023 Outcome
<b>Strategic Objective: Enhancing Consumer Outcomes</b>		
New Homeowner Satisfaction	84%	82%
Stakeholder Interaction Score	88%	90%
<b>Strategic Objective: Being a Trusted Resource</b>		
Expense Management (Budget vs. Actual)	+/- 5%	- 2.1%
<b>Strategic Objective: Empowering Our Stakeholders</b>		
Customer Service Response Time (Composite Score)	100	140
Percentage of CARs Issued within 30 Days	90%	96%
<b>Strategic Objective: Supporting Our People &amp; Culture</b>		
Employee Engagement	80%	84%
Employee Enablement	80%	83%

## 2023 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 84 per cent, Outcome 82 per cent)*

Each year, Tarion engages a third-party data analytics company to conduct a province-wide customer satisfaction survey among first-year homeowners to better understand consumer experiences and satisfaction with Tarion and their builders. This year, 54,126 new homeowners were invited to complete a satisfaction survey. The results are based on responses received between September 28, 2023 to November 8, 2023. 5,043 completed responses were received, resulting in a ~9 per cent completion rate.

## Performance Measurement

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

- Taron is accessible to new homeowners (result – 87.2 per cent)
- Taron listens to the needs and concerns of new homeowners (result – 78.1 per cent)
- Taron is easy to do business with (result – 80.7 per cent)

The composite average response was 82 per cent, two percentage points under the target score of 84 per cent. The average score over the prior six years has been 83.2 per cent. Taron has carried this Performance Measure forward in the 2024 Business Plan and increased the target to 86 per cent.

### Stakeholder Interaction Score

*(Target 88 per cent, Outcome 90 per cent)*

The Stakeholder Interaction score is a measure of homeowner and builder satisfaction with Taron at different interaction touchpoints with Taron (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.

#### a. 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.

#### b. 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 2023, Taron achieved an outcome measure of 90 per cent. This measure has been carried forward into the 2024 Business Plan, with an increased target of 92 per cent.

## Being a Trusted Resource

### Expense Management (Budget vs. Actual)

*(Target +/- 5 per cent, Outcome -2.1 per cent)*

The Expense Management (Budget vs. Actual) is a measure that demonstrates Taron 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 Taron's role as a fiscally responsible not-for-profit consumer protection organization with a focus on delivering its mandate. By ensuring Taron is managed effectively, Ontario's new homeowners can trust that Taron will continue to ensure builders and vendors meet their warranty obligations.

In 2023, Taron achieved a positive actual result that was 2.1 per cent below budget, within the target range. This measure has been carried into the 2024 Business Plan, with a tightened range of +/- 3.5 per cent.

## Empowering Our Stakeholders

### Customer Service Response Time (composite score)

*(Target – 100, Outcome – 140)*

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 60 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](mailto:customerservice@tarion.com)) is two business days (16 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, with a score of 100 representing meeting both goals.

## Performance Measurement

In 2023, our average time taken to answer a call to our Customer Service Centre was 40 seconds. The average time taken to respond to emails received by the Customer Service Team was five business hours. Both times were under the goal set at the start of the year, and based on their relative weightings, result in an overall score of 140.

This performance measure has been carried forward into the 2024 Business Plan, but both the target call answer time and email response times have been tightened (to 50 seconds and one business day [eight business hours], respectively).

### **Percentage of CARs Issued within 30 Days** *(Target – 90 per cent, Outcome – 96 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 2023, we exceeded our goal, achieving 96 per cent issued within 30 days (88 per cent of the time, we issued the CAR itself within 30 days, and in 8 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).

This measure has been carried forward into the 2024 Business Plan, with the target unchanged at 90 per cent.



## Supporting Our People & Culture

### **Employee Engagement Score** *(Target – 80 per cent, Outcome – 84 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 2023, Tarion achieved a score of 84 per cent.

This measure has been carried forward into the 2024 Business Plan, with a target of 80 per cent.

### **Employee Enablement Score** *(Target – 80 per cent, Outcome – 83 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 2023, Tarion achieved a score of 83 per cent.

This measure has been carried forward into the 2024 Business Plan, with a target of 80 per cent.

## 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 2023.

Homeowner Satisfaction Survey	Number of Homeowners Invited to Take the Survey	Number of Survey Responses	Completion Rate
Homeowners in Year 1 of possession	54,126	5,043	9.3%
Homeowners in Years 2 to 7 of possession	283,888	10,796	3.8%

### Homeowner Survey – Year 1

Amongst the first-year homeowners who responded to the survey, over half (59 per cent) were first-time new home buyers as compared to 41 per cent who were repeat buyers. 61 per cent of homeowners felt that their builder had met or exceeded their expectations (a four percentage point decline from 2022) while 54 per cent would recommend their builder to family or friends. The 'likelihood to recommend' was highest for micro (builds one to four homes in a year) and small (builds five to 20 homes in a year) builders while other builder categories were rated much lower. Homeowners rated their builders high for customer service before moving in (77 per cent across all categories) as compared to after moving, in which was eight percentage points lower. Of the 92 per cent of homeowners that participated in a pre-delivery inspection, about three-quarters were satisfied with how it was conducted, which is a significant improvement over 2022.

Satisfaction with Tarion – measured by the Service Orientation Index – declined from 85.5 per cent in 2022 to 82 per cent in 2023. There was variation based on builder size, with homeowners of micro/small builders scoring Tarion at 86 per cent, which is the same as in 2022. This index is based on three measurables: accessibility, listening and ease of doing business. Tarion continues to rate the highest on accessibility, but all three measures declined marginally over the previous year.

## Performance Measurement

Key Performance Indicator Elements	2023 (%)	2022 (%)	2021 (%)	2020 (%)	2019 (%)
Tarion is accessible to homeowners	87.2	89.7	88.7	87.9	85.0
Tarion listens to the needs and concerns of homeowners	78.1	82.5	81.7	80.5	78.1
Tarion is easy to do business with	80.7	84.2	83.6	81.9	78.5
<b>Homeowner Service Orientation Index</b>	<b>82</b>	<b>85.5</b>	<b>84.6</b>	<b>83.4</b>	<b>80.5</b>

### Annual Homeowner Survey – Years 2 to 7

Homeowners' satisfaction with their builder has remained fairly constant with 59 per cent reporting that their builder met or exceeded expectations. (a 2 percentage point drop as compared to 2022) and 70 per cent were satisfied with their builder's commitment to customer service (same result as 2022). Just over half of all homeowners who responded to the survey (53 per cent) would recommend their builder (similar result to 2022) and half would be willing to buy a new construction home again.

Homeowner interactions with Tarion decrease significantly in the later years of the warranty cycle. In 2023, 61 per cent of homeowners in Year 2 reported having contacted Tarion while only 16 per cent of homeowners in Year 7 contacted Tarion. A majority of Year 2 to 7 homeowners continue to have favourable impressions of Tarion (74 per cent) while Tarion's scores on key indicators – including accessibility, listening and ease of doing business – have experienced some decline (5 to 7 percentage points) over 2022. The majority of homeowners in Years 2 to 7 (70 per cent) also report that Tarion's customer service has remained consistent or improved, with 42 per cent reporting that it has improved.

Respondents Agree Tarion...	2023 (%)	2022 (%)	2021 (%)	2020 (%)	2019 (%)
Is accessible	81	86	86	83	81
Helps new homeowners understand their warranty rights and obligations	72	79	79	78	75
Listens to needs and concerns	70	76	76	74	70
Is easy to do business with	70	77	77	74	71
Makes sure new home builders fulfill their warranty obligations	65	73	73	70	69

## Performance Measurement

### Interaction and Conciliation Surveys

In 2023, the Customer Service team received 60,341 calls (20 per cent decrease compared to 2022) and fielded 81,690 emails (six per cent decrease compared to 2022).

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. Due to a transition to a new third-party survey provider, responses for both customer service and post-conciliation surveys were fewer than in the previous year. A total of 2,441 homeowners and 88 builders completed surveys on their Contact Centre interactions. Homeowners rated their satisfaction as 92.4 per cent (as compared to 91.1 per cent in 2022) and builders rated their satisfaction as 83.3 per cent (as compared to 83.8 per cent in 2022).

Both homeowners and builders gave Tarion staff the highest marks on courtesy and professionalism.

In 2023, a total of 170 homeowners and 91 builders completed surveys after participating in a conciliation. Overall satisfaction with the conciliation was 84.5 per cent for homeowners and 91.2 per cent for builders (as compared to 86.9 per cent and 87.8 per cent, respectively, in 2022). 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 [2024 Business Plan](#).



## Risk Events Requiring Mitigation

New homes are covered under the new home warranty for seven years and up to a maximum of \$400,000 and common element coverage for condominiums with a maximum of \$3.5 million. Within this seven-year window, there may be over 400,000 homes entitled to warranty coverage.

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.

In 2023, as a result of significant deposit losses associated with a mid-size builder in the GTA, Tarion has reflected its best estimate recovery for warranty and deposit claims through this reinsurance program in the year-end audited financial statements. Management is assessing additional controls surrounding the sales of new homes by vendors or builders in excess of their approved amounts. Annually, Tarion reviews its capital requirements for catastrophic stress scenarios and reassesses the reinsurance policy terms for the following enrolment year. Tarion has determined that an appropriate reinsurance policy would be obtained for 2024 enrolments.

# Legislative and Policy Changes



## Regulatory Changes

In 2023, Tarion was involved in the enactment of two significant regulations – O.Reg 8/23 and O.Reg 118/23, each of which were amendments to Tarion’s General Administration Regulation 892. The changes produced to three important policy changes, namely:

1. Creation of a Temporary Relocation Warranty;
2. Increasing the upper liability cap for freehold homes from \$300,000 per home to \$400,000; and
3. Revisions to the Customer Service Standard (CSS) to, among other things, introduce a first-year mid-year claim form and make the processes for requesting, scheduling and conducting Conciliation Inspections more flexible for homeowners.

### Temporary Relocation Warranty

The regulation changes created a new Temporary Relocation Warranty with the following features:

- A warranty given by the vendor to the owner which pays compensation if the inhabitants of the home must relocate because the home is “uninhabitable” due to a warranted condition caused by the vendor, including during required repairs;
- A \$150 daily rate for compensation (no receipts are required from the homeowner);
- The compensation is available up to an aggregate of \$15,000 (counts toward the applicable maximum cap for the home (\$400,000 or \$300,000));
- The warranty may be satisfied by the vendor providing the homeowner with reasonable alternative accommodation;
- If a dispute arises about relocation costs during the builder repair period, Tarion can be contacted to make a determination on the issue; and
- The warranty is available for all new homes with purchase agreements signed after July 1, 2023.

More information is available through a new publication, [Registrar Bulletin 07: Temporary Relocation Warranty](#).

### New Higher Warranty Cap for Freehold Homes

Under the amended regulation, the overall per home warranty compensation limit for freehold homes has changed as follows:

- The aggregate compensation limit for homes that do not benefit from additional common element protections is increased to \$400,000.
- The new higher limit applies for all freehold homes with agreements of purchase and sale entered into on or after July 1, 2023.

### Changes to the Customer Service Standard

Tarion has revised the framework for certain warranty claims submissions (commonly called the Customer Service Standard or CSS). The key proposed changes are as follows:

- The goals of the changes are to make the CSS more flexible for consumers and ensure that homeowner’s rights are preserved and accessible throughout the first year.
- Two opportunities to file claims in Year 1 are now expanded to three: an Initial Claim form at Day 40, a new Mid-year form up to Day 181 and a Year-end form.
- The periods for requesting a conciliation by a homeowner are greatly expanded.
- There are also clarifications on timing for when Tarion will schedule a conciliation and when a Conciliation Assessment Report will be issued.

The CSS changes will take effect for all homes with a date of possession on or after May 1, 2024.



## Changes to Tarion’s General By-law

In 2023, Tarion revised its general by-law, known as Bylaw No. 1. The main reason for the changes was to bring the by-law into conformity with the newly effective *Not-for-Profit Corporations Act*. Other reasons included simplifying the language and making it easier to read, removing gender-specific pronouns; and removing outdated provisions (e.g., reference to “wire” transfer or “facsimile”). A copy of the up-to-date [By-law No. 1](#) can be found on Tarion’s website.

## Policy Updates

The following chart summarizes updates to policies that were implemented in 2023.

Policy	Date of Update	Changes
Procurement Policy	March 2023	Administrative changes covering budget approvals and escalation paths during the procurement process.
Travel & Expense Reimbursement Policy	June 2023	Administrative changes covering mileage reimbursement and expensing guidelines.

## Registrar Bulletins

Tarion made some revisions to [Registrar Bulletin 15 – Enrolment Fees](#) in 2023. As fees had not been increased in five years, while warranty coverage enhancements and costs in many areas had increased, the Board determined a modest fee increase was appropriate and the fee schedule was updated with input from a public consultation. The changes included an average enrolment fee increase of \$300 per home effective January 1, 2024, to be applied as described in Registrar Bulletin 15; the average fee increase would be applied progressively, starting from homes with a sale price greater than \$600,000 (homes under \$600,000 saw no increase); and the fee table sale price cap was extended from \$1.5 million to \$4 million, with a cap on enrolment fees of \$6,000. In addition, with the changes, the policy expressly allocates \$100 of the fee for each home towards capital replenishment for the Guarantee Fund (this amount will not be refundable to the vendor if the project is cancelled). An up-to-date copy of the Bulletin is available on Tarion’s website.



# 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 know-how, communications, business and strategic planning, information technology 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 2023.

**Fiona Coughlin**, CFRE

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

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

**Greg Graham**, Pro.Dir, ICD.D (term expired April 2023)

**Carol Jardine**, FCIP, CRM, ICD.D

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

**Maria Kyveris**, P. Eng.

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

**Sameer Malik**, B.A, ITIL, TOGAF Certified  
(term expired August 2023)

**Jason Ottey**

**Hari Panday**, FCPA, FCGA, ICD.D, NACD.DC  
(term expired April 2023)

**Marc Sammons**

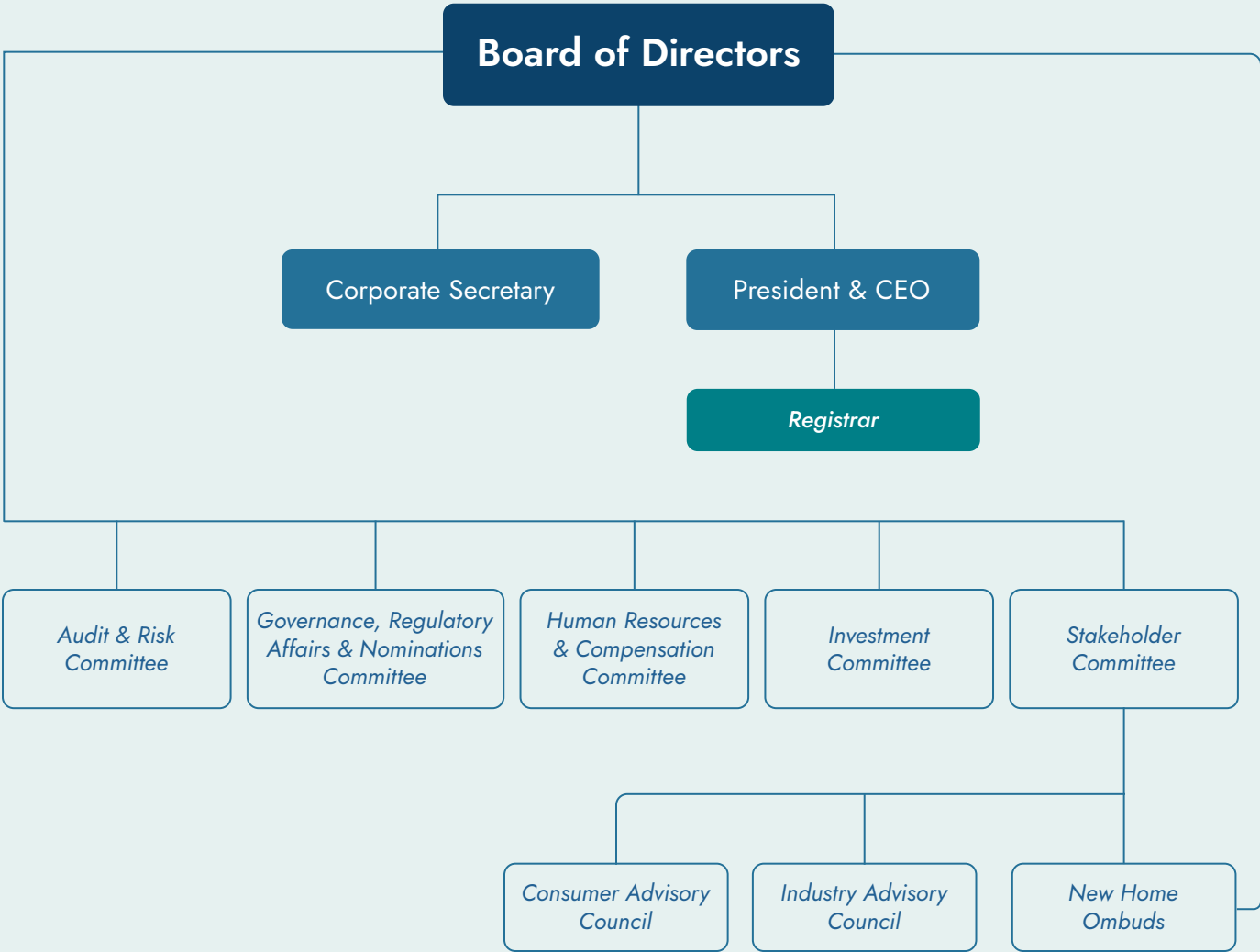
**Toby Stolee**

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

**Amanda Walton**, B.A., ICD.D

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

### Governance Framework



## Tarion's Senior Leadership Team

**Peter Balasubramanian**

President & Chief Executive Officer, Registrar

**Gena Argitis**

Vice President, Chief Administration Officer

**Kevin Brodie**

Vice President, Underwriting

**John Hynes**

Assistant Vice President, Information Systems

**Edmond Lee**

Vice President, Chief Financial Officer

**John Linney**

Director, Strategic Initiatives

**Lesley Ross**

Corporate Secretary

**Tim Schumacher**

Vice President, General Counsel

**Tieu-Minh To**

Assistant Vice President, Finance

**Nicole Tsorlinis-Doucas**

Assistant Corporate Secretary

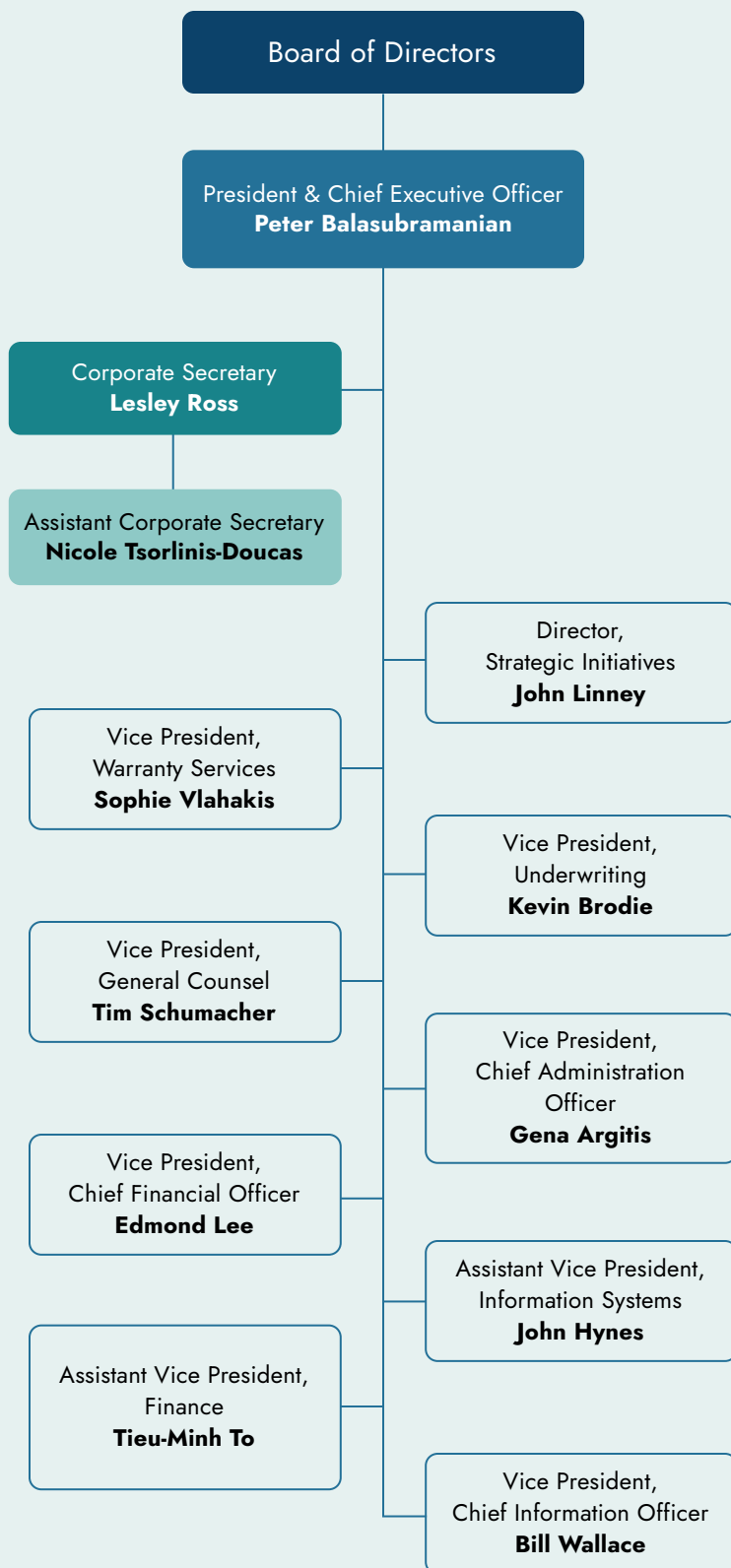
**Sophie Vlahakis**

Vice President, Warranty Services

**Bill Wallace**

Vice President, Chief Information Officer

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



### Governance Structure, Policies & Practices

Tarion's Board has a governance structure that includes five standing committees, two stakeholder councils and the New Home Ombuds office. Its additional independent resources include the external auditor, 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 the 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 a Tarion Director, employee, employment agency contractor, and independent consultant/contractor retained by Tarion. Complaints or tips can be reported (i) in as confidential a manner to the greatest extent possible; (ii) in an anonymous manner if the individual reporting so chooses; and (iii) without any fear of reprisal or adverse treatment for bringing such possible wrongdoing forward.

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

### Annual Business Plan, Budget and Strategic Planning

Under its Administrative Agreement with the Minister of Public and Business Service Delivery, 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 2023

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. During 2023, the Governance, Regulatory Affairs & Nominations Committee completed its review of By-Law No. 1, which is now compliant with the newly proclaimed *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

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

Andy Kenins, CPA, CA, ICD.D

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

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

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

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

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

### Risk Management

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

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

### Governance, Regulatory Affairs & Nominations Committee

#### Toby Stolee, Chair

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

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

Maria Kyveris, P.Eng.

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

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

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

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

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

### **Director Orientation (Onboarding) and Continuing Education**

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

As part of ongoing education, Management personnel or outside experts make presentations to the Board throughout the year on specialized topics; new issues and developments in consumer protection; and legal 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, the Institute of Corporate Directors, Women in Capital Markets, Women in Construction, homeowners and professionals involved in the residential real estate services sectors. Tarion also posts details of any Board vacancies and the nomination materials on its website.



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

In 2023, 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

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, risk profile and governance frameworks. Board members are compensated for their contributions of time and expertise, covering a full schedule of Board and committee proceedings; attendance/participation in conference calls for the Board or other designated committees/task forces; telephone calls in the conduct of Tarion's business; time spent on reviewing meeting materials; and research and information preparation for Board/Committee/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 stakeholder council members receive a meeting fee of \$800 per meeting. Total Board remuneration for 2023, including the Councils, was \$755,083.

### Investment Committee

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

Fiona Coughlin, CFRE

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

Carol Jardine, FCIP, CRM, ICD.D

Andy Kenins, CPA, CA, ICD.D

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

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

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

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

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

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

In addition to the normal course of business of the Committee, the main focus of the Committee in 2023 has been to evaluate our overall Investment Management System and organizational approach and examine an Outsourced Chief Investment Officer (OCIO) model. After a thorough examination of the potential risks and benefits of an OCIO model, the Investment Committee oversaw a comprehensive RFP process to solicit external OCIO providers.

Following an extensive evaluation process and interviews with the shortlist of finalists, the Investment Committee recommended to the Tarion Board that an OCIO model be implemented and that the Investment Management Corporation of Ontario (IMCO) be selected as the successful proponent. The Investment Committee is overseeing our transition to the new system over the 2024 calendar year.

### Stakeholder Committee

#### **RJ Falconi, B.Sc., JD., ICD.D, KC, Chair**

Maria Kyveris, P.Eng.

Jason Ottey

Toby Stolee, Vice Chair

Amanda Walton, B.A., ICD.D

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

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

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

### New Home Ombuds Selection Committee

In July 2023, Tarion's Ombuds, Jill Moriarty, announced her retirement. A Selection Committee was formed, and a recruitment process was undertaken with the assistance of an outside third party. The Selection Committee received hundreds of applications through its search consultant and reviewed several potential candidates of which a shortlist were selected for interviews. Following the interviews, a recommendation was made to the Board to hire Tom Barber. Mr. Barber joined Tarion in October 2023.

### Consumer Advisory Council

#### Vincenza Galatone, Chair

Trevor Kezwer, Vice Chair  
Julia Chew  
Graham Clarke  
Sebastien Fournier  
Dan Fried  
Helene Gilhooly  
Janice Mellary  
Justin Tudor

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

The Consumer Advisory Council (CAC) met a total of five times in 2023. This included four quarterly meetings and a Joint Council Meeting 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 2023, the CAC provided its perspectives on a number of topics that affect new home buyers in Ontario, including the New Home Ombuds Compliance Review Report and Quarterly Activity Reports, implementation of the new Customer Service Standard (CSS) and Temporary Relocation Warranty, TarionConnect, the Construction Performance Guidelines (CPG) review, Tarion's 2024 Business Plan, consumer and stakeholder educational materials, changes to the Enrollment Fee Schedule and more.

### Industry Advisory Council

#### Adam Carapella, Chair

Adam Clarke, Vice Chair  
Rick Martins  
Kevin O'Shea  
Natasha Paiken  
Rose Zonni  
Sam Biasucci (ended August 2023)

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 Industry Advisory Council (IAC) met a total of five times in 2023. This included four quarterly meetings and a Joint Council Meeting 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.

## Governance

At the meetings that took place in 2023, the IAC provided its perspectives on a number of topics that affect new home buyers in Ontario, including the New Home Ombuds Compliance Review Report and Quarterly Activity Reports, implementation of the new Customer Service Standard (CSS) and Temporary Relocation Warranty, TarionConnect, the Construction Performance Guidelines (CPG) review, Tarion's 2024 Business Plan, changes to the Enrollment Fee Schedule, consumer and stakeholder educational materials, and more.



### Directors' Attendance

The number of Board, Board standing committee and Council meetings held by the company during 2023 was as follows:

Board of Directors	15
Audit & Risk Committee	6
Governance, Regulatory Affairs & Nominations Committee	6
Human Resources & Compensation Committee	5
Investment Committee	5
OCIO Review Committee	4
Stakeholder Committee	6
New Home Ombuds Selection Committee	4
Consumer Advisory Council	5
Industry Advisory Council	5
<b>Total</b>	<b>61</b>

The table below shows directors whose terms ended and/or commenced concurrent with the Annual Meeting of Members in April 2023. 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	9	9	21	21
Dicker, Marni	15	14	16	15	31	29
Falconi, R J	15	14	9	9	24	23
Graham, Greg*	4	4	3	3	7	7
Jardine, Carol	13	13	10	10	23	23
Kenins, Andy	15	15	21	21	36	36
Kyveris, Maria	13	13	5	5	18	18
Macintyre, John	15	15	13	13	28	28
Malik, Sameer**	10	7	5	5	15	12
Ottey, Jason***	4	4	4	4	8	8
Panday, Hari*	4	4	4	4	8	8
Sammons, Marc	15	12	6	5	21	17
Stolee, Toby	15	15	13	12	28	27
Tsubouchi, David	15	12	15	14	30	26
Walton, Amanda	15	15	10	10	25	25

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

\* Appointment ended April 2023.

\*\* Appointment ended August 2023.

\*\*\* Appointed August 29, 2023.

# Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) provides relevant insights into the assessment of the financial condition and results of Tarion. This MD&A should be read in conjunction with Tarion's audited financial statements for the year ended December 31, 2023, which are prepared in accordance with the IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

We adopted IFRS 17 – Insurance Contracts (“IFRS 17”) on January 1, 2023 which replaced IFRS 4 – Insurance Contracts to enhance financial reporting transparency, improve risk assessment and management, ensure the alignment and comparability of reporting within the insurance industry, and ensure regulatory compliance. IFRS 17 was applied retrospectively, and balances were restated as at January 1, 2022 to provide comparative results in the financial statements. For more information on the adoption of IFRS 17, refer to note 2 – Changes in Accounting Policy and Disclosures to the financial statements.

## Financial Highlights

While 2023 marked a successful year for Tarion operationally through its accomplishments of many strategic objectives and strong investment returns on the Guarantee Fund, the receivership of StateView Homes Group (“StateView”) accounted for a significant portion of the 2023 net loss of \$65.2 million due to the recognition of \$91.6 million deposit claim exposure which is partially offset by our reinsurance policy coverage.

The year ended with total enrolment levels at 53,515 compared to 75,803 in 2022, a decrease of 29.4 per cent driven by the high interest rate environment.

Global capital markets proved resilient in 2023 and were the major driver behind the investment gain in 2023. Tarion's Guarantee Fund appreciated by \$15.9 million to \$718.2 million. The market value appreciation was driven by the Bank of Canada decision to hold interest rates steady during the latter part of the year following easing inflation data, resulting in a drop in fixed income yields and consequent appreciation in the fixed income portfolio. This was coupled by the further appreciation in the equities market due to lowering but resilient global economic growth data and anticipation that interest rates will drop in the future.

Tarion's insurance contract liabilities increased from 2022 by \$108.1 million to \$468.3 million, primarily due to the StateView deposit exposure. There is an expected recovery from our reinsurance program for \$28.9 million offsetting this loss. Insurance revenues for 2023 were \$66.5 million, \$6.3 million higher than 2022 as we earned more revenue on insurance contracts as they progressed through the warranty coverage period. The increase in insurance service expenses was primarily driven by the StateView deposit exposure.

In 2023, Tarion paid out \$47.5 million (2022 – \$36.4 million) to resolve warranty claims from new home buyers. The increase in claims payments was mainly driven by some significant large first and second-year claims and deposit refunds on freehold enrolments.

## Operating Expenses

(in thousands of Canadian dollars)	2023	2022	Variance
Salaries and benefits	39,909	35,722	4,187
General and administrative	29,213	24,860	4,353
Depreciation and amortization	6,534	6,477	54
<b>Total Operating Expenses</b>	<b>75,653</b>	<b>67,059</b>	<b>8,594</b>

During the year, Tarion continued to make significant investments into its technology, process improvements and people to support its vision and mission of providing excellent customer service and the best new home warranty program in Canada. Total operating expenses increased by \$8.6 million as staffing and administration was increased to enhance customer service delivery experience, supporting technology improvements and clearing the remaining backlog related to COVID-19.

The Corporation made significant investments of \$7.2 million to enhance the customer experience, including projects aimed at improving customer awareness, customer service standards and stakeholder collaboration. Additional investments were made to implement the IFRS 17 Standard and to continue the transition of operational applications and software solutions to the cloud-based Salesforce platform.

Tarion ended the year with the Guarantee Fund at \$718.2 million of which \$468.3 million supports net insurance contract liabilities and \$249.9 million is available for future warranty and service improvements and protection against possible catastrophic warranty losses.

## Equity

Tarion's total equity balance decreased by \$65.2 million to \$192.2 million driven by the current year's negative bottom line of \$64.4 million, plus an actuarial loss due to the decrease in discounting rate on the post-employment benefits plan of \$0.9 million. The impact of the StateView deposit losses weakened the capital in 2023, and Management is taking proactive measures in 2024 to replenish the capital.

## Capital Expenditures

Additions to property and equipment of \$1.1 million related mostly to computer equipment for staff.

# Financials

## Tarion Warranty Corporation

December 31, 2023

Management’s Responsibility for Financial Reporting.....	57
Independent Auditor’s Report .....	58
Appointed Actuary’s Report.....	62
Statement of Financial Position.....	63
Statement of Comprehensive Results of Operations.....	64
Statement of Changes in Equity .....	65
Statement of Cash Flows.....	66
Notes to Financial Statements.....	67–134



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

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

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

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

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

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

The responsibility of the external auditors is to carry out an independent and objective audit of the financial statements in accordance with Canadian generally accepted auditing standards and report regarding the fairness of presentation of the Corporation's financial statements in accordance with IFRS. In carrying out their audit, the Auditors also make use of the work of the Appointed Actuary and her 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 25, 2024

S/D

Edmond Lee  
Vice President & Chief Financial Officer  
April 25, 2024

## **Opinion**

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

- the Statement of Financial Position as at December 31, 2023
- 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 policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2023, 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 Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

## **Emphasis of Matter – Changes in Accounting Policies and Comparative information**

We draw attention to Note 2 to the financial statements, which explains that certain comparative information presented were adjusted as a result of a full retrospective adoption of a change in accounting policy, with respect to IFRS 17:

- as at and for the year ended December 31, 2022 has been adjusted
- as at January 1, 2022 has been derived from the financial statements for the year ended December 31, 2021 which have been adjusted (not presented herein).

Note 2 explains the reason for the adjustments. Our opinion is not modified in respect of this matter.

As part of our audit of the financial statements for the year ended December 31, 2023, we audited the adjustments that were applied to adjust certain comparative information presented:

- as at and for the year ended December 31, 2022
- as at January 1, 2022

In our opinion, such adjustments are appropriate and have been properly applied.

### ***Other Information***

Management is responsible for the other information. Other information comprises the information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "2023 Annual Report".

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

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

The information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "2023 Annual Report" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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

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

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

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

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

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

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

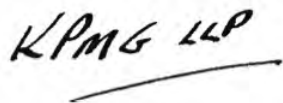
We also:

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

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

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

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads "KPMG LLP" with a horizontal line underneath.

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada

April 25, 2024

To the Directors of Tarion Warranty Corporation

I have valued the policy liabilities of Tarion Warranty Corporation for its financial statements prepared in accordance with International Financial Reporting Standards for the year ended December 31, 2023.

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

Sophie Poulin, FCIA, FCAS  
Fellow, Canadian Institute of Actuaries  
April 25, 2024

	Notes	2023	Adjusted 2022	Adjusted 2021
<b>ASSETS</b>				
Cash and cash equivalents	5	3,961	4,711	5,579
Other receivables from vendors and builders		823	142	-
Investment instruments	7	718,189	702,334	754,256
Reinsurance contract assets	13	36,617	6,003	5,569
Prepaid expenses and other assets	6	2,972	2,732	27,050
Property and equipment	8	4,901	5,385	4,195
Intangible assets	9	6,357	9,573	12,801
<b>TOTAL ASSETS</b>		<b>773,820</b>	<b>730,880</b>	<b>809,450</b>
<b>EQUITY AND LIABILITIES</b>				
LIABILITIES				
Accounts payable and accrued liabilities	10	11,694	9,313	39,064
Lease obligations and inducements	12	1,670	2,044	2,725
Insurance contract liabilities	2, 13	468,294	360,223	337,291
Funds held as security	14	92,995	93,678	86,201
Derivatives	7	339	2,644	675
Employee future benefits liabilities	15	6,588	5,489	8,713
<b>TOTAL LIABILITIES</b>		<b>581,580</b>	<b>473,391</b>	<b>474,669</b>
Equity		192,240	257,489	334,781
<b>TOTAL EQUITY</b>		<b>192,240</b>	<b>257,489</b>	<b>334,781</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>773,820</b>	<b>730,880</b>	<b>809,450</b>

Commitments and contingencies 11  
 Accounting policy on adjusted comparative years 2, 3, 4

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

	Notes	2023	Adjusted 2022
<b>INSURANCE SERVICE RESULT</b>			
Insurance revenue	13	66,475	60,249
Insurance service expense	13	(175,059)	(79,971)
Insurance service result before reinsurance contracts held		(108,584)	(19,722)
Allocation of reinsurance premiums	13	(826)	(884)
Amounts recoverable from reinsurers for incurred claims	13	29,734	-
Net recoverable (expense) from reinsurance contracts held		28,908	(884)
<b>INSURANCE SERVICE RESULT</b>		<b>(79,676)</b>	<b>(20,606)</b>
<b>INVESTMENT RESULTS</b>			
Investment income/(loss)	7, 13	54,649	(53,866)
Investment management expense	13	(2,483)	(2,220)
Insurance finance income (expense) for insurance contracts issued	13	(19,518)	11,013
Reinsurance finance income (expense) for reinsurance contracts held	13	496	108
<b>NET INSURANCE FINANCIAL RESULT</b>		<b>33,144</b>	<b>(44,965)</b>
OTHER INCOME		75	423
<b>OTHER EXPENSES</b>			
Salaries and benefits		(7,296)	(6,295)
General and administrative		(8,594)	(5,694)
Interest expense	16	(546)	(1,266)
Depreciation and amortization	8, 9, 12	(1,499)	(1,354)
<b>OTHER INCOME AND EXPENSES</b>		<b>(17,860)</b>	<b>(14,186)</b>
<b>EXCESS/(DEFICIT) OF REVENUE OVER EXPENSES</b>		<b>(64,392)</b>	<b>(79,757)</b>
<b>OTHER COMPREHENSIVE RESULTS OF OPERATIONS</b>			
<i>Amounts not subsequently classified to Statement of Results of Operations</i>			
Actuarial gains/(losses) for employee future benefits	15	(857)	2,465
<b>TOTAL COMPREHENSIVE RESULTS OF OPERATIONS FOR THE YEAR</b>		<b>(65,249)</b>	<b>(77,292)</b>

Accounting policy on adjusted comparative years 2, 3, 4

See accompanying notes to financial statements.



	<b>2023</b>	<b>Adjusted 2022</b>
Beginning of the year, prior to adjustments	257,489	297,496
Adjustment on initial application of IFRS 17		37,285
Restated balance at beginning of the year	257,489	334,781
Excess/(Deficit) of revenue over expenses for the year	(64,392)	(79,757)
Other comprehensive result of operations		
<i>Amounts not subsequently classified to Statement of Results of Operations</i>		
Actuarial gains/ (losses) for employee future benefits	(857)	2,465
<b>TOTAL EQUITY, END OF YEAR</b>	<b>192,240</b>	<b>257,489</b>

See accompanying notes to financial statements.

	Notes	2023	Adjusted 2022
<b>NET INFLOWS (OUTFLOWS) OF CASH RELATED TO THE FOLLOWING ACTIVITIES</b>			
<b>OPERATING</b>			
Home enrolment fees received		70,998	92,854
Recoveries from builders for claims and conciliation fees		14,764	11,565
Securities receipts from builders, net of releases		(406)	6,750
Payments to employees for salaries and benefits		(39,507)	(35,976)
Payments to suppliers for general and administrative expenses		(28,414)	(25,586)
Claims payments		(47,530)	(36,414)
Reinsurance premium paid		(1,210)	(1,210)
Interest expenses		(854)	(539)
Other miscellaneous fees received or paid		826	(562)
HCRA Funding	11B	(391)	(391)
Transformation costs		-	(1,160)
Cash provided by operating activities		(31,724)	9,331
<b>INVESTING</b>			
Dividend received		4,035	3,080
Interest received		15,920	12,428
Proceeds from sale and maturity of investments		793,164	962,042
Purchase of investments		(773,010)	(982,309)
Investment management fees		(1,927)	(2,289)
Purchase of intangible assets		(1,724)	(1,820)
Purchase of equipment and leaseholds		(1,007)	(2,927)
Proceeds / (Settlement) of derivatives		(4,004)	2,277
Cash used in investing activities		31,447	(9,518)
<b>FINANCING</b>			
Payment on lease obligation		(473)	(681)
Cash used in financing activities		(473)	(681)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR</b>		(750)	(868)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>		4,711	5,579
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>		3,961	4,711

See accompanying notes to financial statements.

## 1. Corporation Operations

Tarion Warranty Corporation (the "Corporation"), domiciled in Ontario, Canada, was designated in 1976 by the Government of Ontario to administer the Ontario New Home Warranties Plan Act (the "Act"). The objectives of the Act include consumer protection, builder regulation and providing consumers and builders with a broad range of services including information and education. The Corporation collects home enrolment fees and invests available funds (guarantee fund) which is used for the purposes of settling warranty claims from homeowners, and 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 11B 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, 7<sup>th</sup> 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, 2023, were approved by the Corporation's Board of Directors and authorized for issue on April 25, 2024.

## 2. Changes in Accounting Policies and Disclosures

### ***New and amended standards and interpretations***

In these financial statements, the Corporation has applied IFRS 17 for the first time. The Corporation has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

### ***IFRS 17 insurance contracts***

IFRS 17 replaces IFRS 4 Insurance Contracts for annual periods beginning on or after January 1, 2023. The Corporation has restated comparative information for 2022 applying the transitional provisions in IFRS 17. The nature of the changes in accounting policies can be summarized as follows:

## 2. Changes in Accounting Policies and Disclosures (Continued)

### *Changes to classification, measurement*

Warranty contracts issued are referred to as insurance contracts. The adoption of IFRS 17 did not change the classification of the Corporation's insurance contracts.

The Corporation was permitted under IFRS 4 to continue accounting using its previous accounting policies. However, IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Corporation.

The key principles of IFRS 17 are that the Corporation:

- Identifies insurance contracts as those under which the Corporation accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. For the purpose of the application of IFRS 17, each new home is considered an insurance contract and the homeowner is the policy holder.
- Divides the insurance and reinsurance contracts into groups it will recognize and measure.
- Recognizes and measures groups of insurance contracts at:
  - A risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all available information about the fulfilment cash flows in a way that is consistent with observable market information.  
Plus
  - An amount representing the unearned profit in the group of contracts (the contractual service margin or CSM)
- Recognizes profit from a group of insurance contracts over each period the Corporation provides insurance contract services, as the Corporation is released from risk. If a group of contracts is expected to be onerous (i.e., loss-making) over the remaining coverage period, the Corporation recognizes the loss immediately.
- Recognizes an asset for insurance acquisition cash flows in respect of acquisition cash flows paid, or incurred, before the related group of insurance contracts is recognized. Such an asset is derecognized when the insurance acquisition cash flows are included in the measurement of the related group of insurance contracts.

### *Changes to presentation and disclosure*

For presentation in the Statement of Financial Position, the Corporation aggregates portfolios of insurance and reinsurance contracts issued, and reinsurance contracts held and presents separately:

- Portfolios of reinsurance contracts held that are assets
- Portfolios of insurance issued that are liabilities

## 2. Changes in Accounting Policies and Disclosures (Continued)

The portfolios referred to above are those established at initial recognition in accordance with the IFRS 17 requirements.

### *Transition*

On transition date, January 1, 2022, the Corporation:

- Has identified, recognized, and measured each group of insurance contracts as if IFRS 17 had always applied except for group of contracts issued prior to 2020 where the fair value approach was applied as described in the fair value approach section below.
- Has identified, recognized, and measured assets for insurance acquisition cash flows as if IFRS 17 had always applied. However, no recoverability assessment was performed before the transition date. At transition date, a recoverability assessment was performed and no impairment loss was identified.
- Derecognized any existing balances that would not exist had IFRS 17 always applied
- Recognized any resulting net difference in equity

### *Full retrospective approach*

On transition to IFRS 17, the Corporation has applied the full retrospective approach unless impracticable. The Corporation has applied the full retrospective approach on transition to all contracts issued on or after January 1, 2020. For groups of contracts issued prior to 2020, the fair value approach was applied. The effects of adopting IFRS 17 on the financial statements as at January 1, 2022 are presented in the Statement of Changes in Equity.

### *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.

## 2. Changes in Accounting Policies and Disclosures (Continued)

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.

FIERA Capital Investment Management was retained by the Canadian actuarial industry to produce the FIERA curve on a monthly basis for discounting and valuation purposes compliant with IFRS 17 requirements. They provide components needed to calculate discount rates using the bottom-up approach, which takes a risk-free yield curve and adjusts for a liquidity or illiquidity premium. The liquidity or illiquidity premium represents compensation for investing in assets not easily convertible to cash at fair market value.

The Corporation used the income approach to determine the fair value amount used for establishing the insurance contract liabilities at the transition date.

## 3. 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 (“IASB”). 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 investments trades made within three business days of the end of the reporting period and are generally settled immediately after the end of the reporting period.

### 3. Summary of Material Accounting Policies (Continued)

#### C. FINANCIAL INSTRUMENTS

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

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

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

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

- *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.

**3. Summary of Material Accounting Policies (Continued)****D. PROPERTY, PLANT AND EQUIPMENT**

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

Depreciation is provided at the following rates:

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

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

Recognized in accordance to 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.



### 3. Summary of Material Accounting Policies (Continued)

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.

#### E. INTANGIBLE ASSETS

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

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

#### F. LEASES

##### *Lease liabilities*

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

#### G. 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.

### 3. Summary of Material Accounting Policies (Continued)

#### *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.

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 4.

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 warranty claims liabilities. Actual recovery may differ if the financial strength of the 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.

Currently, the Corporation's contracts do not include distinct components that require separation and do not include any investment components.

#### *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).

### 3. Summary of Material Accounting Policies (Continued)

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.

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.

### 3. Summary of Material Accounting Policies (Continued)

#### *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

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:

### 3. Summary of Material Accounting Policies (Continued)

- 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 includes 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:

- 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 cohort 2023, 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.

### 3. Summary of Material Accounting Policies (Continued)

For all other cohort years except 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 except 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 except 2023. The Corporation also does not record loss recovery component under PAA method.

When 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.

#### *(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.

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.

### 3. Summary of Material Accounting Policies (Continued)

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 group depicting the losses recognized.

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 cohort 2023, 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 except 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.

### 3. Summary of Material Accounting Policies (Continued)

A loss-recovery component is subsequently reduced 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.

#### (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.

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.



### 3. Summary of Material Accounting Policies (Continued)

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

#### *(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.

### 3. Summary of Material Accounting Policies (Continued)

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.

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.

### 3. Summary of Material Accounting Policies (Continued)

#### H. 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.

#### I. EMPLOYEE FUTURE BENEFITS LIABILITIES

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

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

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

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

#### J. REVENUE RECOGNITION – OTHER REVENUE

Other revenue comprises of various administration fees charged for services generally related to the handling of claims and underwriting. These fees are recorded as earned upon the delivery of the services.

#### K. 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.

### 3. Summary of Material Accounting Policies (Continued)

#### L. 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.

#### M. 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.

#### N. FUTURE ACCOUNTING CHANGES

Other standards effective for periods beyond 2023 including non-current liabilities with covenants (Amendments to IAS 1), classification of liabilities as current or non-current (Amendments to IAS 1), Lease liability in a sale and leaseback (Amendments to IFRS 16), Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) and lack of exchangeability (Amendments to IAS 21) are not expected to have a significant impact on the Corporation.

### 4. Key Accounting Judgments, Estimates and Assumptions

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

#### A. KEY MANAGEMENT JUDGMENTS

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

**4. 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.

**B. KEY MANAGEMENT ESTIMATES AND ASSUMPTIONS**

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

**Insurance contracts and reinsurance contracts***Impact of builders' insolvencies*

During 2023, 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 \$92.8M of insurance contract liabilities and \$31.4M of reinsurance contract held assets.

**a) 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.

**4. Key Accounting Judgments, Estimates and Assumptions (Continued)**

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:

**b) 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 of future cash flows are listed below:

LIQUID FIERA CURVE			ILLIQUID FIERA CURVE		
Year	2022	2023	Year	2022	2023
1	4.41%	4.52%	1	5.61%	5.39%
2	4.13%	4.03%	2	5.41%	5.06%
3	3.97%	3.70%	3	5.28%	4.86%
4	3.89%	3.58%	4	5.20%	4.78%
5	3.86%	3.53%	5	5.15%	4.75%
6	3.88%	3.54%	6	5.13%	4.73%
7	3.91%	3.58%	7	5.13%	4.74%
8	3.96%	3.64%	8	5.15%	4.75%
9	4.02%	3.70%	9	5.17%	4.77%
10	4.08%	3.77%	10	5.20%	4.79%
11	4.14%	3.83%	11	5.24%	4.81%
12	4.19%	3.89%	12	5.27%	4.83%
13	4.24%	3.94%	13	5.31%	4.85%
14	4.28%	3.98%	14	5.34%	4.86%
15	4.32%	4.01%	15	5.37%	4.88%
16	4.34%	4.03%	16	5.40%	4.89%
17	4.36%	4.05%	17	5.42%	4.90%
18	4.38%	4.06%	18	5.44%	4.90%
19	4.38%	4.06%	19	5.45%	4.90%
20	4.38%	4.06%	20	5.45%	4.91%

#### 4. Key Accounting Judgments, Estimates and Assumptions (Continued)

##### c) 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.

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 (2022: 65%).

##### d) 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.

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.

**4. Key Accounting Judgments, Estimates and Assumptions (Continued)****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 15F.

**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 7.

**5. Cash and Cash Equivalents**

At December 31, 2023, cash and cash equivalents was solely cash at the bank and on hand of \$3,961 (2022: \$4,711) with no short-term deposits or bank overdrafts payable on demand. The Corporation also has a \$2,000 (2022: \$2,000) unsecured demand operating facility it can draw on of which the amount outstanding at December 31, 2023 is nil (2022: nil).



## 6. Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist of the following.

	<b>2023</b>	<b>Adjusted 2022</b>
Unsettled investment trades	-	98
Prepaid expenses	2,333	1,414
Other Receivable	639	1,220
<b>Total prepaid expenses and other assets</b>	<b>2,972</b>	<b>2,732</b>

## 7. Financial Instruments

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

- i. The Corporation's ability to fulfil current and future estimated warranty obligations: Due to the long warranty coverage period of up to seven years and to other factors explained in Note 13, warranty obligations are subject to a high level of measurement uncertainty and variability;
- ii. Funds held as security from the builders: The Corporation receives security in the form of cash, letters of credit and other guarantees from builders in order to reduce the risk of financial loss related to future warranty claims from homeowners, as noted in Note 14. Security received in cash is invested as part of the Corporation's investment portfolio, and is recorded at amortized cost on the Statement of Financial Position as a liability; and
- iii. Financial stability of the Corporation: Financial stability of the Corporation is achieved by applying the capital management framework, as noted in Note 17, which has been modeled after the framework used by the property and casualty insurance industry in Canada.

## 7. Financial Instruments (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's cash and cash equivalents and investments are measured at fair value.

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

The 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 8.2% (2022: 7.45%).

#### ***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:

**7. Financial Instruments (Continued)**

	2023			2023
	Level 1	Level 2	Level 3	Fair Value
Financial assets measured at FVTPL				
Fixed income portfolio:				
Canadian treasury bills and short-term notes	-	15,682	-	15,682
Canadian government and agency	-	149,571	-	149,571
Canadian corporate bonds	-	216,530	-	216,530
Canadian Commercial Term Mortgage (1)	-	76,841	-	76,841
Foreign Diversified Fixed Income Fund (2)	-	46,355	-	46,355
Fixed income portfolio	-	504,979	-	504,979
Equity portfolio:				
Equity securities, pooled funds	-	145,977	-	145,977
Alternative asset portfolio:				
Limited partnership units (3)	-	-	63,156	63,156
Derivatives	4,077	-	-	4,077
Total investments	4,077	650,956	63,156	718,189
Cash and cash equivalents	3,961	-	-	3,961
Total financial assets	8,038	650,956	63,156	722,150
Financial liabilities measured at FVTPL				
Derivatives	339	-	-	339
Financial liabilities measured at amortized cost				
Funds held as security	-	-	82,014	82,014
Total financial liabilities	339	-	82,014	82,353

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

(2) Consist of debt securities held in the PIMCO Global Investors Series Diversified Income Fund (Hedged in CDN\$). The Fund invests at least two-thirds of its assets in a diversified portfolio of Fixed Income Instruments (a combination of both sovereign and corporate debt instruments) of varying maturities. The remaining assets in the portfolio consist of PIMCO Funds (i.e., Asia Strategic Interest Bond Fund, Asia High Yield Bond Fund, European High Yield Bond Fund, US Short Term Fund, US Dollar Short-term Floating NAV Fund, and US Dollar Short Maturity UCITS ETF).

(3) Consist of infrastructure investment assets invested into approximately 52% of the IFM Infrastructure Pooled Asset Fund and 48% of assets in the Axiom Infrastructure Asset Fund.

**7. Financial Instruments (Continued)**

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

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

(2) Consist of debt securities held in the PIMCO Global Investors Series Diversified Income Fund (Hedged in CDN\$). The Fund invests at least two-thirds of its assets in a diversified portfolio of Fixed Income Instruments (a combination of both sovereign and corporate debt instruments) of varying maturities. The remaining assets in the portfolio consist of PIMCO Funds (i.e., Asia Strategic Interest Bond Fund, Asia High Yield Bond Fund, European High Yield Bond Fund, US Short Term Fund, US Dollar Short-term Floating NAV Fund, and US Dollar Short Maturity UCITS ETF).

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

**7. Financial Instruments (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.

There were no transfers among Levels 1, 2 and 3 in the year ended December 31, 2023 (2022: nil).

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

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

	<b>Investment December 31, - FVTPL</b>
<b>2023</b>	
Fair value as at January 1 2023	59,564
Distributions	(1,144)
Realized gain / loss	-
Change in Unrealized gain / loss	3,989
Other Income and Expenses	747
<b>Fair value as at December 31 2023</b>	<b>63,156</b>
<b>2022</b>	
Fair value as at January 1 2022	-
Purchases (Contributions)	55,914
Distributions received	(407)
Change in Unrealized gain / loss	3,758
Other Income and Expenses	299
<b>Fair value as at December 31 2022</b>	<b>59,564</b>

**7. Financial Instruments (Continued)**

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

Security Type	Year End	Fair Value	Valuation Technique	Significant Unobservable Input	Relationship of unobservable inputs to fair value	Sensitivity <sup>(1)</sup>
Equity Portfolio - limited partnership units	2023	63,156	Net asset method; based on audited fair value of net assets of the L.P. Investment	Net asset value	The higher the net asset value, the higher the fair value	\$6,361 / (\$6,361)

(1) At December 31, 2023, had the net asset value of the LP Investments increased/decreased by 10% compared to the current net asset value at December 31, 2023 with all other variables held constant, the increase or decrease respectively in the fair value of the investment.

**B. MARKET RISK**

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

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

*Interest rate risk*

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

**7. Financial Instruments (Continued)**

Terms of Maturity (1)	2023				Total
	Due within one year	Due one through five years	Due five through ten years	Due after ten years	
Government					
Federal	-	103,278	1,399	-	104,677
Yield to Maturity (YTM)	-	3.4%	3.1%	-	3.4%
Provincial	-	43,423	397	-	43,820
YTM	-	3.7%	4.3%	-	3.7%
Municipal	-	-	-	-	-
YTM	-	-	-	-	-
Treasury Bills	15,627	-	-	-	15,627
YTM	5.1%	-	-	-	5.1%
<b>Total Government</b>	<b>15,627</b>	<b>146,701</b>	<b>1,796</b>	<b>-</b>	<b>164,124</b>
YTM	5.1%	3.5%	3.4%	-	3.5%
Canadian Financial Institutions	10,689	74,307	2,285	-	87,281
YTM	5.2%	4.7%	4.4%	-	4.7%
Other Canadian Corporate	19,084	95,134	13,065	-	127,283
YTM	5.5%	4.3%	4.2%	-	4.3%
Canadian Mortgage Trust Fund	-	71,362	5,480	-	76,842
YTM	-	6.7%	6.0%	-	6.6%
Foreign Diversified Fixed Income Fund	-	-	46,355	-	46,355
YTM	-	-	6.8%	-	6.8%
<b>Total Fixed Income</b>	<b>45,400</b>	<b>387,504</b>	<b>68,981</b>	<b>-</b>	<b>501,885</b>
Accrued Interest	3,094	-	-	-	3,094
<b>Total Fixed Income with Accrued Interest</b>	<b>48,494</b>	<b>387,504</b>	<b>68,981</b>	<b>-</b>	<b>504,979</b>
<b>YTM</b>	<b>5.3%</b>	<b>4.3%</b>	<b>6.1%</b>	<b>-</b>	<b>4.8%</b>

(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.

**7. Financial Instruments (Continued)**

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

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

**Equity price risk**

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



**7. Financial Instruments (Continued)**

	2023		2022	
Health Care	18,731	13%	21,959	16%
Financials	24,266	17%	21,543	16%
Industrials	23,889	16%	21,230	16%
Information Technology	25,031	17%	19,846	15%
Consumer Staples	14,779	10%	19,666	14%
Consumer Discretionary	16,948	11%	12,428	9%
Telecommunication	14,316	10%	10,119	7%
Energy	2,997	2%	3,618	3%
Cash	1,113	1%	3,348	2%
Materials	888	1%	2,335	2%
Utilities	3,019	2%	540	0%
<b>Total equity portfolio</b>	<b>145,977</b>	<b>100%</b>	<b>136,632</b>	<b>100%</b>

**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, 2023, the Corporation had approximately 31.54% (2022: 30.7%) of its fair value of the total investments with foreign currency risk; the largest foreign currency exposure was to the U.S. dollar of 18.7% (2022: 17.2%) 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 2023 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.

**7. Financial Instruments (Continued)**

	2023				2022			
	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	3,738	-	-	3,738	(2,634)	-	-	<b>(2,634)</b>
Notional amount	-	-	-	-	-	-	-	-
United States	99,597	-	-	99,597	94,634	-	-	<b>94,634</b>
European Union	21,371	-	-	21,371	17,530	-	-	<b>17,530</b>
United Kingdom	10,600	-	-	10,600	10,434	-	-	<b>10,434</b>
Japan	3,637	-	-	3,637	5,627	-	-	<b>5,627</b>

*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.

The stress scenarios for 2023 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.

**7. Financial Instruments (Continued)**

	2023						
	Fair Value	Interest Rate Risk		Equity Price Risk		Foreign Exchange Rate Risk	
		-25 BP	+25 BP	-10%	+10%	-5%	+5%
<b>Financial Assets</b>							
FVTPL investments:							
Fixed income portfolio excl Mortgage							
Canadian Dollar	381,783	2,587	(2,552)				
Other currencies	46,355	584	(584)		(2,318)	2,318	
Mortgage Trust Fund	76,841	314	(314)				
Equity portfolio							
Canadian Dollar	9,993			(999)	999		
United States Dollar	86,195					(4,310) 4,310	
Euro	10,722					(536) 536	
Great Britain Pound	22,452					(1,122) 1,122	
Other currencies	16,615					(831) 831	
Foreign	135,984					(6,799) 6,799	
Equity, limited partnership units							
Canadian Dollar	19,008			(1,901)	1,901		
United States Dollar	44,148			(4,415)	4,415	(2,207) 2,207	
Derivatives	4,077					6,760	
<b>Financial Liabilities</b>							
Derivatives	339					(6,760)	
Funds held as security	82,014	205	(205)				

**7. Financial Instruments (Continued)**

	2022						
	Fair Value	Interest Rate Risk		Equity Price Risk		Foreign Exchange Rate Risk	
		-25 BP	+25 BP	-10%	+10%	-5%	+5%
<b>Financial Assets</b>							
FVTPL investments:							
Fixed income portfolio excl Mortgage							
Canadian Dollar	391,582	2,689	(2,699)				
Other currencies	42,678	546	(546)		(2,134)	2,134	
Mortgage Trust Fund	71,867	285	(285)				
Equity, pooled funds							
Canadian Dollar	9,935			(994)	994		
United States Dollar	77,874				(3,894)	3,894	
Euro	10,012				(500)	500	
Great Britain Pound	17,698				(885)	885	
Other currencies	21,113				(1,056)	1,056	
Foreign	126,697			(12,670)	12,670	(6,335)	6,335
Equity, limited partnership units							
Canadian Dollar	16,654			(1,665)	1,665		
United States Dollar	42,910			(4,291)	4,291	(2,146)	2,146
Derivatives	10					6,411	
<b>Financial Liabilities</b>							
Derivatives	2,644						(6,411)
Funds held as security	83,664	209	(209)				

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

**C. CREDIT RISK**

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

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

- The Corporation only deals with counterparties believed to be creditworthy and actively monitors credit exposure, requiring minimum credit ratings of A for debt securities and derivatives at the time an investment is purchased. At December 31, 2023, 91.8% of the debt securities have a rating of A or better (2022: 92.6%) while 100% of the derivatives have a rating of A or better.

**7. Financial Instruments (Continued)**

- 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 14, security is obtained in the form of cash, letters of credit, and other guarantees from the builder in order to reduce the risk of financial loss related to future warranty claims from homeowners.

**D. LIQUIDITY RISK**

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation is exposed to daily cash requirements from settlement of claims, operating expenses, and cash security releases. The settlement of claims 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 14). 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 (2022: \$2,000) unsecured demand operating facility it can draw on of which the amount outstanding at December 31, 2023 is nil (2022: nil).

**8. 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
<b>At cost</b>					
Balance at January 1, 2022	5,698	1,285	694	1,127	8,804
Additions	-	212	629	2,085	2,926
Disposals	-	-	-	-	-
Adjustments due to:					
Lease Incentives	(306)	-	-	-	(306)
Balance at December 31, 2022	5,392	1,497	1,323	3,212	11,424
Balance at January 1, 2023	5,392	1,497	1,323	3,212	11,424
Additions	99	857	-	150	1,106
Disposals	-	(1,021)	(636)	-	(1,657)
<b>Balance at December 31, 2023</b>	<b>5,491</b>	<b>1,333</b>	<b>687</b>	<b>3,362</b>	<b>10,873</b>
<b>Accumulated depreciation</b>					
Balance at January 1, 2022	3,026	876	666	40	4,608
Depreciation expense	675	301	90	364	1,430
Disposals	-	-	-	-	-
Balance at December 31, 2022	3,701	1,177	756	404	6,038
Balance at January 1, 2023	3,701	1,177	756	404	6,038
Depreciation expense	424	403	117	647	1,591
Disposals	-	(1,021)	(636)	-	(1,657)
<b>Balance at December 31, 2023</b>	<b>4,125</b>	<b>559</b>	<b>237</b>	<b>1,051</b>	<b>5,972</b>
<b>Carrying amount</b>					
Balance at January 1, 2022	2,672	409	28	1,087	4,196
<b>Balance at December 31, 2022</b>	<b>1,691</b>	<b>320</b>	<b>567</b>	<b>2,808</b>	<b>5,386</b>
<b>Balance at December 31, 2023</b>	<b>1,366</b>	<b>774</b>	<b>450</b>	<b>2,311</b>	<b>4,901</b>

## 9. Intangible Assets

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

	Software and applications	Internal software enhancements	Total
<b><i>At cost</i></b>			
Balance at January 1, 2022	31,116	6,447	37,563
Additions	1,473	347	1,820
Balance at December 31, 2022	32,589	6,794	39,383
Balance at January 1, 2023	32,589	6,794	39,383
Additions	1,148	577	1,725
<b>Balance at December 31, 2023</b>	<b>33,737</b>	<b>7,371</b>	<b>41,108</b>
<b><i>Accumulated amortization</i></b>			
Balance at January 1, 2022	19,388	5,374	24,762
Amortization expense	4,526	522	5,048
Balance at December 31, 2022	23,914	5,896	29,810
Balance at January 1, 2023	23,914	5,896	29,810
Amortization expense	4,445	496	4,941
<b>Balance at December 31, 2023</b>	<b>28,359</b>	<b>6,392</b>	<b>34,751</b>
<b><i>Carrying amount</i></b>			
Balance at January 1, 2022	11,728	1,073	12,801
<b>Balance at December 31, 2022</b>	<b>8,675</b>	<b>898</b>	<b>9,573</b>
<b>Balance at December 31, 2023</b>	<b>5,378</b>	<b>979</b>	<b>6,357</b>

Research and other costs were recognized as an expense under general and administrative in the Statement of Comprehensive Results of Operations during the year amount to \$7,204 (2022: \$3,744).

## 10. Accounts Payable and Accrued Liabilities

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

	<b>2023</b>	<b>Adjusted 2022</b>
Salaries and benefits	3,698	2,685
Trade and supplier accruals	4,584	3,950
Unsettled investment trade payable	-	94
Contract liabilities	1,089	919
Other liabilities	2,323	1,664
<b>Total accounts payable and accrued liabilities</b>	<b>11,694</b>	<b>9,312</b>

## 11. Commitments and Contingencies

In the normal course of business, the Corporation is a party to a number of lawsuits as the administrator of the Act. To the extent that lawsuits relate to disputes of warranty coverage, provisions for loss are included in 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, 2023 and 2022.



**11. Commitments and Contingencies (Continued)****B. FUNDING AGREEMENT**

In December 2017, the Ontario New Home Warranties Plan Act was amended to authorize the Corporation to use the Guarantee Fund to make payments or loans to any corporation that is designated to administer any successor Act or that, according to the Minister, may be so designated. A funding agreement was executed between the Corporation and Home Construction Regulatory Authority (“HCRA”) on May 31, 2019, and amended on November 2020. The funding commitment by the Corporation to the HCRA concluded effective December 31, 2023.

- The Corporation committed to provide quarterly contingency funding over 3 years (2021 to 2023) should the quarterly enrolment level falls below 14,000; the amounts are repayable in 2024 if the 3-year average annual enrolments equal to or exceed 56,000 and the HCRA’s operating reserve is at or exceeds \$4,500. The lumpsum funding advanced was \$nil in 2023 (2022: \$390). The Corporation advanced \$391 in quarterly contingency funding to HCRA in 2023 (2022: \$nil) due to lower enrolments. Tarion set up a receivable to recognize the recovery of the \$683 quarterly funding that was advanced in 2021 to 2023 based on the repayment terms and conditions in the funding agreement.

The funding support by the Corporation is conditional upon that the aggregate sum of the Funds requested by HCRA and advanced by the Corporation in any given year will not materially negatively impact the capital requirements of the Guarantee Fund and be of such an amount as to compromise the Corporation Board’s fiduciary obligation to prudently manage the Guarantee Fund in accordance with the ONHWP Act and the risk framework adopted by the Corporation Board.

The Corporation has terminated its agency agreement to collect the regulatory oversight fee on behalf of HCRA effective May 1, 2023. Fees collected from the builders and remitted to HCRA in 2023 were \$3,552 (2022: \$12,105).

**12. Leases****A. RIGHT-OF-USE ASSETS**

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

**I. Right-of-use assets**

	Office building	Computer and office equipment	Total
<b>Balance at January 1, 2023</b>	1,605	86	1,691
Depreciation charge for the year	(357)	(67)	(424)
Additions to right-of-use assets	-	99	99
Derecognition of right-of-use assets	-	-	-
<b>Balance at December 31, 2023</b>	1,248	118	1,366

**II. Amounts recognized in Statement of Comprehensive Results of Operations**

<b>During the year December 31, 2023</b>		
Interest on lease liabilities		54
Expenses relating to short-term leases		19
Expenses relating to low-value lease assets, excluding short-term leases of low-value assets		-
<b>During the year December 31, 2022</b>		
Interest on lease liabilities		69
Expenses relating to short-term leases		159
Expenses relating to low-value lease assets, excluding short-term leases of low-value assets		10

**12. Leases (Continued)**
**III. Amounts recognized in Statement of Cash Flows**
**During the year December 31, 2023**

Financing Activities - cash outflow for finance lease liabilities	(374)
Operating Activities	
Cash outflow for finance lease liabilities - interest expense	(54)
Cash outflow for short-term and low-value leases	(19)
<b>Total cash outflow for leases</b>	<b>(447)</b>

**During the year December 31, 2022**

Financing Activities - cash outflow for finance lease liabilities	(681)
Operating Activities	
Cash outflow for finance lease liabilities - interest expense	(69)
Cash outflow for short-term and low-value leases	(169)
<b>Total cash outflow for leases</b>	<b>(919)</b>

**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, 2023 is \$1,366 (2022: \$1,691). Interest expense of \$54 was incurred during 2023 (2022: \$69) 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:

	<b>2023</b>	
	Minimum lease payments	Present value minimum lease payments
Within one year	512	470
Between one and five years	1,245	1,200
	1,757	1,670
Less amounts representing finance charges	87	-
<b>Present value of minimum lease payments</b>	<b>1,670</b>	<b>1,670</b>

**13. 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:

	2023			Total
	Liabilities for remaining coverage		Liabilities for incurred claims	
	Excluding loss component	Loss component		
<b>Insurance contract liabilities as at January 1, 2023</b>	<b>268,824</b>	<b>42,034</b>	<b>49,365</b>	<b>360,223</b>
<b>Insurance revenue</b>	<b>(66,475)</b>	<b>-</b>	<b>-</b>	<b>(66,475)</b>
Contracts under fair value approach	(26,421)	-	-	(26,421)
Other contracts	(40,054)	-	-	(40,054)
<b>Insurance service expenses</b>	<b>2,468</b>	<b>6,112</b>	<b>166,479</b>	<b>175,059</b>
Incurred claims and other expenses	-	(5,199)	166,350	161,151
Changes to liabilities for incurred claims	-	-	129	129
Losses on onerous contracts and reversals of those losses	-	11,311	-	11,311
Amortization of insurance acquisition cash flows	2,468	-	-	2,468
<b>Insurance service result</b>	<b>(64,007)</b>	<b>6,112</b>	<b>166,479</b>	<b>108,584</b>
<b>Insurance finance expense</b>	<b>15,799</b>	<b>1,744</b>	<b>1,975</b>	<b>19,518</b>
<b>Total changes in the Statement of Comprehensive Income</b>	<b>(48,208)</b>	<b>7,856</b>	<b>168,454</b>	<b>128,102</b>
<b>Cash flows</b>	<b>59,601</b>	<b>-</b>	<b>(79,632)</b>	<b>(20,031)</b>
Enrolment fees received	70,998	-	-	70,998
Claims and other expenses paid	-	-	(79,632)	(79,632)
Insurance acquisition cash flows	(11,397)	-	-	(11,397)
<b>Net insurance contract liabilities as at December 31, 2023</b>	<b>280,217</b>	<b>49,890</b>	<b>138,187</b>	<b>468,294</b>

**13. Insurance Contracts and Reinsurance Contracts (Continued)**

	2022			Total
	Liabilities for remaining coverage		Liabilities for incurred claims	
	Excluding loss component	Loss component		
<b>Insurance contract liabilities as at January 1, 2022</b>	<b>256,078</b>	<b>25,691</b>	<b>55,522</b>	<b>337,291</b>
<b>Insurance revenue</b>	<b>(60,249)</b>	-	-	<b>(60,249)</b>
Contracts under fair value approach	(33,108)	-	-	(33,108)
Other contracts	(27,141)	-	-	(27,141)
<b>Insurance service expenses</b>	<b>1,536</b>	<b>15,358</b>	<b>63,077</b>	<b>79,971</b>
Incurred claims and other expenses	-	(3,492)	60,511	57,019
Changes to liabilities for incurred claims	-	-	2,566	2,566
Losses on onerous contracts and reversals of those losses	-	18,850	-	18,850
Amortization of insurance acquisition cash flows	1,536	-	-	1,536
<b>Insurance service result</b>	<b>(58,713)</b>	<b>15,358</b>	<b>63,077</b>	<b>19,722</b>
<b>Insurance finance expense</b>	<b>(10,785)</b>	985	(1,213)	<b>(11,013)</b>
<b>Total changes in the Statement of Comprehensive Income</b>	<b>(69,498)</b>	<b>16,343</b>	<b>61,864</b>	<b>8,709</b>
<b>Cash flows</b>	<b>82,244</b>	-	<b>(68,021)</b>	<b>14,223</b>
Enrolment fees received	92,854	-	-	92,854
Claims and other expenses paid	-	-	(68,021)	(68,021)
Insurance acquisition cash flows	(10,610)	-	-	(10,610)
<b>Net insurance contract liabilities as at December 31, 2022</b>	<b>268,824</b>	<b>42,034</b>	<b>49,365</b>	<b>360,223</b>

**13. 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.

	2023			
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin	Total
<b>Insurance contract liabilities as at January 1, 2023</b>	<b>253,102</b>	<b>14,372</b>	<b>92,749</b>	<b>360,223</b>
<b>Changes that relate to current services</b>	<b>108,668</b>	<b>(1,813)</b>	<b>(9,712)</b>	<b>97,143</b>
Contractual service margin recognized for services provided	-	-	(9,712)	(9,712)
Risk adjustment recognized for the risk expired	-	(1,813)	-	(1,813)
Experience adjustments	108,668	-	-	108,668
<b>Changes that relate to future services</b>	<b>(7,109)</b>	<b>10,262</b>	<b>8,159</b>	<b>11,312</b>
Contracts initially recognized in the year	(11,933)	3,430	19,714	11,211
Changes in estimates that adjust the CSM	6,192	5,363	(11,555)	-
Changes in estimates that relate to losses and reversal of losses on onerous contracts	(1,368)	1,469	-	101
<b>Changes that relate to past services</b>	<b>85</b>	<b>44</b>	<b>-</b>	<b>129</b>
Adjustments to liabilities for incurred claims	85	44	-	129
<b>Insurance service result</b>	<b>101,644</b>	<b>8,493</b>	<b>(1,553)</b>	<b>108,584</b>
<b>Insurance finance expense</b>	<b>15,609</b>	<b>686</b>	<b>3,223</b>	<b>19,518</b>
<b>Total changes in the Statement of Comprehensive Income</b>	<b>117,253</b>	<b>9,179</b>	<b>1,670</b>	<b>128,102</b>
<b>Cash flows</b>	<b>(20,031)</b>	<b>-</b>	<b>-</b>	<b>(20,031)</b>
Enrolment fees received	70,998	-	-	70,998
Claims and other expenses paid	(79,632)	-	-	(79,632)
Insurance acquisition cash flows	(11,397)	-	-	(11,397)
<b>Net insurance contract liabilities as at Dec 31, 2023</b>	<b>350,324</b>	<b>23,551</b>	<b>94,419</b>	<b>468,294</b>

**13. Insurance Contracts and Reinsurance Contracts (Continued)**

	2022			Total
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin	
<b>Insurance contract liabilities as at January 1, 2022</b>	<b>252,130</b>	<b>13,470</b>	<b>71,691</b>	<b>337,291</b>
<b>Changes that relate to current services</b>	<b>8,682</b>	<b>(2,185)</b>	<b>(8,189)</b>	<b>(1,692)</b>
Contractual service margin recognized for services provided	-	-	(8,189)	(8,189)
Risk adjustment recognized for the risk expired	-	(2,185)	-	(2,185)
Experience adjustments	8,682	-	-	8,682
<b>Changes that relate to future services</b>	<b>(12,758)</b>	<b>4,302</b>	<b>27,304</b>	<b>18,848</b>
Contracts initially recognized in the year	(23,839)	3,358	36,103	15,622
Changes in estimates that adjust the CSM	8,093	706	(8,799)	-
Changes in estimates that relate to losses and reversal of losses on onerous contracts	2,988	238	-	3,226
<b>Changes that relate to past services</b>	<b>2,912</b>	<b>(346)</b>	<b>-</b>	<b>2,566</b>
Adjustments to liabilities for incurred claims	2,912	(346)	-	2,566
<b>Insurance service result</b>	<b>(1,164)</b>	<b>1,771</b>	<b>19,115</b>	<b>19,722</b>
<b>Insurance finance expense</b>	<b>(12,087)</b>	<b>(869)</b>	<b>1,943</b>	<b>(11,013)</b>
<b>Total changes in the Statement of Comprehensive Income</b>	<b>(13,251)</b>	<b>902</b>	<b>21,058</b>	<b>8,709</b>
<b>Cash flows</b>	<b>14,223</b>	<b>-</b>	<b>-</b>	<b>14,223</b>
Enrolment fees received	92,854	-	-	92,854
Claims and other expenses paid	(68,021)	-	-	(68,021)
Insurance acquisition cash flows	(10,610)	-	-	(10,610)
<b>Net insurance contract liabilities as at Dec 31, 2022</b>	<b>253,102</b>	<b>14,372</b>	<b>92,749</b>	<b>360,223</b>

**13. 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:

	2023				
	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	
<b>Reinsurance contract assets as at January 1, 2023</b>	<b>6,003</b>	-	-	-	<b>6,003</b>
<b>Allocation of reinsurance premiums</b>	<b>(826)</b>	-	-	-	<b>(826)</b>
<b>Amounts recoverable from reinsurers for incurred claims</b>	-	<b>6,696</b>	<b>23,234</b>	<b>669</b>	<b>30,599</b>
Amounts recoverable for incurred claims and other expenses	-	(6)	23,234	669	23,897
Loss-recovery on onerous underlying contracts and adjustments	-	6,702	-	-	6,702
Changes to amounts recoverable for incurred claims	-	-	-	-	-
<b>Net income or expense from reinsurance contracts held</b>	<b>(826)</b>	<b>6,696</b>	<b>23,234</b>	<b>669</b>	<b>29,773</b>
<b>Reinsurance finance income</b>	487	9	-	-	496
<b>Effect of change in non-performance risk of reinsurers</b>	(284)	-	(581)	-	(865)
<b>Total changes in the Statement of Comprehensive Income</b>	<b>(623)</b>	<b>6,705</b>	<b>22,653</b>	<b>669</b>	<b>29,404</b>
<b>Cash flows</b>	<b>1,210</b>	-	-	-	<b>1,210</b>
Premiums paid	1,210	-	-	-	1,210
Amounts received	-	-	-	-	-
<b>Net reinsurance contract assets as at Dec 31, 2023</b>	<b>6,590</b>	<b>6,705</b>	<b>22,653</b>	<b>669</b>	<b>36,617</b>

	2022				
	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	
<b>Reinsurance contract assets as at January 1, 2022</b>	<b>5,569</b>	-	-	-	<b>5,569</b>
<b>Allocation of reinsurance premiums</b>	<b>(884)</b>	-	-	-	<b>(884)</b>
<b>Amounts recoverable from reinsurers for incurred claims</b>	-	-	-	-	-
Amounts recoverable for incurred claims and other expenses	-	-	-	-	-
Loss-recovery on onerous underlying contracts and adjustments	-	-	-	-	-
Changes to amounts recoverable for incurred claims	-	-	-	-	-
<b>Net income or expense from reinsurance contracts held</b>	<b>(884)</b>	-	-	-	<b>(884)</b>
<b>Reinsurance finance income</b>	108	-	-	-	108
<b>Effect of change in non-performance risk of reinsurers</b>	-	-	-	-	-
<b>Total changes in the Statement of Comprehensive Income</b>	<b>(776)</b>	-	-	-	<b>(776)</b>
<b>Cash flows</b>	<b>1,210</b>	-	-	-	<b>1,210</b>
Premiums paid	1,210	-	-	-	1,210
Amounts received	-	-	-	-	-
<b>Net reinsurance contract assets as at Dec 31, 2022</b>	<b>6,003</b>	-	-	-	<b>6,003</b>



**13. Insurance Contracts and Reinsurance Contracts (Continued)**

The table below presents 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.

	2023			
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin	Total
<b>Reinsurance contract assets as at January 1, 2023</b>	-	-	-	-
<b>Changes that relate to current services</b>	<b>23,221</b>	<b>668</b>	<b>84</b>	<b>23,973</b>
Contractual service margin recognized for services provided	-	-	84	84
Risk adjustment recognized for the risk expired	-	668	-	668
Experience adjustments	23,221	-	-	23,221
<b>Changes that relate to future services</b>	<b>10,446</b>	<b>1,008</b>	<b>(4,753)</b>	<b>6,701</b>
Contracts initially recognized in the year	(922)	25	1,071	174
Changes in estimates that adjust the contractual service margin	11,368	983	(12,351)	-
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	-	-	6,527	6,527
<b>Changes that relate to past services</b>	-	-	-	-
Adjustments to assets for incurred claims	-	-	-	-
<b>Effect of changes in non-performance risk of reinsurers</b>	<b>(865)</b>	-	-	<b>(865)</b>
<b>Net expenses from reinsurance contracts</b>	<b>32,802</b>	<b>1,676</b>	<b>(4,669)</b>	<b>29,809</b>
<b>Reinsurance finance income</b>	292	32	60	384
<b>Total changes in the Statement of Comprehensive Income</b>	<b>33,094</b>	<b>1,708</b>	<b>(4,609)</b>	<b>30,193</b>
<b>Cash flows</b>	<b>1,210</b>	-	-	<b>1,210</b>
Premiums paid	1,210	-	-	1,210
Amounts received	-	-	-	-
<b>Net reinsurance contract assets as at Dec 31, 2023</b>	<b>34,304</b>	<b>1,708</b>	<b>(4,609)</b>	<b>31,403</b>

CSM for reinsurance was established during 2023 with no prior activity.

**13. 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:

	2023		
	Contracts using the fair value approach	All other contracts	Total
<b>Contractual service margin as at January 1, 2023</b>	<b>9,991</b>	<b>82,758</b>	<b>92,749</b>
<b>Changes that relate to current services</b>			
Contractual service margin recognized for services provided	(2,619)	(7,093)	(9,712)
<b>Changes that relate to future service</b>			
Contracts initially recognized in the period	-	19,714	19,714
Changes in the estimates that adjust the contractual service margin	(1,603)	(9,952)	(11,555)
<b>Insurance service result</b>	<b>(4,222)</b>	<b>2,669</b>	<b>(1,553)</b>
<b>Insurance finance expense</b>	<b>214</b>	<b>3,009</b>	<b>3,223</b>
<b>Total changes in the Statement of Comprehensive Income</b>	<b>(4,008)</b>	<b>5,678</b>	<b>1,670</b>
<b>Other movements</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Contractual service margin as at Dec 31, 2023</b>	<b>5,983</b>	<b>88,436</b>	<b>94,419</b>

**13. Insurance Contracts and Reinsurance Contracts (Continued)**

	2022		
	Contracts using the fair value approach	All other contracts	Total
<b>Contractual service margin as at January 1, 2022</b>	<b>19,898</b>	<b>51,793</b>	<b>71,691</b>
<b>Changes that relate to current services</b>			
Contractual service margin recognized for services provided	(3,389)	(4,800)	(8,189)
<b>Changes that relate to future service</b>			
Contracts initially recognized in the period	-	36,103	36,103
Changes in the estimates that adjust the contractual service margin	(6,863)	(1,936)	(8,799)
<b>Insurance service result</b>	<b>(10,252)</b>	<b>29,367</b>	<b>19,115</b>
<b>Insurance finance expense</b>	<b>345</b>	<b>1,598</b>	<b>1,943</b>
<b>Total changes in the Statement of Comprehensive Income</b>	<b>(9,907)</b>	<b>30,965</b>	<b>21,058</b>
<b>Other movements</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Contractual service margin as at Dec 31, 2022</b>	<b>9,991</b>	<b>82,758</b>	<b>92,749</b>

**13. 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:

	2023		
	Contracts using the fair value approach	All other contracts	Total
<b>Contractual service margin as at January 1, 2023</b>	-	-	-
<b>Changes that relate to current services</b>			
Contractual service margin recognized for services received	-	84	84
<b>Changes that relate to future service</b>			
Contracts initially recognized in the year	-	1,071	1,071
Changes in estimates that adjust the contractual service margin	-	(12,351)	(12,351)
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	-	6,527	6,527
<b>Net expenses from reinsurance contracts</b>	-	<b>(4,669)</b>	<b>(4,669)</b>
<b>Reinsurance finance income</b>	-	60	60
<b>Total changes in the Statement of Comprehensive Income</b>	-	<b>(4,609)</b>	<b>(4,609)</b>
<b>Other movements</b>	-	-	-
<b>Contractual service margin as at Dec 31, 2023</b>	-	<b>(4,609)</b>	<b>(4,609)</b>

CSM for reinsurance was established during 2023 with no prior activity.

**13. Insurance Contracts and Reinsurance Contracts (Continued)**

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

	Insurance contract issued Warranty Contract		Reinsurance contract held Excess of loss contract	
	2023	2022	2023	2022
Less than 1 year	11,786	10,551	(308)	-
1-2 years	13,139	11,973	(442)	-
2-3 years	13,951	12,821	(532)	-
3-4 years	14,075	13,136	(597)	-
4-5 years	12,989	12,828	(632)	-
More than 5 years	28,479	31,439	(2,098)	-

**D. NET INSURANCE FINANCE RESULT**

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

	2023	Adjusted 2022
<b>Investment result</b>		
Investment income/(expense)	54,649	(53,866)
Investment management fees	(2,483)	(2,220)
<b>Total net investment result</b>	<b>52,166</b>	<b>(56,086)</b>
<b>Insurance finance income (expenses) from insurance contracts issued</b>		
Changes in fair value of underlying assets of contracts measured	-	-
Interest accreted	(11,960)	(6,961)
Effect of changes in interest rates and other financial assumptions	(7,558)	17,974
Effect of changes in fulfilment cash flows at current rates when the contractual service margin is unlocked at locked-in rates	-	-
<b>Total insurance finance income (expenses) from insurance contracts issued</b>	<b>(19,518)</b>	<b>11,013</b>
<b>Reinsurance finance income (expenses) from reinsurance contracts held</b>		
Interest accreted	190	108
Effect of changes in interest rates and other financial assumptions	306	-
<b>Total reinsurance finance income (expenses) from reinsurance contracts held</b>	<b>496</b>	<b>108</b>
<b>Amounts recognized in profit or loss</b>	<b>33,144</b>	<b>(44,965)</b>
<b>Total net investment income, insurance finance expenses, and reinsurance finance income</b>	<b>33,144</b>	<b>(44,965)</b>

**13. Insurance Contracts and Reinsurance Contracts (Continued)**
*Investment Income/(Loss)*

	<b>2023</b>	<b>2022</b>
Realized and change in unrealized gains / (losses) of equity portfolio	16,173	(29,557)
Dividends from equity portfolio	2,472	2,597
Realized and change in unrealized gains / (losses) of infrastructure assets portfolio	3,534	4,113
Dividends from infrastructure assets portfolio	1,563	483
Realized and change in unrealized gains / (losses) of fixed income portfolio	12,192	(37,343)
Interest income from fixed income portfolio	16,347	13,332
Realized and change in unrealized gains / (losses) on Derivative Assets	2,368	(7,492)
<b>Total investment income/(Loss)</b>	<b>54,649</b>	<b>(53,867)</b>

**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:

	<b>Non-onerous</b>		<b>Onerous</b>		<b>Total</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Insurance contract liabilities</b>						
Estimates of present value of future cash outflows, excluding insurance acquisition cash flows	25,068	31,700	19,110	26,881	44,178	58,581
Estimates of insurance acquisition cash flows	9,465	8,726	1,932	1,884	11,397	10,610
<b>Estimates of present value of future cash outflows</b>	<b>34,533</b>	<b>40,426</b>	<b>21,042</b>	<b>28,765</b>	<b>55,575</b>	<b>69,191</b>
Estimates of present value of future cash inflows	(56,077)	(78,150)	(11,431)	(14,879)	(67,508)	(93,029)
Risk adjustment	1,830	1,621	1,600	1,738	3,430	3,359
CSM	19,714	36,103	-	-	19,714	36,103
<b>Losses recognized on initial recognition for the period ending Dec 31, 2023</b>	<b>-</b>	<b>-</b>	<b>11,211</b>	<b>15,624</b>	<b>11,211</b>	<b>15,624</b>

**13. Insurance Contracts and Reinsurance Contracts (Continued)**

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	
	2023	2022	2023	2022	2023	2022
<b>Reinsurance contract assets</b>						
Estimates of present value of future cash inflows	1,006		204		1,210	-
Estimates of present value of future cash outflows	(78)		(210)		(288)	-
Risk adjustment	(6)		(19)		(25)	-
Loss recovery related to losses on underlying insurance contracts at initial recognition	-		174		174	-
<b>CSM on initial recognition for the period ending Dec 31, 2023</b>	<b>922</b>	<b>-</b>	<b>149</b>	<b>-</b>	<b>1,071</b>	<b>-</b>

**F. SIGNIFICANT RISKS AND ASSUMPTIONS RELATED TO INSURANCE CONTRACTS i.e., WARRANTY CLAIMS LIABILITIES AND DEFERRED ENROLMENT FEES**

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

### 13. Insurance Contracts and Reinsurance Contracts (Continued)

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 AA+ as at December 31, 2023 (2022: AA+). The third-party reinsurer provides coverage on net claims paid in excess of \$75 million to a maximum of \$45 million.

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 to the Act;
- Processes exist to ensure that all claims are captured, reviewed and updated on a timely basis with a realistic assessment of the ultimate settlement costs;
- Engage qualified actuaries annually to review and assess the adequacy of the 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 13G.



**13. Insurance Contracts and Reinsurance Contracts (Continued)**

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

The developments of assumptions for future claims are based on the Corporation's experience and known cases or potential issues. Such assumptions require a significant amount of professional judgment; therefore, actual experience may be materially different than the assumptions made by the Corporation. Home builder payment patterns, renewals, withdrawals and surrender activities can be influenced by many factors including market and general economic conditions. Their behavior also has an impact on assessing future claims. The impact of changes in adverse deviation is set out in the sensitivity analysis in Note 13G.

**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:

	2023			Total
	Freehold	Condo High-Rise	Condo Low-Rise	
Unpaid claims	108,401	11,180	350	<b>119,931</b>
Incurred but not reported	2,941	(2,043)	172	<b>1,070</b>
Insurance service expenses	7,072	9,486	1,075	<b>17,633</b>
Discount and inflation impact	(4,110)	1,938	(196)	<b>(2,368)</b>
Risk adjustment	856	925	140	<b>1,921</b>
<b>Total liabilities for incurred claims</b>	<b>115,160</b>	<b>21,486</b>	<b>1,541</b>	<b>138,187</b>

	2022			Total
	Freehold	Condo High-Rise	Condo Low-Rise	
Unpaid claims	17,306	13,587	415	<b>31,308</b>
Incurred but not reported	6,159	(6,346)	248	<b>61</b>
Insurance service expenses	7,274	7,964	1,364	<b>16,602</b>
Discount and inflation impact	(1,636)	2,134	49	<b>547</b>
Risk adjustment	291	520	36	<b>847</b>
<b>Total liabilities for incurred claims</b>	<b>29,394</b>	<b>17,859</b>	<b>2,112</b>	<b>49,365</b>

**13. Insurance Contracts and Reinsurance Contracts (Continued)****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 are traded in a highly liquid market and can be readily converted to cash.

**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. Warranty claims liabilities are discounted to reflect the time value of money over the periods between the reporting date and settlement date based on accepted actuarial practice. 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 13G.

- *Inflation rate*

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

**13. Insurance Contracts and Reinsurance Contracts (Continued)**
**G. SENSITIVITY ANALYSIS AND MATURITY PROFILE ON INSURANCE CONTRACT LIABILITIES**

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

	<b>2023</b>	<b>2022</b>
Discount rate	4.87%	5.25%
Inflation rate	6.00%	4.02%
Future claims adjustment costs	45.68%	45.41%

**Sensitivity analysis on insurance contract liabilities**

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

		2023						
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%	10,653	(9,610)	(8,799)	(9,610)	(8,799)	(1,042)	(855)
Discount rate	+1%	(9,962)	8,972	8,221	8,972	8,221	990	820
Inflation risk	-1%	(10,580)	5,837	4,781	5,837	4,781	4,743	4,625
Inflation risk	+1%	11,123	(6,148)	(5,051)	(6,148)	(5,051)	(4,975)	(4,843)
Frequency & severity	-10%	(28,232)	21,481	11,789	21,481	11,789	6,751	6,416
Frequency & severity	+10%	28,232	(21,964)	(16,130)	(21,964)	(16,130)	(6,268)	(8,462)

		2022						
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%	8,703	(7,377)	(7,377)	(7,456)	(7,456)	(1,232)	(1,232)
Discount rate	1%	(8,151)	6,884	6,884	6,958	6,958	1,179	1,179
Inflation risk	-1%	(8,690)	4,166	4,166	4,211	4,211	4,454	4,454
Inflation risk	1%	9,123	(4,400)	(4,400)	(4,447)	(4,447)	(4,650)	(4,650)
Frequency & severity	-10%	(18,080)	11,014	11,014	11,132	11,132	6,909	6,909
Frequency & severity	10%	18,080	(11,014)	(11,014)	(11,132)	(11,132)	(6,909)	(6,909)

**13. Insurance Contracts and Reinsurance Contracts (Continued)**
***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
<b>2023</b>	111,825	9,743	7,393	3,333	1,415	2,557	<b>136,266</b>
<b>2022</b>	29,322	11,029	3,923	2,021	1,172	1,051	<b>48,518</b>

**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.

**13. Insurance Contracts and Reinsurance Contracts (Continued)**

	All Prior years claims with outstanding liability	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
<b>Estimate of ultimate claims</b>														
All prior years	99,859													
At end of occurrence year		7,581	8,420	11,256	15,391	18,001	16,102	17,015	19,655	20,049	36,456	43,946	148,186	
One year later		6,534	6,538	9,505	13,448	17,501	15,547	17,530	20,355	29,792	32,023	42,664		
Two years later		6,387	6,411	10,044	13,837	17,369	17,697	20,113	33,459	27,463	34,174			
Three years later		6,026	6,487	10,328	14,055	18,166	19,565	21,738	31,983	24,781				
Four years later		6,485	6,747	10,348	13,843	17,943	20,365	21,870	28,775					
Five years later		6,209	6,762	10,305	13,852	18,983	20,487	21,501						
Six years later		6,459	6,749	10,175	15,651	18,958	20,639							
Seven years later		6,779	6,706	9,877	15,663	18,425								
Eight years later		6,662	6,802	12,962	15,566									
Nine years later		6,907	6,887	11,080										
Ten years later		6,922	6,788											
Eleven years later		7,016												
<b>Current Estimate of Ultimate Claims Reported</b>	<b>99,859</b>	<b>7,016</b>	<b>6,788</b>	<b>11,080</b>	<b>15,566</b>	<b>18,425</b>	<b>20,639</b>	<b>21,501</b>	<b>28,775</b>	<b>24,781</b>	<b>34,174</b>	<b>42,664</b>	<b>148,186</b>	<b>479,454</b>
<b>Claims Paid (incremental)</b>														
All prior years	99,859													
At end of occurrence year		1,939	3,375	2,992	5,079	5,014	4,041	5,376	7,706	6,693	8,626	14,312	19,420	
One year later		1,877	2,333	3,689	5,290	5,703	8,195	6,946	7,898	7,262	9,101	15,268		
Two years later		905	585	1,832	1,948	2,239	2,695	5,158	4,216	5,369	5,506			
Three years later		485	275	855	443	1,579	2,299	1,281	3,388	1,751				
Four years later		288	13	132	196	266	612	1,649	3,271					
Five years later		228	41	22	175	198	1,939	311						
Six years later		158	19	33	328	104	153							
Seven years later		103	20	26	416	23								
Eight years later		449	18	125	41									
Nine years later		230	6	1,375										
Ten years later		2	90											
Eleven years later		188												
<b>Cumulative Claims Paid</b>	<b>99,859</b>	<b>6,852</b>	<b>6,775</b>	<b>11,081</b>	<b>13,916</b>	<b>15,126</b>	<b>19,934</b>	<b>20,721</b>	<b>26,479</b>	<b>21,075</b>	<b>23,233</b>	<b>29,580</b>	<b>19,420</b>	<b>314,051</b>
<b>Current reported provision before discounting &amp; expenses</b>	<b>-</b>	<b>164</b>	<b>13</b>	<b>(1)</b>	<b>1,650</b>	<b>3,299</b>	<b>705</b>	<b>780</b>	<b>2,296</b>	<b>3,706</b>	<b>10,941</b>	<b>13,084</b>	<b>128,766</b>	<b>165,403</b>
Recoveries (Undiscounted)	2	14	17	25	132	1,961	181	337	1,567	1,093	2,782	5,181	13,477	26,769
Discounting and inflation impact	-	(3)	-	-	(26)	(23)	(9)	(8)	(12)	(44)	(139)	(135)	(1,969)	(2,368)
Risk adjustment impact	-	1	-	-	69	93	18	24	26	4	306	258	1,122	1,921
<b>Present Value recognized on the Statement of Financial Position (Net of Recoveries)</b>	<b>(2)</b>	<b>148</b>	<b>(4)</b>	<b>(26)</b>	<b>1,561</b>	<b>1,408</b>	<b>533</b>	<b>459</b>	<b>743</b>	<b>2,573</b>	<b>8,326</b>	<b>8,026</b>	<b>114,442</b>	<b>138,187</b>

**13. Insurance Contracts and Reinsurance Contracts (Continued)**

	All Prior years claims with outstanding liability	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
<b>Estimate of ultimate claims</b>														
All prior years	99,859													
At end of occurrence year		7,581	8,420	11,256	15,391	18,001	16,102	17,015	19,655	20,049	36,456	43,946	124,224	
One year later		6,534	6,538	9,505	13,448	17,501	15,547	17,530	20,355	29,792	32,023	42,664		
Two years later		6,387	6,411	10,044	13,837	17,369	17,697	20,113	33,459	27,463	34,174			
Three years later		6,026	6,487	10,328	14,055	18,166	19,565	21,738	31,983	24,781				
Four years later		6,485	6,747	10,348	13,843	17,943	20,365	21,870	28,775					
Five years later		6,209	6,762	10,305	13,852	18,983	20,487	21,501						
Six years later		6,459	6,749	10,175	15,651	18,958	20,639							
Seven years later		6,779	6,706	9,877	15,663	18,425								
Eight years later		6,662	6,802	12,962	15,566									
Nine years later		6,907	6,887	11,080										
Ten years later		6,922	6,788											
Eleven years later		7,016												
<b>Current Estimate of Ultimate Claims Reported</b>	<b>99,859</b>	<b>7,016</b>	<b>6,788</b>	<b>11,080</b>	<b>15,566</b>	<b>18,425</b>	<b>20,639</b>	<b>21,501</b>	<b>28,775</b>	<b>24,781</b>	<b>34,174</b>	<b>42,664</b>	<b>124,224</b>	<b>455,492</b>
<b>Claims Paid (incremental)</b>														
All prior years	99,859													
At end of occurrence year		1,939	3,375	2,992	5,079	5,014	4,041	5,376	7,706	6,693	8,626	14,312	19,420	
One year later		1,877	2,333	3,689	5,290	5,703	8,195	6,946	7,898	7,262	9,101	15,268		
Two years later		905	585	1,832	1,948	2,239	2,695	5,158	4,216	5,369	5,506			
Three years later		485	275	855	443	1,579	2,299	1,281	3,388	1,751				
Four years later		288	13	132	196	266	612	1,649	3,271					
Five years later		228	41	22	175	198	1,939	311						
Six years later		158	19	33	328	104	153							
Seven years later		103	20	26	416	23								
Eight years later		449	18	125	41									
Nine years later		230	6	1,375										
Ten years later		2	90											
Eleven years later		188												
<b>Cumulative Claims Paid</b>	<b>99,859</b>	<b>6,852</b>	<b>6,775</b>	<b>11,081</b>	<b>13,916</b>	<b>15,126</b>	<b>19,934</b>	<b>20,721</b>	<b>26,479</b>	<b>21,075</b>	<b>23,233</b>	<b>29,580</b>	<b>19,420</b>	<b>314,051</b>
<b>Current reported provision before discounting &amp; expenses</b>														
	-	164	13	(1)	1,650	3,299	705	780	2,296	3,706	10,941	13,084	104,804	<b>141,441</b>
Recoveries (Undiscounted)	2	14	17	25	132	1,961	181	337	1,567	1,093	2,782	5,181	13,477	<b>26,769</b>
Discounting and inflation impact	-	(3)	-	-	(26)	(23)	(9)	(8)	(12)	(45)	(139)	(135)	(1,241)	<b>(1,641)</b>
Risk adjustment impact	-	1	-	-	69	93	18	24	26	4	306	258	454	<b>1,253</b>
Reinsurance non-performance risk	-	-	-	-	-	-	-	-	-	-	-	-	581	<b>581</b>
<b>Present Value recognized on the Statement of Financial Position</b>	<b>(2)</b>	<b>148</b>	<b>(4)</b>	<b>(26)</b>	<b>1,561</b>	<b>1,408</b>	<b>533</b>	<b>459</b>	<b>743</b>	<b>2,572</b>	<b>8,326</b>	<b>8,026</b>	<b>91,121</b>	<b>114,865</b>

#### 14. Funds Held as Security

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

Security received in cash is invested as part of the Corporation's investment portfolio. As at December 31, 2023, the funds held as security of \$92,995 (2022: \$93,678), 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, 2023 of \$2,492 (2022: \$2,835).

The fair value of the funds held as security is \$82,014 as at December 31, 2023 (2022: \$83,664). Letters of credit and other guarantees are available to be drawn upon to settle known claims. Such drawn amounts would reduce the amounts recoverable from builders in the Statement of Financial Position.

During the year, the Corporation incurred interest of \$492 (2022: \$1,197) on cash security deposits. Interest is calculated based on Prime less 2%, adjusted every sixth month. The Corporation ceased the practice of incurring interest on cash deposits as of March 1, 2023.

#### 15. 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.

**15. 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. See Note 15E 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 is based on valuation of the OPEB performed as at December 31, 2023.

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

**C. PENSION PLAN REGULATORY FRAMEWORK**

The DC Plan is registered with the Financial Services Regulatory Authority of Ontario (# 1322577) and with the Canada Revenue Agency. The expected Employer contributions in respect of current accruals to the DC Plan in 2024 are \$1,894 (employee contributions are expected to be \$1,321).

**D. PLAN GOVERNANCE**

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

**E. SIGNIFICANT RISKS TO WHICH THE PLAN EXPOSES THE CORPORATION**

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



**15. Employee Future Benefit Plans (Continued)**

	<b>2023</b>	<b>2022</b>
	OPEB & SERP	OPEB & SERP
Fair value of assets	-	-
Present value of the defined benefit obligation	(6,588)	(5,489)
Net Defined benefit surplus (obligation)	(6,588)	(5,489)
Impact of asset ceiling	-	-
Accrued asset/(liability)	(6,588)	(5,489)
Employer contributions	191	172
Employee contributions	-	-
Benefit Payments and transfers to other plans	191	172

The present value of the SERP obligation as at December 31, 2023 was \$1,080 (2022: \$1,014), 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, 2023 were \$86 (2022: \$86). For the year ended December 31, 2023, the employer contributions to the DC Plan were \$1,762 (2022: \$1,351), and the employee contributions to the DC Plan were \$1,134 (2022: \$833). The net notional employer contributions for the SERP were \$93 (2022: \$44).

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

	<b>2023</b>	<b>2022</b>
Accrued Benefit Obligation, OPEB	5,508	4,475
Accrued Benefit Obligation, SERP	1,080	1,014
<b>Net Employee Benefits Obligation Reported</b>	<b>6,588</b>	<b>5,489</b>

As of December 31, 2023, the current liabilities were \$131 (2022: \$86) with respect to the OPEB plan and \$86 (2022: \$86) with respect to the SERP plan.

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

**15. Employee Future Benefit Plans (Continued)**

	<b>2023</b>	<b>2022</b>
	<b>OPEB &amp; SERP</b>	<b>OPEB &amp; SERP</b>
Beginning of year	(5,489)	(8,713)
Current Service Cost	(142)	(410)
Past Service Cost	-	1,227
Interest Costs	(291)	(230)
Benefit Payments	191	172
Actuarial Gain/(Loss) arising from plan experience	624	-
Actuarial Gain/(Loss) arising from changes in demographic assumptions	(762)	-
Actuarial Gain/(Loss) arising from changes in financial assumptions	(719)	2,465
Actuarial Gain/(Loss) arising from settlement	-	-
Curtailments/Settlements	-	-
<b>Accrued Obligation, end of year</b>	<b>(6,588)</b>	<b>(5,489)</b>

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

	<b>2023</b>	<b>2022</b>
	<b>OPEB &amp; SERP</b>	<b>OPEB &amp; SERP</b>
Beginning of year	-	-
Contributions by Employer	191	172
Expected Income on Plan Assets	-	-
Actuarial Gains/(Losses)	-	-
Benefits Payments (including Settlement)	(191)	(172)
Administration Costs*	-	-
Curtailments/Settlements	-	-
<b>Plan Assets, end of the year</b>	<b>-</b>	<b>-</b>

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

A discount rate of 4.60% per annum was used for the disclosures at December 31, 2023 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, 2023.

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

**15. Employee Future Benefit Plans (Continued)**

	<b>2023</b>	<b>2022</b>
	<b>OPEB &amp; SERP</b>	<b>OPEB &amp; SERP</b>
Current Service Costs	142	410
Administration Costs (non-investment related)	n/a	n/a
Past service cost (including curtailment)	-	(1,227)
Loss (gain) on settlement	-	-
<b>Service Cost</b>	<b>142</b>	<b>(817)</b>
Interest Cost on the defined benefit obligation	291	230
Expected income on plan assets	-	-
Interest on the effect of the asset ceiling	-	-
<b>Net interest on the net defined benefit liability (asset)</b>	<b>291</b>	<b>230</b>
<b>Expense (income) recognized in profit or loss</b>	<b>433</b>	<b>(587)</b>
<b>Remeasurements of the net defined benefit liability (asset)</b>		
Actuarial loss (gain) on the defined benefit liability (asset)	857	(2,465)
Return on plan assets less expected income on plan assets	-	-
Change in the effect of the asset ceiling (excluding interest)	-	-
<b>Total amount recognized in Other Comprehensive Income</b>	<b>857</b>	<b>(2,465)</b>

The net expense for the SERP in 2023 was \$152 (2022: \$5) included in the OPEB & SERP amounts above. The net expense for the DC Plan in 2023 was \$1,762 (2022: \$1,351).

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

**15. Employee Future Benefit Plans (Continued)**
**F. SIGNIFICANT ASSUMPTIONS**

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

	<b>2023</b>	<b>2022</b>
	<b>OPEB</b>	<b>OPEB</b>
<b>Accrued Benefit Obligation as of December 31:</b>		
Discount rate	4.60%	5.20%
Salary Increase	N/A	N/A
General Inflation	2.00%	2.00%
Mortality	Canadian Pensioner Mortality Priv Table (CPM2014Priv), with improvement Scale B	Canadian Pensioner Mortality Priv Table (CPM2014Priv), with improvement Scale B
Form of benefit elected	N/A	N/A
<b>Benefit Cost for the Period:</b>		
Discount rate	5.20%	3.40%
Salary Increase	N/A	N/A
General Inflation	2.00%	2.00%
Mortality	Canadian Pensioner Mortality Priv Table (CPM2014Priv), with improvement Scale B	Canadian Pensioner Mortality Priv Table (CPM2014Priv), with improvement Scale B
<b>Assumed Health Care Cost Trend Rates at December 31:</b>		
Initial health care cost trend rate	5.97%	5.57%
Cost trend rate declines to	3.57%	3.57%
Year that the rate reaches the rate it is assumed to stay at	2040	2040

**15. Employee Future Benefit Plans (Continued)**
**G. SENSITIVITY ANALYSIS FOR OPEB**

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

Valuation Assumptions	1% Change in Health and Dental Care Trend Rates		1% Change in Discount Rate	
	Increase	Decrease	Increase	Decrease
Accrued benefit obligation as at December 31, 2023 at 4.60% per annum	5,508	1,016	(809)	1,008

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

**16. Interest Expense**

	Notes	2023	2022
Interest on funds held as security	14	492	1,197
Interest on lease obligations	12	54	69
<b>Total interest expense</b>		<b>546</b>	<b>1,266</b>

**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 13. As part of the Corporation's capital management framework, reinsurance arrangement was put in place since 2016; the excess loss limits from the reinsurance arrangement were established after a review of large historic claim losses of other jurisdictions.

**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, 2023, there are collection and litigation account receivables and cash securities recognized due from related parties of \$nil (2022: nil). Letters of credit and other guarantees lodged by related parties are recognized in the Financial Statements only to the extent they are expected to be drawn upon to settle known claims. Transactions between related parties are made at normal market prices.

The Corporation pays an oversight fee to the Government of Ontario for each calendar year. The fee payable is set by the Government of Ontario based on its cost recoverability. In 2023, the Corporation incurred a fee of \$639 (2022: \$639).

**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:

	<b>2023</b>	<b>2022</b>
Short-term employee benefits	3,086	2,743
Board of directors fees	666	588
Post-employment benefits	443	286
<b>Compensation for key leadership personnel</b>	<b>4,195</b>	<b>3,617</b>



## Contact Information

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Help us direct your questions to the right people.  
Write to us at [customerservice@tarion.com](mailto:customerservice@tarion.com).

### Call Us

Our representatives are available to assist you  
by phone from 8 am to 5 pm, Monday to Friday.  
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