

TARIONS' 2023 BUSINESS PLAN



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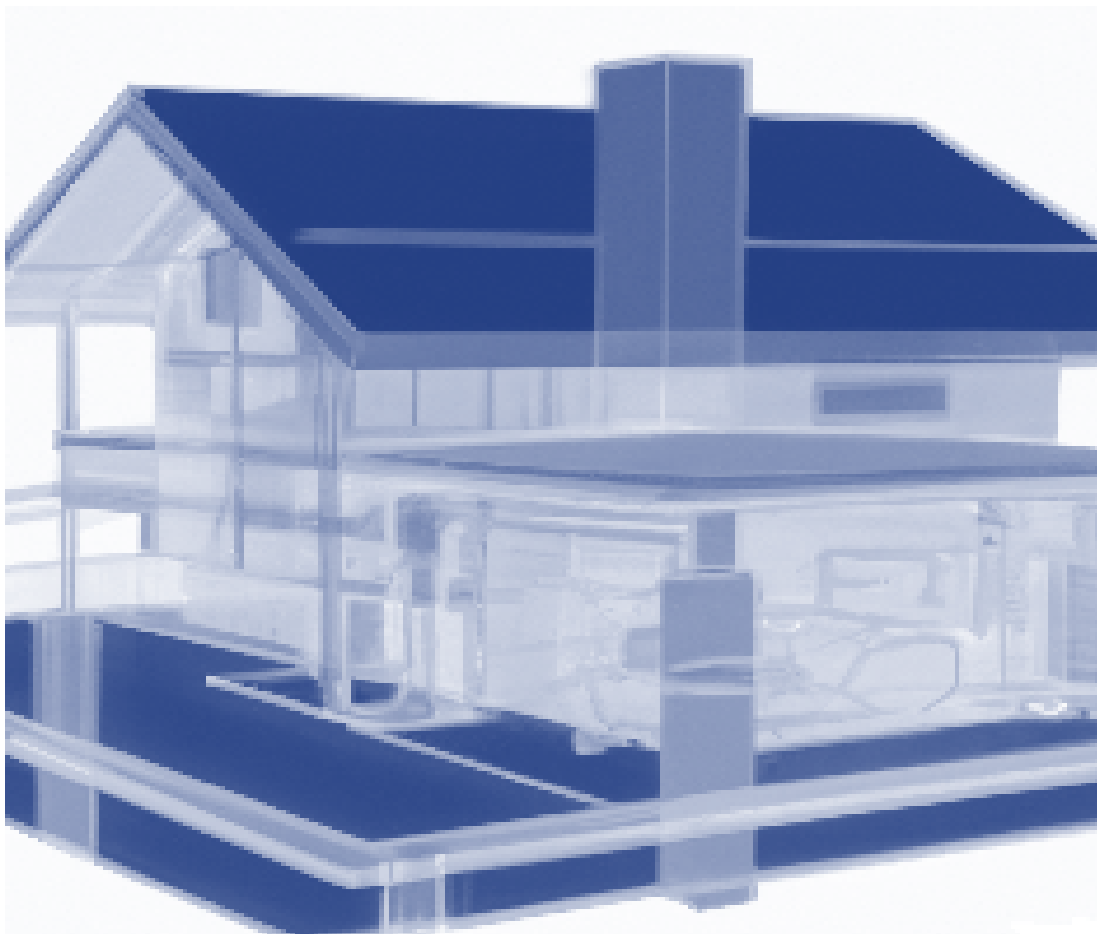
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Executive Summary

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

Tarion is committed to sound Business Planning to effectively deliver its consumer protection mandate. This plan outlines the priorities for the 2023 fiscal year¹, while the upcoming Annual Report will outline Tarion's achievements in the 2022 fiscal year ended December 31, 2022.

In 2023, Tarion will complete several service improvements including: many of the remaining recommendations identified by the Auditor General in her October 2019 report (the "2019 AG Report"); explore opportunities to continue to improve current warranty coverage; adopt a new International Financial Reporting Standard (IFRS-17); and enhance our internal and external technology to better serve our stakeholders.



¹ All forecasts / projections / target dates in this Business Plan are as of October 20, 2022 (unless otherwise noted), and Tarion's fiscal year runs from January 1 to December 31.

Corporate Overview

Mandate

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

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

Vision

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

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

Mission

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

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

Core Values

Tarion's core values set a foundation of the organizational culture and behaviours that allow us to deliver on our mandate and achieve our mission and vision. Our core values are more than a list of the behaviours we value; they define who we are.

Service Oriented

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

Continuously Improving

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

Solution Seeking

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

Inclusive

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

Trustworthy

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

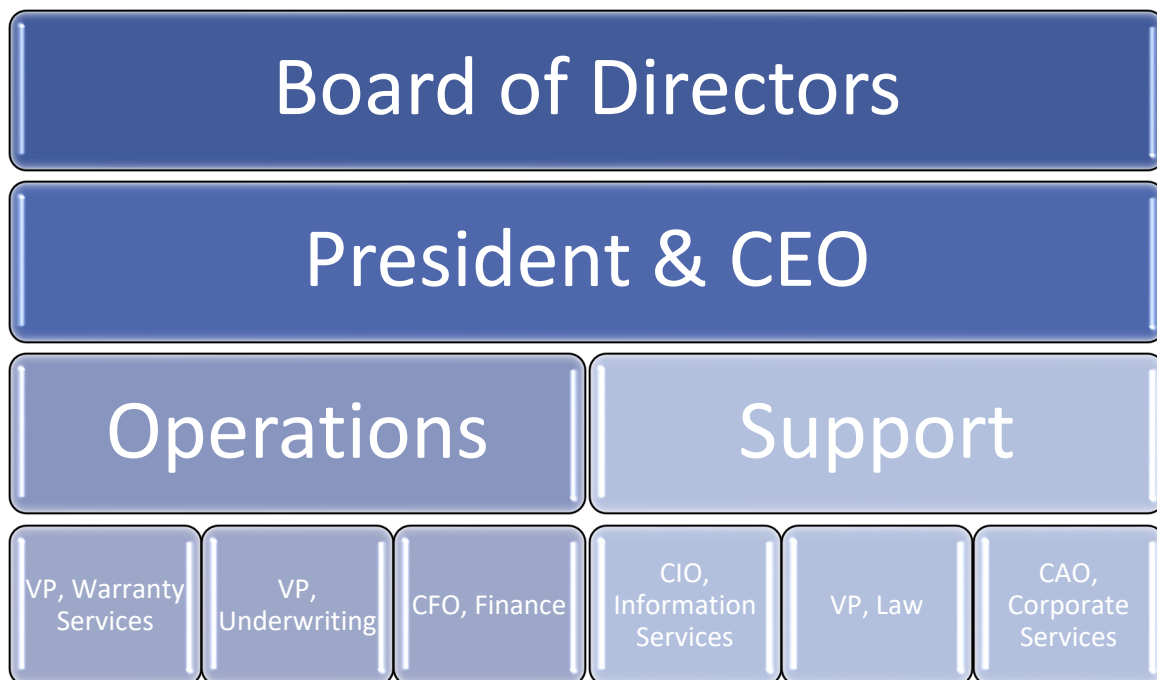
Caring

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

Description of structure

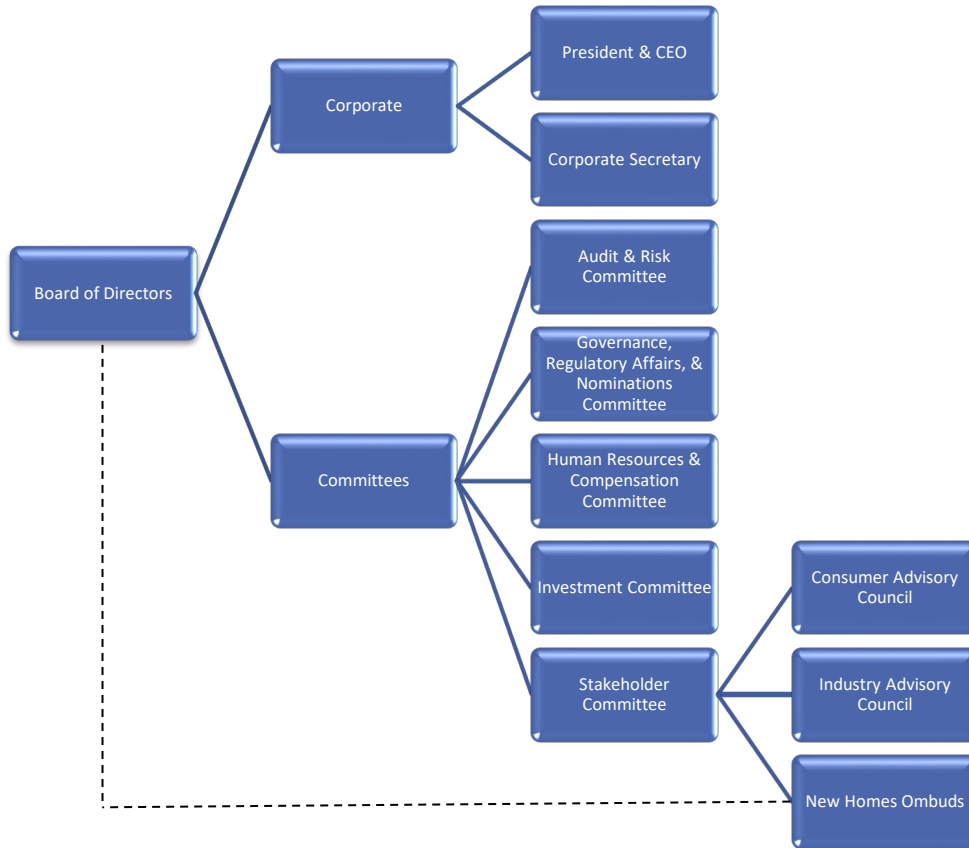
Corporate Structure

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



Governance Structure

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



Tarion’s New Home Ombuds Office

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

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

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

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

Description of services

Tarion offers services in support of carrying out its mandate:

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

A Blueprint for a Better Program: Tarion's Response to the 2019 AG Report

In 2019 the provincial Auditor General completed a comprehensive special audit of the Ontario New Home Warranty Program. The recommendations from the 2019 AG Report dealt with how Tarion conducted business through both its warranty and (former) licensing functions.² Tarion approached the audit process in a transparent and open manner, and Tarion agreed with the recommendations made by the Auditor General as a blueprint to fully address the concerns which led to the need for the review. This was noted by the Auditor General in her report: "We received Tarion's full co-operation during the course of this audit and its agreement to fully implement the recommendations in this report— recommendations that, once implemented, should address the concerns of new-home buyers that led to this audit."

The recommendations focussed on ensuring that Tarion could transparently and clearly demonstrate a focus on its consumer protection mandate, emphasizing its role as a not-for profit organization that is independent of industry.

Since the Report was issued, Tarion has made significant progress addressing the recommendations including implementing changes to our corporate governance structure, improving the independence of the New Home Ombuds office, and implementing more dispute resolution options for homeowners including a mediation option.

On December 1, 2021, the Auditor General published her follow-up report on her initial recommendations and found that, as of September 2021, Tarion had completed 86% of the recommendations which had been directed to it. A copy of the Auditor General's follow up report can be found [here](#).

² In February 2021, the responsibilities of builder licensing, education standards, and professional conduct were transferred to the Home Construction Regulatory Authority (HCRA).

Description of stakeholders

Consumers

Tarion is committed to driving consumer protection forward and helping ensure that new home buyers have peace of mind with respect to one of life's most significant purchases.

New Home Builder and Vendor Sector

Tarion enrolls new homes proposed by builders and vendors, conducts risk assessments on proposed projects, helps resolve disputes between homeowners and builders, and provides information to new home builders to help them understand and meet their construction and after-sales service accountabilities.

Ministry of Public and Business Service Delivery (MPBSD)

Tarion is an administrative authority accountable to the Minister of Public and Business Service Delivery through its [Administrative Agreement](#).

Relationship between the Administrative Agreement and the Ministry

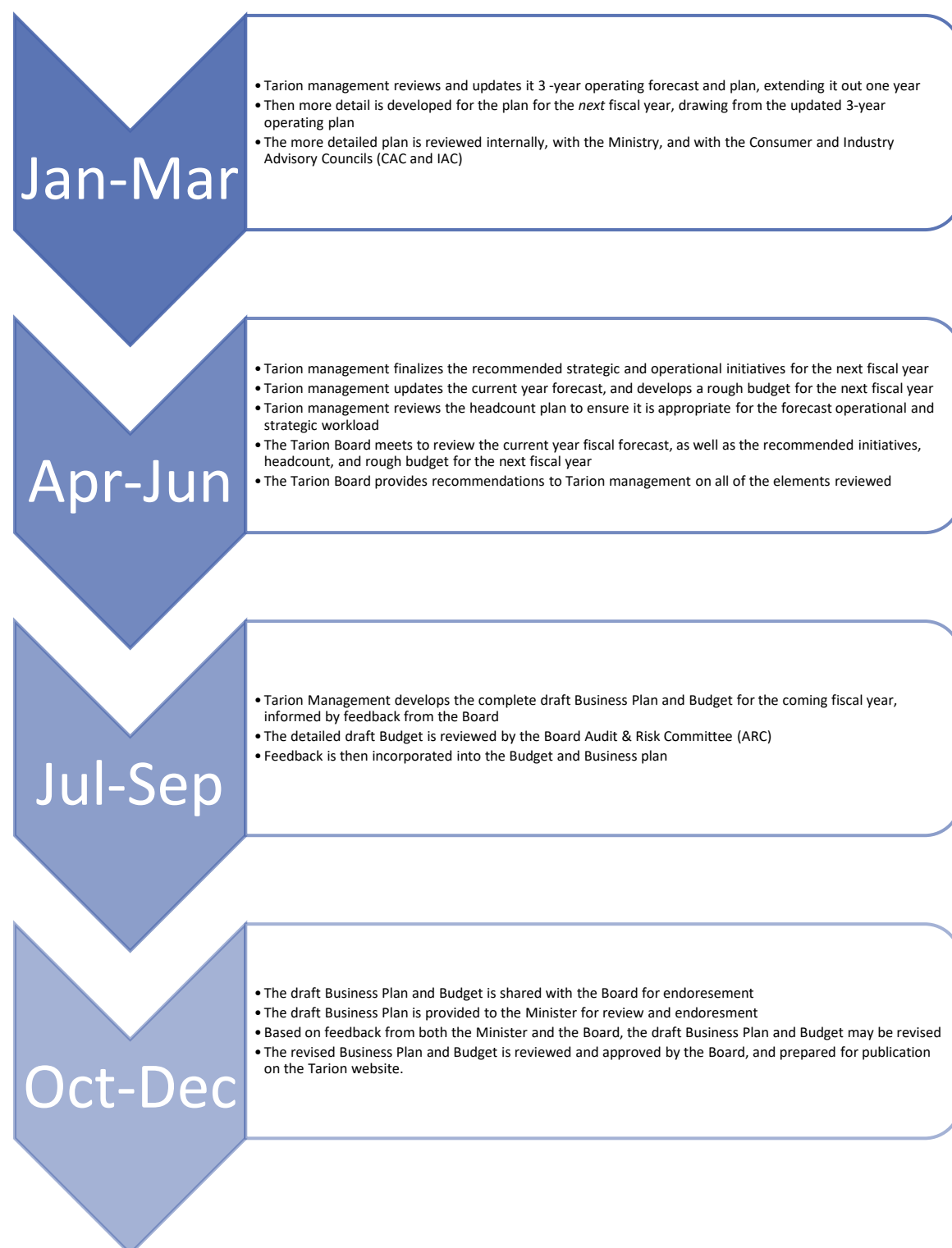
The [Administrative Agreement](#) (AA) between the Minister of Public and Business Service Delivery and Tarion sets out the requirements that the Minister delegates to Tarion in order for Tarion to administer the [Ontario New Home Warranties Plan Act](#) and fulfill its' statutory mandate. The AA seeks to improve oversight, accountability, and transparency. The AA includes:

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



Business Planning Overview

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



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

Strategic Objectives

Our 2023 Business Plan is organized with reference to four key strategic objectives. These are: (1) Enhancing Consumer Outcomes, (2) Being a Trusted Resource, (3) Empowering our Stakeholders, and (4) Supporting our People and Culture.

Strategic Investments

In 2023, Management continues to invest in its people and technology to execute its new Vision and Mission. This is reflected in the higher 2023 budgeted spend in several key initiatives to improve service delivery to stakeholders and warranty coverage enhancements, as well as to strengthen the organization's stakeholder awareness and our governance and financial reporting. The key initiatives include addressing the 2019 Auditor General recommendations, and the migration of internal system and applications onto the Salesforce platform. From a regulatory point of view IFRS 17, a new insurance accounting standard which will alter the accounting and reporting within the firm, is also being implemented.

Enhancing Consumer Outcomes

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

In 2023, Tarion plans to undertake the following major activities that support this strategic objective:

- Continuing to address recommendation #5 from the AG Report relating to unfinished items,
- Continuing to work on implementing a new builder warranty providing compensation when Temporary Relocation is needed during repair work,
- Continuing the review of the maximum warranty cap applicable to freehold homes,
- Continuing to address recommendation #6 from the AG Report relating to the Customer Service Standard, and
- Continuing to address recommendation #7 from the AG Report relating to Tarion service delivery timelines.

Major Activity: Addressing the Auditor General's Recommendation #5

Need:

The Auditor General (AG), in their 2019 report recommendation #5, indicated:

To better protect homeowners who take occupancy of an unfinished house so that they retain their full and reasonable warranty rights, we recommend that Tarion Warranty Corporation address the issue of warranty coverage beginning before a house is finished by:

- *redefining "finished house" for the purposes of homeowners' warranty rights and coverage period so that the one-year warranty period commences only once the home meets this new definition of a finished house; or*
- *developing a warranty that will protect homebuyers for unfinished items in their homes once the home has met the minimum occupancy standard, and ensuring that the one-year warranty coverage begins only after the items are finished; or*
- *working with the relevant ministries to expand what must be completed to meet the minimum occupancy requirement in the Ontario Building Code so that new home buyers are appropriately protected by their warranty rights.*

This initiative will focus on the 2nd bullet point.

Description:

The plan in 2023 is to implement a process to allow homeowners to identify situations where they have a warranty claim relating to an item that was installed after they took possession (i.e.; relating to an “unfinished item” at the time of possession). This process will allow us to better track data relating to this kind of claim and ensure that homeowners in this situation receive the warranty protection that was intended under the legislation.

Major Activity: Addressing the Auditor Generals' Recommendation #6

Need:

The Auditor General (AG), in their 2019 report recommendation #6, indicated:

To improve homeowners' ability to seek assistance from Tarion Warranty Corporation when they have a warranty dispute with their builder, we recommend that Tarion:

- *remove its two 30-day deadlines and allow homeowners to submit requests for assistance at any time during the first year of ownership;*
- *eliminate the 30-day deadline to request a home inspection;*
- *permit homeowners to update their listing of unresolved defects after submitting the initial listing; and*
- *reduce the amount of time provided to builders to resolve defects before stepping in to help homeowners.*

Description:

In 2023 our focus is on the following potential changes to improve the claims process in keeping with the recommendations from the AG:

- (a) Eliminating the 30-day period to make a claim to Tarion and replacing it with a longer 40-day window;
- (b) Eliminate the 30-day period limiting the time frame within which a homeowner can ask to schedule a Tarion inspection, and allowing homeowners to request an inspection over a broader and more flexible period; and
- (c) Adding a “6-month form” which will provide a much more reasonable timeframe for homeowners who miss or agree to defer making a claim after the first 40 days (in today’s process they would have to wait until the end of the year).

The above elements in 2023 are in addition to the changes to the claims intake process that were made in 2020, 2021 and continue to enhance the overall flexibility and accessibility of the process for homeowners.

Major Activity: Addressing the Auditor Generals' Recommendation #7

Need:

The Auditor General (AG), in their 2019 report recommendation #7, indicated:

To resolve homeowners' disputes with their builders in a timely manner, we recommend that Tarion Warranty Corporation:

- *review its regulatory timelines for delivery of decisions to ensure they are reasonable;*
- *establish a process to ensure its decisions regarding homeowners and builders are made within the required time; and*
- *promptly notify homeowners and builders in writing of the reasons for a delay if Tarion is unable to meet its own deadline.*

Description:

In 2023 we anticipate finalizing a public service delivery standard relating to the time between the conduct of an inspection and the delivery of an assessment report. This will be supported by an operational process to monitor compliance with the standard, as well as an operational process to provide notice to stakeholders if our service delivery is delayed.

Major Activity: Addressing Recommendation #5 from the Standing Committee of Public Accounts

Need:

In 2019, the Standing Committee on Public Accounts (SCOPA) posted a recommendation (#5) as follows:

The Standing Committee on Public Accounts recommends that Tarion Warranty Corporation increase the maximum limit of \$300,000 paid to homeowners when builders do not honour their warranty, to better reflect the costs of home construction in Ontario.

Description:

The key objective of this initiative is to increase the warranty cap for freehold homes to \$400,000. Regulatory consultation on this proposal is expected to be concluded by the end of 2022, with the new cap to be potentially implemented July 2023. If the current proposal to increase the warranty cap for freehold homes to \$400,000 is adopted, then Ontario would have the highest new home warranty compensation level in the country.

Major Activity: Formalizing our Temporary Relocation Warranty

Need:

Currently, if a homeowner needs to vacate their home while a builder addresses a defect, there is no explicit warranty protection to help defray the cost of finding alternative accommodations. Builders that currently provide that kind of compensation or support are not required to do so by the Ontario New Home Warranties Plan Act. This kind of accommodation warranty does exist in some other Provinces. In 2022 we have been consulting on the development of this kind of warranty for Ontario, and in 2023 our goal is to implement it.

Description:

We believe the key outcome of this initiative will be enhanced and consistent consumer protection for all homeowners that need to find alternative accommodation during repairs. The warranty will also bring more certainty to the process.



Being a Trusted Resource

Being a trusted resource to all stakeholders involved in new home ownership is vital to Tarion's success. Stakeholders, and especially homeowners and builders, must have confidence that Tarion is fulfilling its mandate, including working in a targeted way to improve the quality of new home construction and customer service. Tarion must also demonstrate financial soundness and comply with relevant financial standards, be transparent, and protect privacy. Tarion is also committed to working in partnership with the Ministry of Public and Business Service Delivery (MPBSD), municipalities, realtors, and all other key stakeholders to achieve its vision and mission.

In 2023, Tarion plans to undertake the following major activities that support this strategic objective:

- Implementing compliance with IFRS-17 accounting standards, including disclosure requirements
- Continue our Consumer Awareness initiative

Major Activity: Implementing the International Financial Reporting Standard #17

Need:

Tarion follows the International Financial Reporting standards for its accounting and reporting of the financial statements. A new insurance accounting standard (IFRS 17) has been issued by the International Accounting Standard Board (IASB) to be effective January 1, 2023. This new accounting standard significantly changes how insurance contracts are being measured and reported on, and will impact the recognition of enrolment fees, and expenses associated with the insurance contracts. The added complexity will require new data and system update/ new system to support the calculations and measurement of insurance contracts.

This initiative was started prior to 2023 and is expected to complete in Q3, 2023.

Description:

Tarion has made a governance commitment to the Ministry of Public and Business Services Delivery (MPBSD) in the Administrative Agreement that we report our "Provisions for Liabilities Outstanding on Claims from Homeowners" in the financial statements in accordance with International Financial Reporting standards ("IFRS"). This ensures that Tarion is following generally accepted accounting standards used by insurance companies. It will also enable Tarion to benchmark against our competitors and inform us on pricing, capital, and profitability assessment.

This will also enhance Tarion's accountability and transparency if we follow the generally accepted accounting standards used by other insurance companies to account for its product

Major Activity: Consumer Awareness Initiative

Need:

Consumer awareness of the statutory warranty and protection program is an essential element to the program's success. In 2023 we will develop a benchmark for consumer awareness with respect to knowledge of the program. This benchmark will then allow us to track the success of future consumer awareness initiatives.

Description:

The development of the benchmark will be facilitated by way of third-party survey work. The survey focus audience will be on the groups of new home "intenders" – meaning those people who are intending within the short-term horizon to become a new home buyer, as well as actual new home buyers. This collective group of actual new homeowners plus intenders represents the core demographic whose awareness of Tarion and the warranty program will be measured.

Empowering our Stakeholders

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

In 2023, Tarion plans to focus on the implementation of Tarion Connect, a tool to support and enhance communications between homeowners and builders regarding items submitted on warranty forms.

Major Activity: Tarion Connect

Need:

Tarion Connect is a project aimed at improving the MyHome and BuilderLink portals to allow them to be a more dynamic communication resource for homeowners and builders. The key deliverable is to implement functionality that will allow builders to see defects input into the system by homeowners in real time (and therefore be able to action them sooner), as well as be able to communicate their plans, positions, or actions relative to those claims directly to the homeowners within the platform. This will improve the communications between homeowners and vendors, and ideally increase the likelihood that defects will be resolved in a timely way.

Description:

By providing homeowners and builders with a simple tool to encourage discussion of perceived home defects, we further advance our strategic objective to provide stakeholders with improved "Ease of Doing Business"; increase the timeliness of claims resolution and improve communications between vendors and homeowners.



Supporting our People and Culture

Supporting Tarion's staff and creating a culture that empowers staff to make the right decisions will help us achieve our vision and mission. Tarion is committed to providing development opportunities to staff to create an engaged, experienced, and enabled workforce, and to fostering an innovative and inclusive culture that represents the ever-changing and diverse needs of new home buyers in Ontario.

In 2023, Tarion plans to continue its multi-year program to consolidate all internal systems around a single technology platform (Salesforce), enhancing the ability of staff to deliver service efficiently and effectively to our key stakeholders.

Major Activity: Salesforce Completion Program

Need:

In 2019, Tarion initiated our 5-year Information Systems plan focusing on Tarion stakeholder and business needs. As part of this strategy Tarion began the planned transition of all operational software solutions to the Salesforce platform. This project began in 2019 with 3 large projects followed by a series of 11 smaller projects.

In 2021, Tarion completed the process of replacing our core PeopleSoft Customer Relationship Management (CRM) system with the 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.

Also in 2021, Tarion completed the conversion of BuilderLink to the Salesforce Communities platform. We are on target to complete the third and last large project, the MyHome transition to the Salesforce Platform in Q3, 2022.

Now Tarion is turning to addressing the remaining related applications used to support external stakeholders and staff. This initiative will work to review each application to determine if there are opportunities to better integrate with the Salesforce platform, replace with a Salesforce equivalent application, and/or further enhance the existing functionality leveraging the Salesforce platform.

Description:

By enhancing the functionality of these key applications, including greater integration and security, we can help our staff deliver the best warranty protection service possible, and thus this initiative supports the "Supporting our People and Culture" strategic objective.

Some of the benefits include:

- Simplifying the User Experience. Single login/location for all Tarion interactions,
- Significantly reduce Tarion's cost to maintain outdated technology,
- Reduce development time and cost of future Tarion initiatives,
- Expand End User Capabilities,
- Enhanced data and system security,
- Greatly reduce release management and system downtime,
- Increased real time access to information, and
- Reduced administrative burden for builders and Tarion.

Outcome Measures and Targets

Tarion's 2023 Outcome Measures reflect a selection of key metrics that align with the organization's mandate, and strategic vision and mission. These Outcome Measures have been allocated across the Strategic Objectives as follows:

Strategic Objective: Enhancing Consumer Outcomes	
2023 Outcome Measure	2023 Target
New Homeowner Satisfaction	84%
Stakeholder Interaction score	88%

New Homeowner Satisfaction is determined by reviewing the results of a survey that is conducted annually by mail with homeowners who took possession of a new home over the past 12 months. The target has been selected by examining the results for 2022 and prior years, and biased upwards to reflect Tarion's desire to continuously improve.

The **Stakeholder Interaction score** is a measure of homeowner and builder satisfaction with Tarion at different interaction touchpoints³ with Tarion. It is composed of two separate surveys conducted by an independent third party. These touchpoint surveys are conducted continuously throughout the year. The target has been selected based on prior year results and again biased upwards.

Strategic Objective: Being a Trusted Resource	
2023 Outcome Measure	2023 Target
Expense Management (Budget vs. Actual)	+/- 5%

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

Strategic Objective: Empowering our Stakeholders	
2023 Outcome Measure	2023 Target
Customer Service Response Time	100 (composite score)
Percentage of CARs issued within 30 days	90%

Customer Service Response Time is a composite measure, including both the average time to answer a call to our Customer Service Centre, and the average time taken to respond to e-mails received by the Customer Service Team. Our goal for the average measure (in seconds) between the time the caller calling into the general contact line is put into the Call Waiting queue, and the time an agent answers the call from that queue is 60 seconds. Our goal for the average time taken to respond to an e-mail received by the Customer Service Team (at customerservice@tarion.com) is two business days. These targets have been set by a review of past performance, planned resources, comparison to comparable organizations, and biased towards an improved overall result, with a score of 100 representing meeting both goals.

³ Specifically, after interactions with the Customer Service Centre and Conciliation Inspections.

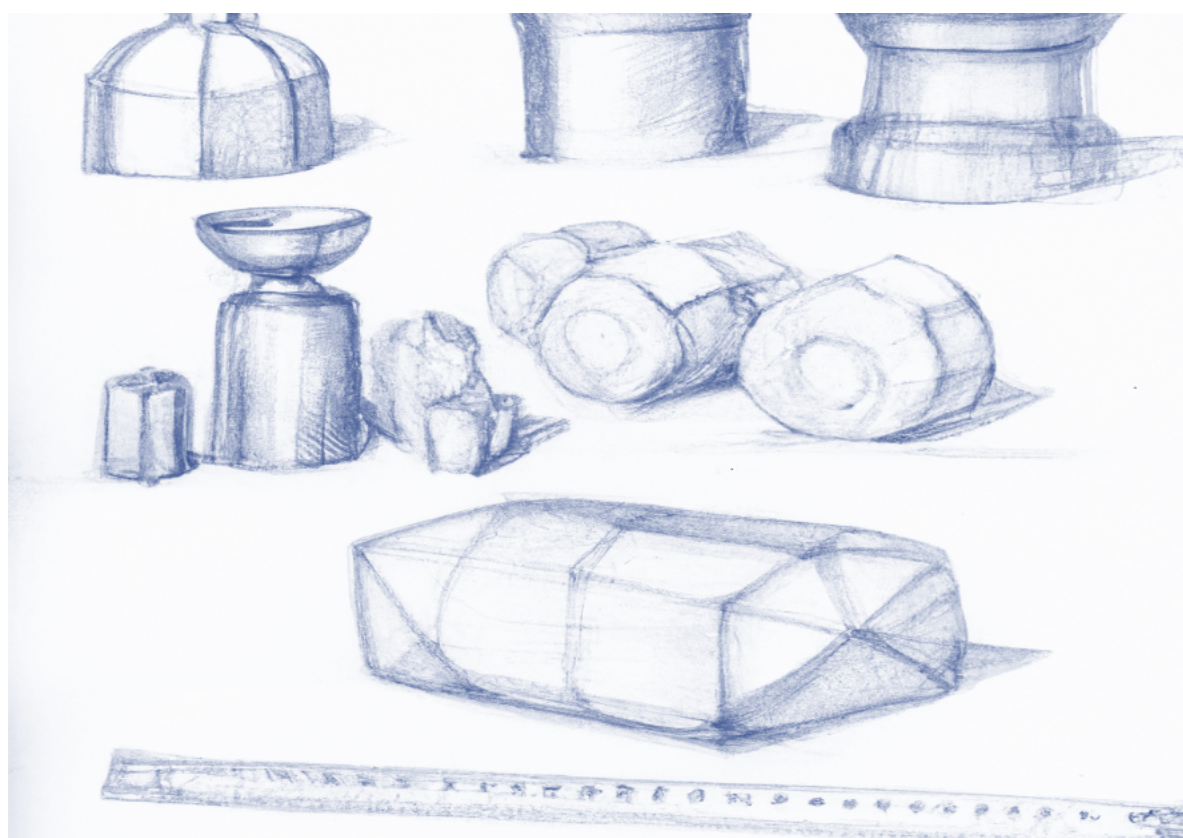
Percentage of Conciliation Assessment Reports (CARs) issued within 30 days is a measure of the percentage of CARs we issue within our commitment of doing so within 30 days of the Conciliation Inspection. The target has been set aggressively but realistically, to represent the number of complex cases that will require more than 30 days to review and assess after the initial inspection.

Strategic Objective: Supporting our People & Culture

2023 Outcome Measure	2023 Target
Employee Engagement	80%
Employee Enablement	80%

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

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



Activities

Resolving Complaints and Claims

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

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

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

French Language Services

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

Accessibility for Ontarians with Disabilities

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

Activity Measures – Actual and Forecast

Each of the foregoing Activities has multiple measures that Tarion currently monitors. Each is described in the following sections, and both actual results (for 2019 through 2021) and forecast figures (for 2022 and 2023) are provided (where available). In many cases, the 2023 forecast figures have been utilized as appropriate in the 2023 Budget and Resource requirements forecast that drive this Business Plan.

Resolving Complaints and Claims

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

Total Enrolments: Vendors and Builders are required to enrol homes with Tarion prior to construction and sale. Enrolment fees are the primary source of revenue for Tarion, and as such the forecast for Total Enrolments for 2023 is an integral input into the Budget Planning process.

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

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

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

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

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

- Whether Tarion agrees with the way a repair was done or offered to be done by the builder;
- Whether Tarion agrees that a settlement offer by the builder is reasonable; and/or
- What, if any, compensation or repair the owner is entitled to receive from the builder or Tarion.

In most cases, conciliation involves an inspection at the home with the builder's representative in attendance. The inspection is conducted by a Tarion Warranty Services Representative (WSR), who is an impartial decision maker. Shortly after the Conciliation Inspection, the Tarion WSR will issue a Conciliation Inspection Report outlining the assessment for each item inspected.

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

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

Risk-Based Inspections: In 2020, Tarion piloted a program to inspect homes prior to possession, in cases where builders were new or had identified Ontario Building Code or Major Structural Defect claims within prior homes. In 2021, the team transitioned to full production (hiring additional staff and formalizing the process) and conducted 223 inspections. In 2022, the team is on target to achieve 540 inspections (having conducted 389 as of the end of August).

Activity Measure	2019 (actual)	2020 (actual) ⁴	2021 (actual)	2022 (forecast)	2023 (forecast)
Total Homes under Warranty	386,862	394,096	396,268	410,600	421,300
Total Enrolments	64,694	68,559	74,022	65,000	65,000
New Home Possessions	52,208	58,237	57,368	71,900	66,900
Warranty Forms Received	65,292	68,013	73,034	73,500	80,400
Qualification for Enrolment Reviews	N/A ⁵		1,946	1,950	2,000
Requests for Conciliation	7,132	5,487	10,004	8,000	9,000
Conciliation Inspections	2,478	1,516	3,797	3,800	4,350
Claim Inspections	706	454	664	880	1,100
Mediations	6 ⁶	28	37	43	50
Risk-Based Inspections	N/A	Pilot period	223	540	585

⁴ In many cases, 2020 (and to some degree 2021) Activity Measures are skewed from expected / normal levels due to the impact of COVID restrictions, closures, and related factors.

⁵ The Qualification for Enrolment process began on February 1, 2021, with the launch of the HCRA. Prior to that, it was an integral part of the Tarion licensing process.

⁶ The Mediation program was in Pilot mode until early 2020

French Language Services

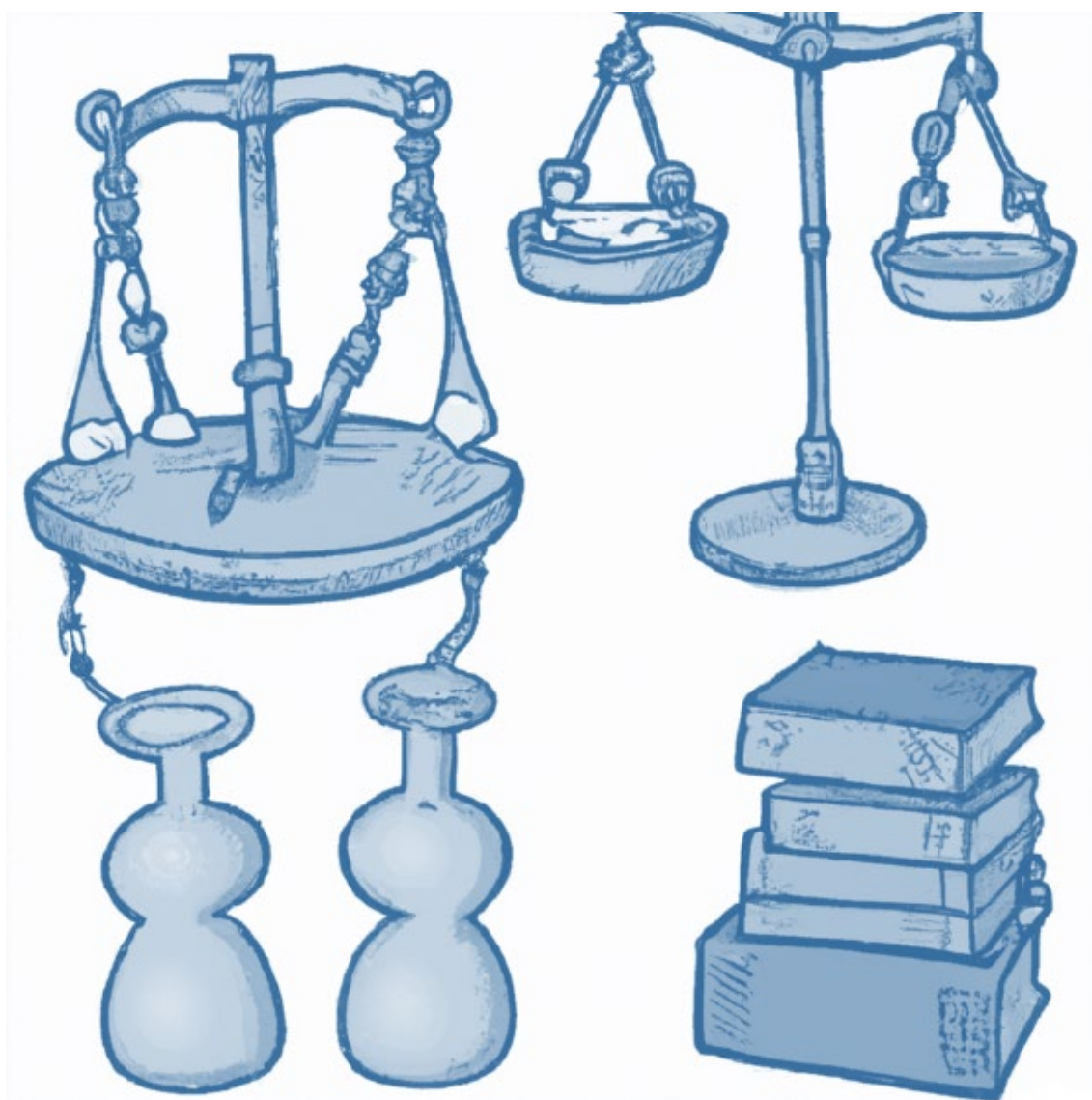
The Tarion Customer Service team is the frontline group that manages the Tarion Call Centre (reached at 1-877-9TARION or 1-877-982-7466), e-mail (customerservice@tarion.com), online contact requests (https://www.tarion.com/contact/e-mail/new_homeowner) and physical reception (5160 Yonge Street, 7th floor, Toronto, ON, M2N 6L9).

In total, the Tarion Customer Service team typically fields 60-80,000 calls each year. Most of these callers are fluent in English, but Tarion has also provided support in French, and in fact in a wide variety of other languages by leveraging a third-party translation service. As of September 30th, 2022, the relevant year-to-date statistics stand as follows

- Number of callers requesting service in English – **54,834**
- Number of callers requesting service in French - **28**
- Number of callers requesting service in a third language - **4**

Accessibility for Ontarians with Disabilities

All Tarion customers can make an accessibility accommodation request by telephone, mail, e-mail, in person, or by submitting the [Accessibility Accommodation Form](#). In 2021, Tarion had **19** accommodation requests, and as of September 30th, 2022, there have been **16** such requests.



Resources

Financial Resources

Tarion is a non-profit organization, and any excess of revenues over expenses are either invested into the guarantee fund or are used to fund capital expenditures to support the service delivery of the organization. The amount of the Guarantee Fund is subject to annual external actuarial review to confirm that the fund can meet the needs of new homeowners in Ontario. Tarion's annual operating expenses are developed consistent with its non-profit mandate, with an emphasis on prudent spending and consideration of delivering value for money. Tarion publishes its financial statements annually.

Human Resources

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

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

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

During 2023, Tarion will continue to keep a sharp focus on having the right people in the right roles, enabling our people to be successful in their roles, and maintaining a high level of employee engagement and enablement. We plan to continue to enhance our employee programs to have the best people in place to enhance consumer outcomes.

Information Technology (IT) Resources

In 2023 our comprehensive technology roadmap includes projects embracing all four of Tarion's strategic pillars. It will concentrate on utilizing the developed technology platform to modernize our operational processes to better serve customer needs and be a more responsive organization. In 2023 our technology focus will be on:

- Continuing the transformation of internal applications to Cloud based solutions,
- Continuing to implement improvements to the functionality of our internal CRM system ("Evolve") as well as improvements to our stakeholder facing digital portals (MyHome and BuilderLink),
- Developing the "Tarion Connect" solution to improve communications between homeowners and vendors, and
- Continuing to invest in Cyber Security.

Financial Budget

Highlights

Tarion's 2023 Budget reflects Tarion's commitment to executing the new Vision and Mission of the organization by improving our service delivery to stakeholders and investing in our people. Despite the challenging and uncertain economic outlook in 2023, this budget supports the substantial completion of the Auditor General recommendations, the conversion of secondary applications as part of the Salesforce migration and addressing workload challenges.

The budgeted deficit of **\$9.5M** in 2023 assumes a moderate level of enrolments, partial recovery of the capital markets, and conservative assumptions about future inflation. The budget includes investment in key technology initiatives, warranty, and process improvements, as well as enhancing our data and risk management framework as part of improved service delivery commitments.

The deficit is projected to reverse in 2024 and return to surplus by 2025 as spending normalizes and the capital markets and economic outlook improve.

Revenues

Tarion's main sources of revenue come from builders' enrolment fees, and investment income it earns from the Guarantee Fund.

Budgeted 2023 total revenues of **\$96.3M** are higher by **\$13.9M** compared to 2022 Budget from investment income and emergence of prior years' earned enrolment fees. Tarion's enrolment fees are deferred and earned into income over the warranty period. 2023 enrolments levels are projected at 65,000 units with a budgeted earned enrolment fees of **\$62.3M**, **\$3.7M** higher than 2022 Budget.

Net Claims Incurred

Net claims incurred are projected at **\$24.5M**, an increase relative to 2022 Budget by **\$0.5M**. The claims expenses consist of projected claims incurred of **\$35M**, net of expected recoveries of **\$10.5M**. This projected **\$24.5M** for 2023 represents an improvement over 2022 Forecast (**\$28.5M** as of October 31st), but still an elevated net loss ratio due to anticipated impact from the backlog of COVID and higher severity claims cases. The loss ratio is projected to improve in the later years.

Expenditures

Tarion's expenditures include investment in technology and infrastructure, and operating expenses for the administration of the warranty program.

Higher budgeted total expenditures (excluding claims expenses and key initiatives) of **\$71.6M** in 2023 compared to 2022 Budget of **\$61.1M** are driven by **\$5.5M** in staff augmentation to support operations. This is driven by increased investments in operations related to the addition/expansion of new consumer services such as increased investment in early resolution resources and increased hiring of inspection and support staff. The increased staffing levels have assisted both with the continued delivery of Tarion's mandate along with addressing recommendations arising from the 2019 AG report, but also reflect increased workloads related to: (a) increased home enrolments in 2021; and (b) changes in consumer and builder behaviour resulting in increased stakeholder contacts, inspections requests, inspections conducted, and claims assessed. Since the impact of COVID, Tarion's operations have handled unprecedented volumes of work activity. Finally, the increases also reflect the impact of recent wage inflationary pressures, as well as higher general and administrative

expenses of **\$3.7M** for departmental initiatives. These departmental initiatives include the use of external consultants in certain geographic areas to supplement our inspection workforce due to unusually high backlogs of inspection work that can be traced back to COVID impacts. In addition, key initiatives to migrate our in-house applications to the Salesforce platform, the completion of the IFRS 17 Insurance accounting standard and various warranty coverage improvements and data management also contributed to the elevated budget spend. Interest expenses are also projected to increase primarily due to the significant increase rate hikes by the Bank of Canada in 2022.

The figure below outlines the 2022 budget, the 2023 budget, and projections out to 2026. Key assumptions are noted below the figure.

It is important to note that the projected numbers do not reflect any changes which may result from the anticipated application of IFRS-17, the new accounting standard for Insurance Contracts that will become effective on January 1, 2023. Also, these 3-year projections were prepared with significant judgement and estimates by Management with unknown risks and uncertainties, especially for years 2024 to 2026 which are based on high level assumptions and long-term historic data trends for net claims incurred and investment income. Key Initiative assumptions for 2025 to 2026 are also based on historical averages and do not reflect actual costed project initiatives. Hence, actual performance and financial results in future periods may differ materially from any projections of future performance.

(\$ Millions)	2022 Budget	2023 Budget	2024 Projection	2025 Projection	2026 Projection
REVENUE					
Gross home enrolment fees earned	58.7	62.3	64.4	67.4	71.5
Earned reinsurance premium	(0.8)	(0.9)	(1.0)	(1.1)	(1.2)
Net home enrolment fees earned	57.9	61.5	63.5	66.3	70.4
Investment income	23.9	34.2	37.9	38.5	39.7
Other income	0.6	0.6	1.4	0.6	0.6
TOTAL REVENUE	82.4	96.3	102.7	105.4	110.7
EXPENSES					
Net claims incurred	24.0	24.5	24.1	23.9	23.9
Salaries and benefits	37.4	42.9	44.3	45.7	44.8
General and administrative	15.4	19.2	19.7	18.9	19.1
External legal expense	2.0	1.8	1.9	2.0	2.1
Depreciation and amortization	6.4	7.7	7.6	4.6	3.3
Operating expenses including depreciator	61.1	71.6	73.5	71.2	69.3
Key initiatives	3.8	6.7	3.9	3.0	3.0
Interest expense	0.5	3.0	3.0	3.0	3.0
TOTAL EXPENSES	89.4	105.8	104.5	101.1	99.3
EXCESS OF REVENUE OVER EXPENSES (EXCL. TRANSFORMATION)					
	(7.0)	(9.5)	(1.7)	4.4	11.4
Transformation	0.3				
EXCESS OF REVENUE OVER EXPENSES	(7.3)	(9.5)	(1.7)	4.4	11.4

Risk Management Plan

Earlier sections of this plan provided details about Tarion's major activities and objectives. These have innate risks and Tarion has adopted the Three (3) Lines of Defence Model⁷ 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.

1. The first line of defence is comprised of Tarion's operational managers and process owners. These are Tarion's primary risk takers/owners. They are responsible for implementing effective internal controls and maintaining processes for identifying, assessing, controlling, and mitigating the risks associated with their activities consistent with Tarion's established risk thresholds.
2. The second line of defence is comprised of risk oversight groups (e.g., Tarion Management Risk, and the Board Audit and Risk Committees) that oversee Tarion's operational risk management and compliance functions.
3. The third line of defence is an independent assurance provider regularly assessing the effectiveness of Tarion's governance, risk management and internal controls, as applicable.

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

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

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

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

Controls also include the documentation of Tarion's policies and procedures to manage risk. For example, Registrar Bulletins are Tarion's operational policies. These can be readily found on our Tarion site within the [Registrar Bulletins section](#). Registrar Bulletins outline the rules, processes, and

⁷ The Institute of Internal Auditors and the Institute of Directors endorse the 'Three Lines of Defence' model as a way of explaining the relationship between functions in any organization; and as a guide to how responsibilities should be divided and how key organizational roles work together to facilitate strong governance and risk management.

exceptions, if any, for Tarion's various stakeholders including builders and homeowners. Adherence to Tarion's controls and policies provides reasonable assurance regarding the achievement of Tarion's objectives.

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

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

Capital Management

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

Management has adopted a capital management framework modeled after the framework used in the property and casualty insurance industry in Canada and modified to reflect the Corporation's circumstances including its inability to raise capital in traditional ways. This framework incorporates the business requirements for sufficient capital throughout the variations of the new home building cycle, including possible losses from a future catastrophic event. An exercise in the framework is the Financial Condition Testing (FCT). This annual exercise identifies and assesses potential risks that are translated to adverse scenarios that are likely to significantly impact Tarion's capital level. The FCT identifies corrective management actions that can be applied following the stress testing and to develop a plan to return to a position of capital adequacy. Moreover, the FCT testing process allows management to understand the implications Tarion's Business Plan has on capital and provides awareness of significant risks to which Tarion may be exposed. The Board and Senior Management are involved in the determination of the stress scenarios and understand the key findings of the stress test to develop and implement risk mitigation strategies. The FCT exercise is reviewed by Tarion's External Actuary and an Actuarial Opinion is obtained. The results of the annual FCT are presented to Tarion's Audit and Risk Committee and the FCT Report is approved by the Board.