

**Tarion Annual Public Meeting
April 27, 2009**

The first Tarion Annual Public Meeting took place on Monday, April 27, 2009 at the Novotel Hotel adjacent to Tarion's corporate offices.

Opening Remarks – Chair of the Board

The meeting commenced at 10:00 a.m. with opening remarks from the Chair of Tarion's Board of Directors, Harry Herskowitz.

After welcoming attendees, Mr. Herskowitz introduced the Board of Directors and presented an overview of the role of the Board and the various backgrounds of the Board members. He advised that the Board which is constituted in accordance with the provisions of the corporation's by-laws includes 15 individuals with a range of backgrounds and experience drawn from stakeholders with an interest in the home building industry. In particular, he noted that there are Board members from the building and finance industries, as well as members appointed by the Minister of Small Business and Consumer Services who represent the perspective of Ontario homeowners. He emphasized that this breadth of backgrounds, skills and experience enhances the Board's role in supporting Tarion's mandate and in balancing the interests of its stakeholders.

Mr. Herskowitz introduced Tarion's Corporate Leadership Team. He then reviewed the agenda and the Rules of Order for the meeting.

Mr. Herskowitz provided an overview of Tarion's legislatively created mandate, or purpose. He advised that Tarion is a not-for-profit corporation created in 1976 to administer the *Ontario New Home Warranties Plan Act*. The *Act* provides for the regulation of Ontario new home builders and the administration of statutory warranties designed to protect homeowners from certain construction related risks and builder failures or defaults, such as substandard or incomplete construction, faulty workmanship and materials, and loss of deposits. Mr. Herskowitz explained that, as part of its mandate, Tarion provides new homeowners with a forum for complaints about builders, conciliates disputes to a fair and timely resolution, maintains a guarantee fund to provide compensation if a builder is unwilling or unable to honour the warranties, and offers educational services to homeowners and builders in order to facilitate progressive improvement in the quality of housing in Ontario.

Operations Overview – President and Chief Executive Officer

Tarion President and CEO, Howard Bogach, presented an overview of key operational information for 2008.

Mr. Bogach advised that, all new homes must be enrolled with Tarion prior to construction, and after years of strong residential construction economic, economic realities had resulted in new home enrolments being dramatically reduced in late 2008. For 2009, enrolments are predicted to be in the range of 30,000, down from 61,000 in 2008.

Mr. Bogach reported that there are currently 5,840 builders registered with Tarion and that each of these is licensed annually subject to a risk assessment by Tarion. He explained the role played by Tarion in investigating and prosecuting illegal builders—those who build homes without being registered with Tarion and/or without enrolling homes in the mandatory warranty plan under the *Act*.

Mr. Bogach provided an overview of the warranty claim process and noted some of the mandatory timelines for submitting a warranty claim and requesting Tarion's conciliation of a warranty dispute. He also identified some of the most common issues that are warranted by Tarion. He advised that in 2008 Tarion conducted 300 to 400 home inspections per month and paid more than 1,300 claims, which totaled \$14 million in compensation paid out of the guarantee fund.

Mr. Bogach confirmed Tarion's commitment to warranty education and training and noted some of the educational services that are provided to homeowners and builders. For example, he advised that the New Home Buyer Seminars, which are held regularly in Toronto and Ottawa, will soon be delivered online so that they will be more accessible and convenient. He stressed the value of Tarion's website, the *Construction Performance Guidelines*, and the *Tarion Homeowner Information Package* as resources to better understand the statutory warranty rights, roles and responsibilities of Tarion, homeowners and builders. Mr. Bogach also noted the important role of the Tarion Customer Centre, which in 2008 served nearly 10,000 visitors, and received and responded to more than 100,000 telephone calls and more than 13,000 emails.

Mr. Bogach then addressed homeowner satisfaction with Tarion's customer service, referring to the results of an extensive survey conducted in 2008. More than 13,400 new homeowners responded to the survey. Eighty-six percent of respondents had a favourable opinion of Tarion and viewed the company as: easy to do business with; accessible and attentive to the needs and concerns of homeowners; helpful in creating an understanding of the warranties; and effective in ensuring that builders fulfilled their warranty obligations. He noted the level of satisfaction with Tarion was negatively affected where the respondent's had an experience with their builder that was below their expectations.

The survey also provided homeowner input on how Tarion could improve customer service. Suggestions included offering more proactive service, enabling online form submission, simplifying the language used in Tarion's communications, providing staff continuity in file management and being more transparent in Tarion's dealings with builders. Tarion is taking steps to implement a number of these suggestions. For example, in 2008 Tarion established the New Home Buyer Ombudsperson Office and this year Tarion will launch an online Homeowner Portal.

Ombudsperson Office Overview – Ombudsperson

Ian Darling, Tarion's newly appointed Ombudsperson, provided an overview of the terms of reference of the New Home Buyer Ombudsperson Office.

He indicated that the Office's mandate is to receive, investigate and resolve homeowner complaints that Tarion's conduct is not in accord with its practices and procedures. His role also involves identifying and reporting on complaint trends, policy matters and systemic issues with recommendations for improvement.

Mr. Darling stressed the independence of his Office and that his work is based on the principles of fairness and impartiality. He noted that his role is not to replace any formal channels at Tarion and that he does not make warranty decisions, mandate policies or pursue any matter that is in legal proceedings. He determines how and where a complaint can be best addressed and assesses whether an investigation is warranted.

Financial Overview – Vice President and Chief Financial Officer

John Becevello, Tarion's Vice President and Chief Financial Officer, presented Tarion's financial results for the year ended December 31, 2008, focusing on the investment results, the warranty liabilities and Tarion's equity.

He advised that investments had decreased by approximately \$22 million, half of which he attributes to market decline and the other half to the use of funds to operate the business and pay claims. Mr. Becevello advised that warranty liabilities increased by \$26 million in 2008 to \$169 million, largely due to an increase in warranty claims. Total equity dropped by \$44 million due to a \$22 million decrease in surplus and another \$22 million from market value decreases in the Company's stock portfolio.

Looking Ahead – President and Chief Executive Officer

Mr. Bogach summarized the financial situation by noting that 2008 had been a challenging year for Tarion caused principally by the declining housing market, turmoil in the financial markets and higher claims but that, despite those drawbacks, Tarion had closed the year on a solid footing with \$93.8 million in total equity.

He then summarized the company's plans for 2009 stating a key objective was to meet the general challenge of increasing consumer expectations at a time of economic uncertainty while remaining focused on improving the Tarion experience for all of its stakeholders. He noted specifically the goal of bringing new customer focus to the way in which Tarion delivers on its mandate.

He spoke of the new three-year Strategic Plan, which he referred to as the 3-R strategy – Recession, Relationships and Reputation. The Strategic Plan was adopted in 2009 by the Corporate Leadership

Team and the Board of Directors to take into account the realities of the current economy and to make Tarion a more flexible, creative and efficient organization. Mr. Bogach then advised that the 2008 Annual Report is available on Tarion's website.

Question and Answer Period

Mr. Bogach opened the floor to questions from the audience.

Q: A builder who also serves as the Chair of the Tarion-OHBA Liason Committee noted Mr. Bogach's comment that the homeowner satisfaction survey results indicated that only 44% of respondents who had a below expectations experience with their builder were highly satisfied with Tarion. He asked how builders and Tarion may change that number.

A: Mr. Bogach acknowledged that while we can't expect a dramatic change all at once we should focus on making improvements in gradual steps. Despite the recession, Tarion encourages builders to focus on improving customer service and building relationships for the longer term. He suggested that one of the ways to improve service delivery is to identify and effectively manage homeowner expectations. One of the most common issues Tarion deals with is unrealistic homeowner expectations and it is important for homeowners to understand what they can expect with the construction of a new home. The more Tarion and builders can do to educate them in this regard, the better the new home experience will be for everyone.

Q: A homeowner suggested that the homeowner satisfaction survey should be reconsidered. He noted that many of the survey questions give homeowners 5 answers to choose from, but 3 of them were positive and it is the positive ones that are listed first. He suggested that this would skew the results toward favourable. He also asked how Tarion would get homeowners more involved in meeting the 3-R Strategic Plan.

A: Mr. Bogach said that he thinks the survey, which was administered by Harris/Decima provides a fair representative of homeowner views, but acknowledged that there's room for improvement. For example, Tarion would like to see a higher response rate. He noted that Tarion did additional research, conducting several focus groups, in order to learn more about homeowners' satisfaction levels and expectations. Mr. Bogach said that Tarion shares the research results with its stakeholders and tries to them as much as possible to make Tarion a better organization, but he acknowledged that there's still work to do.

Q: The same homeowner suggested that the next Annual Meeting be held at a time when more homeowners could attend.

A: Mr. Bogach advised that Tarion would consider holding the Annual Meeting in the evening going forward.

With no further questions, the meeting concluded at 10:55 a.m.