



2024 Business Plan

Table of Contents

Executive Summary	1
Corporate Overview.....	2
Our Mandate	2
Our Vision.....	3
Our Mission.....	3
Our Core Values	3
Service Oriented.....	3
Continuously Improving	3
Solution Seeking.....	4
Inclusive.....	4
Trustworthy	4
Caring	4
Description of structure	5
Corporate Structure	5
Governance Structure	6
Description of services.....	7
Description of stakeholders.....	9
Consumers.....	9
New Home Builder and Vendor Sector.....	9
Ministry of Public and Business Service Delivery (MPBSD)	9
Relationship between the Administrative Agreement and the Ministry	9
Business Planning Overview.....	10
Strategic Objectives	11
Enhancing Consumer Outcomes	11
Being a Trusted Resource	13
Empowering our Stakeholders	16
Supporting our People and Culture	17

Outcome Measures and Targets	19
Activities.....	21
Resolving Complaints and Claims.....	21
French Language Services.....	21
Accessibility for Ontarians with Disabilities.....	22
Activity Measures – Actual and Forecast	22
Resolving Complaints and Claims	22
French Language Services	26
Accessibility for Ontarians with Disabilities	26
Resources	26
Financial Resources	26
Human Resources	26
Information Technology (IT) Resources	28
Financial Budget.....	28
2024 Budget	28
Revenues.....	29
Net Claims Incurred	29
Extraordinary Claims Event & Emerging Risk	29
2024 Expenditures	30
Exhibit 1 - 2023 - 2026 Financial Projections - IFRS 4 basis.....	31
Exhibit 2 – Reconciliation of IFRS 4 to IFRS 17	32
Risk Management Plan.....	33
Three Lines of Defence Model	33
Capital Management.....	35

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 2024 fiscal year¹, while the upcoming Annual Report will outline Tarion's achievements in the 2023 fiscal year ended December 31, 2023.

In 2024, Tarion will complete several service improvements including: nearly all of the remaining recommendations identified by the Auditor General in her October 2019 report (the "2019 AG Report"); continue our Consumer Awareness campaign, focussed on enhancing new home owners' awareness of the builder's New Home Warranty; completing our migration to a new back office system; and, implementation of *Tarion Connect*, a new system that will encourage greater transparency around reported defects and builder actions to address the defects. Tarion will also help homeowners impacted by major builder receiverships which occurred in 2023 in relation to homeowner deposit claims and will be reviewing opportunities to mitigate the risks relating to similar losses in the future.

Tarion's 2024 business plan is also developed in the context of the overall housing environment. This includes the government's commitment to support the supply of housing with a stated goal to achieve 1.5 million new homes within 10 years. Our Business Plan includes continued investment of resources into people and processes to ensure that we have the capabilities to support a future increase in the supply of housing and continue to contribute to the overall consumer confidence in the sector. In addition, we will also continue to support the government with respect to policy initiatives aimed at curbing the negative impacts of illegal building, including the claims risks that arise from illegal building activity.

¹ All forecasts / projections / targets in this Business Plan are as of October 19, 2023 (unless otherwise noted), and Tarion's fiscal year runs from January 1 to December 31.

Corporate Overview

Our Mandate

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

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



Our Vision

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

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

Our Mission

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

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 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

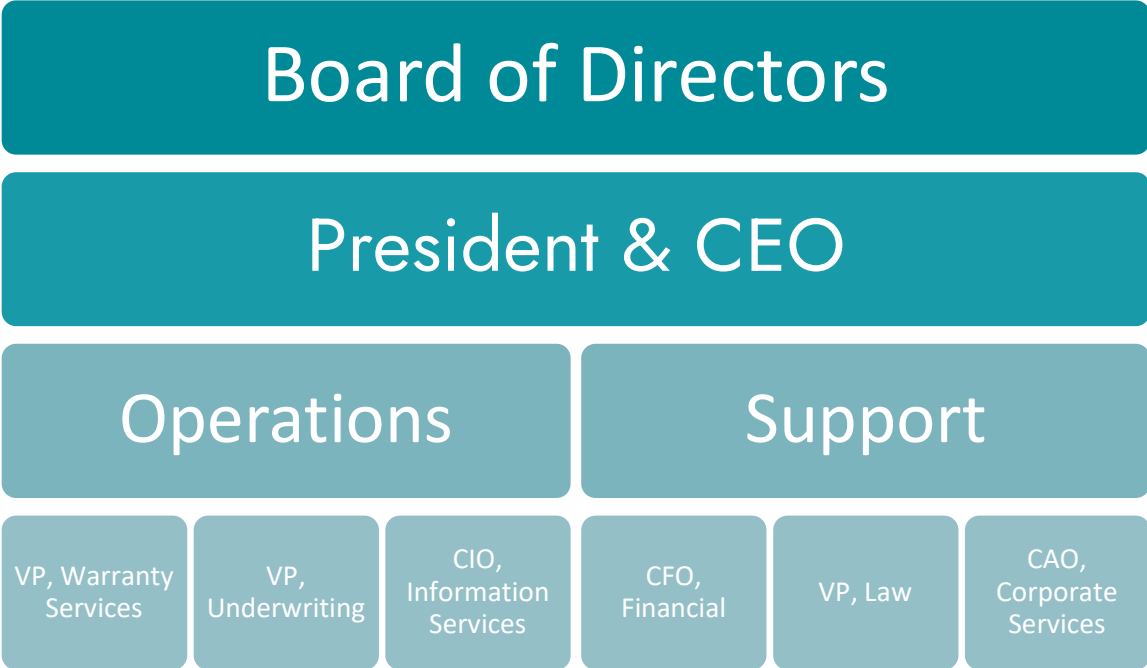
We foster an encouraging and supportive environment in which colleagues care about each other as individuals and we demonstrate to our stakeholders that we care about their concerns. We are community oriented and are responsible corporate citizens.



Description of structure

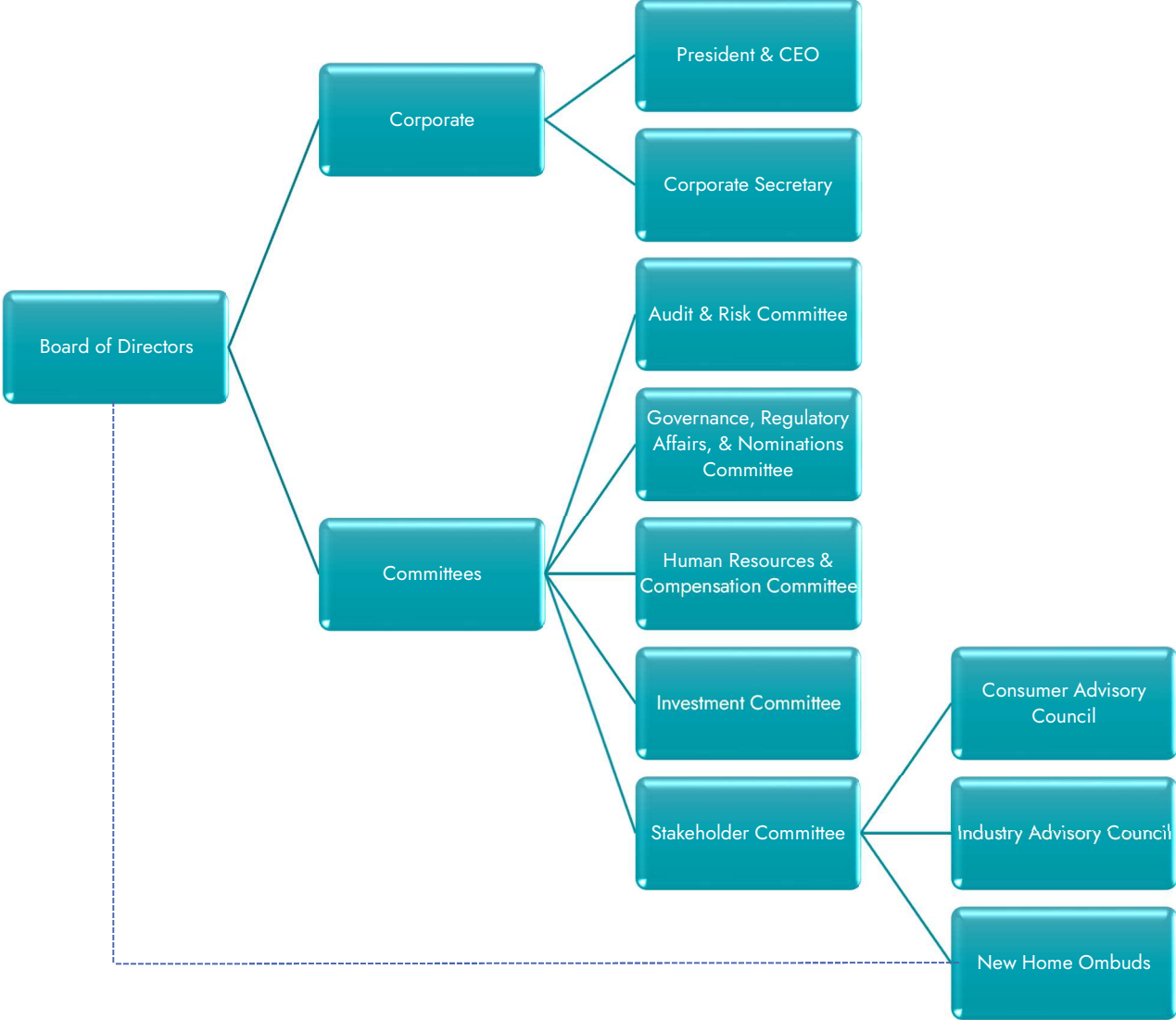
Corporate Structure

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 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 2024 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 2024, Management continues to invest in its people and technology to execute its new Vision and Mission. This is reflected in the higher 2024 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.



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 2024, Tarion plans to continue to address recommendation #6 from the AG Report relating to the Customer Service Standard in support of this strategic objective.

Major Activity: Customer Service Strategy Implementation (Auditor General's 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 2024 the main purpose of this initiative is the implementation of the CSS warranty changes.

The new CSS is comprised of:

- Creating the Initial Form submission (at 40 days),
- Creating a Mid-Year Form submission, and,
- Implementing the ability for homeowners to request conciliation at any time throughout the process.

The above was set out in new regulations that were approved in 2023. In 2024, we will proceed with implementing the above changes, incorporate them into a new Registrar Bulletin, and focus on internal and external education on the new process.

In 2024, Tarion will also be launching a public consultation with respect to the Construction Performance Guidelines (CPG). The CPG is a document which lists common potential construction defects and sets out the performance tolerances to assist home buyer and builders to determine what issues may be covered by the builder's warranty. The CPG play an important role enhancing consistency and transparency of warranty decisions. Our goal in 2024 is to review specific provisions of the CPG for improvement and begin an ongoing annual review with different aspects of the CPG being brought into focus each year.

Enhancing Consumer Outcomes is also connected to working to make sure that builders comply with their regulatory obligations and that homeowners are not exposed to the risks of

illegal building and selling. In 2024 we will continue to work the Ministry and the Home Construction Regulatory Authority to look at ways to curb illegal selling and building activity; and better manage the risks relating to illegal deposit taking, and illegal construction. In addition, we will continue to enhance these deterrent efforts by further cooperating with the Ministry of Finance with respect to the sharing of information under the Ministry of Revenue Act.



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 2024, Tarion plans to extend our work on a Consumer Awareness Strategy, in support of this strategic objective.

Major Activity: Consumer Awareness Strategy

Need:

As part of Tarion's consumer protection mandate, we need to educate consumers regarding their warranty rights and responsibilities as early as possible in the home buying process. Greater awareness and understanding of the warranty and the claims process will help empower home buyers and lead to improved outcomes and peace of mind.

In 2023, we initiated the transition of our visual identity and positioning to enhance clarity of Tarion's role and the support we provide. Along with this change, we launched a multi-platform consumer education campaign and established benchmarks to measure our progress. In 2024, we will complete additional work to integrate the new identity into remaining platforms to ensure that Tarion has one cohesive look and feel to all our stakeholders. In addition, we will build upon and optimize our strategy based on key learnings and insights to ensure that we continue to drive awareness and set critical early expectations with the yearly cohort of new home buyers before they enter the new home warranty program. In 2024 our focus will include ensuring that homebuyers are aware of the risks which may come with purchasing a pre-construction home, education on the tools available to home buyers to ensure they are as protected as possible. and the scope and limits of the warranty program.

Description:

To continue to educate and empower new home buyers, Tarion will build and optimize its consumer awareness efforts adding additional channels and evolving our messaging and tactics to ensure the widest possible reach and greater understanding of both the basics of the home buying process, the warranty and Tarion's services but also more complex subjects. We will benchmark and evaluate our strategies through third party survey work to ensure we are reaching our core demographics of purchase intenders as well as new home buyers currently in the market.

- Complete implementation of new visual identity elements throughout all platforms and resources (working with IS on changes to BuilderLink, MyHome, Tarion Connect, Common Element Performance Assessment Tracking System [CEPATS], Field Review Consultant [FRC] Connect as well as testing of correspondence).
- Maintain robust multi-channel outreach strategy to continue to build awareness of Tarion amongst purchase intenders and new home buyers.
- Maintain a proactive consumer relations strategy including publishing an annual 'new home report' with proprietary data on enrolments, possessions, and other information.

- Conduct awareness measurement polls to gauge success of outreach efforts and to gain insights to optimize tactics and strategy.
- Evolve educational content/programming strategies to tackle more complex home buying and warranty-related topics, including the Addendum and the Guarantee Fund e.g., full scope of the risk we underwrite as an organization (\$1.2 Trillion in risk), the reasonable amount of capital we hold per home (about \$2,000 per home), the value of the warranty – \$1,300 enrolment fee providing \$400,000 in protection over 7 years (\$185 per year).
- Optimize realtors and builders as communications channels, including developing a recommendation on whether to re-introduce some form of “good actor” recognition program like a builder award program to enhance consumer confidence in the new home building industry.

In addition, in 2024 Tarion will be finalizing our compliance work to bring our accounting in line with IFRS-17 accounting standards and implement the fee changes which arose from the fee consultation from 2023. The new accounting standard will provide increased transparency in the financial reporting of the organization as well as maintain the organization’s accounting standards at a “best-in-class” level. The fee increase, brought forward to address increases in overall construction repair costs, operational and service costs, increased claim severity; as well as the inflationary environment which occurred since the fees were last reviewed in 2018, will help ensure the financial soundness of the guarantee fund. Included in the fee proposal to be implemented in 2024 is the specific allocation of funds for the purpose of capital replenishment because of the anticipated impact of extraordinary deposit claim losses originating from certain builder receiverships in 2023.



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 2024, 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:
<p>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 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.</p> <p>The project began in June 2023. The project includes both the freehold and common element components.</p>
Description:
<p>This initiative will focus on developing a solution that allows builders to communicate with homeowners, provide & store documentation, resolve warranty disputes quickly, and easily seek Tarion’s assistance when needed. It will combine the features of MyHome and BuilderLink to create a common communication platform. It will be an environment for builders to interact and communicate with homeowners in real time, easily track the progress of reported defects, contact Tarion directly or escalate and/or share conversations with Tarion when needed. 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.</p>

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 2024, Tarion plans to conclude 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:
<p>As part of Tarion’s business strategy we began the planned transition of all operational software solutions to the Salesforce platform. This project began in 2019 with three large projects followed by a series of eleven smaller projects to be completed 2023-2025.</p> <p>By the end of 2022, Tarion completed the replacement of our core PeopleSoft Customer Relationship Management (CRM) system with the Salesforce CRM and the conversions of MyHome and BuilderLink to the Salesforce Communities platform.</p> <p>In 2023 Tarion addressed the remaining related applications used to support external stakeholders and staff:</p> <ul style="list-style-type: none">• Vendor Risk Assessment –used by Tarion staff to assess the risk of a builder’s proposed construction plans, to inform the granting of a “Qualification for Enrolment (QFE)” and any level of security deposit that may be required.• Umbrella 360 (Vendor / Builder Central) – this allows staff to get an overview of a builder, their related companies, past construction history, etc.• Book Of Documents –used by our legal team to pull together all documents related to a given court case.• Print Suppression – used to control when materials are printed and mailed to a homeowner and/or builder, based on their preference for mail vs. digital copies as they have elected in MyHome / BuilderLink, respectively.• MyHome Planner - Used by new homeowners that are in the pre-possession part of their new home ownership journey, and designed to provide homeowners with information that is most relevant to them based on what they are experiencing. <p>In 2024, Tarion would like to complete this initiative with the following applications transitioning to the Salesforce Platform:</p>

- Field Review Consultant (FRC) Connect – used by independent consultants reviewing key phases of condo construction according to Tarion’s [Registrar Bulletin 19 “Condominium Project Design and Field Review Consulting”](#).
- Mobile/Digital Pre-Delivery Inspection – a set of tools designed to assist the homeowner and builder in the Pre-Delivery Inspection (PDI) process.
- Front Assessment – Front is a tool currently used by our Customer Service Team to consolidate homeowner and builder contacts from a wide variety of sources (phone, e-mail, etc.).
- Vendor / Builder Agreement – An automated tool that creates the correct terms for each builder related to any Qualification for Enrolment (QFE) that may be granted.
- Investigative Inspections – Used to manage the process and collection of information related to Investigative Inspections.

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” and “Enhanced Consumer Outcome” strategic objectives.

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,
- Support Tarion’s Digital Analytics framework and strategy,
- Simplify and support the Tarion Connect initiative,
- Greatly reduce release management and system downtime,
- Increased real time access to information, and
- Reduced administrative burden for builders, homeowners, and Tarion.

Outcome Measures and Targets

Tarion’s 2024 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	
2024 Outcome Measure	2024 Target
New Homeowner Satisfaction	86%
Stakeholder Interaction score	92%

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 2023 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	
2024 Outcome Measure	2024 Target
Expense Management (Budget vs. Actual)	+/- 3.5%

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.

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

Strategic Objective: Empowering our Stakeholders	
2024 Outcome Measure	2024 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 50 seconds. Our goal for the average time taken to respond to an e-mail received by the Customer Service Team (at customerservice@tarion.com) is one business day. These targets have been set by a review of past performance, planned resources, comparison to comparable organizations, and biased towards an improved overall result, with a score of 100 representing meeting both goals.

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	
2024 Outcome Measure	2024 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 2020 through 2022) and forecast figures (for 2023 and 2024) are provided (where available). In many cases, the 2024 forecast figures have been utilized as appropriate in the 2024 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 2024 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.

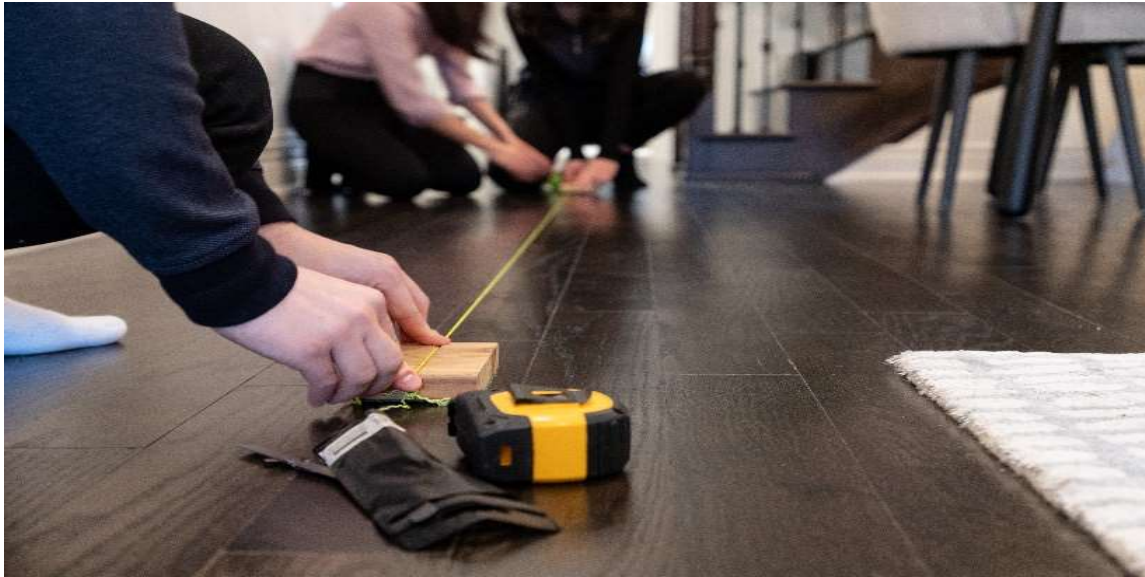
Qualification for Enrolment (QFE) reviews: A person who plans to build or sell a new home in Ontario must be licensed by the Home Construction Regulatory Authority (HCRA) and the HCRA is responsible for granting new licence applications and renewing existing licences. After receiving a licence from the 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: The Tarion Risk-based Inspection program is a proactive tool to work with builders to promote better built homes through constructive risk identification and builder education. Although the program applies to all low-rise builders, priority is given to newly licensed builders and those builders with identified Ontario Building Code or Major Structural Defect claims within prior homes. This program was piloted in 2020 and has since transitioned to full production (hiring additional staff and formalizing the process). To date the team has conducted over 1000 inspections with over 900 individual builders.

Activity Measure	2020 (actual)	2021 (actual)⁴	2022 (actual)	2023 (forecast)	2024 (forecast)
Total Homes under Warranty	394,405	396,677	392,630	405,200	401,800
Total Enrolments	68,559	74,022	73,383	50,000	55,000
New Home Possessions	58,347	57,478	53,463	68,800	55,100
Warranty Forms Received	68,013	73,034	65,366	72,600	70,600
Qualification for Enrolment Reviews	N/A ⁵	1,946	1,662	1,700	1,700
Requests for Conciliation	5,487	10,004	8,123	8,800	8,800
Conciliation Inspections	1,516	3,797	3,966	3,800	3,900
Claim Inspections	454	664	942	800	800
Mediations	28	37	50	77	105
Risk-Based Inspections	Pilot period	223	557	540	540

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.

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 60,000-80,000 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 August 31st, 2023, the relevant year-to-date statistics stand as follows:

- Number of callers requesting service in English – **41,392**
- Number of callers requesting service in French - **13**
- Number of callers requesting service in a third language - **1**

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 2022, Tarion had **23** accommodation requests, and as of August 31st, 2023, there have been **25** 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 a regular 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.

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.

Diversity, Equity, and Inclusion at Tarion

Diversity, Equity and Inclusion (DEI) are part of our core values at Tarion, and we have a strong commitment to build an inclusive culture where all employees have an opportunity to grow, advance in their career, meaningfully contribute to Tarion’s business, and feel they belong. We promote a culture where everyone in our organization recognizes the importance of DEI in the workplace and emphasizes the importance of treating all people with respect and dignity.

We have made considerable progress creating a diverse, equitable, and inclusive organization, and we recognize that there is more that can and must be done. We continue to work towards examining all aspects of our workplace and stakeholder experiences to ensure that we are in the best position to support our employees and our communities.

Our workforce demographics

As part of our commitment to inclusion and diversity, each year we publish the demographics of our workforce. Below is a chart displaying our 2022 workforce demographics:

Demographic	Percentage
Female	55%
Male	45%
Non-Binary/Other	Presently not reported
Visible Minorities	31%
Indigenous Peoples	2%
Persons with Disabilities	4%
LGBTQ2S+	3%

Information Technology (IT) Resources

In 2024, the Information Systems Department will continue to support the organization's mission and vision by maximizing technology investments to fulfil business goals and objectives. With a focus on enabling great Customer and Employee experience, 2024 will include:

- Delivering 'Tarion Connect', a collaboration platform to improve communications between homeowners and vendors.
- Deliver the improvements to the Customer Service Standard (CSS) to improve the homeowner's ability to seek assistance from Tarion.
- Continue migrating the remaining legacy applications to the Salesforce platform, including Vendor Builder Agreements and Investigative Inspections.
- Begin the software selection process to replace the legacy Financial Management System.
- Continue to invest in Cyber Security
- Initiate a Digital Analytics Strategy

Financial Budget

2024 Budget

The 2024 budget is prepared with an economic outlook that continues to be challenged by high interest rates and inflationary pressures. While enrolment levels are low in both 2023 and projected 2024, the demand for Tarion warranty services and coverage continues to be high. This budget supports the substantial completion of the Auditor General recommendations, the conversion of secondary applications as part of the Salesforce migration, and the replacement of the financial management system and data analytics. In addition, the budget addresses the need to align Tarion's enrolment fee levels to reflect its augmentation of service deliveries, warranty coverage enhancements over the past 5+ years, as well as the extraordinary impact of certain deposit claims losses anticipated as a result of builder receiverships in 2023.

The budgeted bottom line of **\$3.4M** in 2024 assumes a moderate level of enrolments, modest investment return and stable expenditures adjusted for inflation.

Note: The following commentary is based on financial results under the IFRS 4 insurance contracts accounting standard. A reconciliation of the financial results to the new insurance accounting standard - IFRS 17 has been provided in Exhibit 2.

Revenues

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

Budgeted 2024 total revenues of **\$105.6M** are higher by **\$9.3M** compared to 2023 Budget. 2024 enrolments levels are projected at 55,000 units with a budgeted earned enrolment fees of **\$65.7M**, **\$4.3M** higher than 2023 Budget primarily from the emergence of prior years earned fees. This budget reflects Tarion's planned average fee increase of \$300/home in 2024 with \$200 being attributed to the warranty fee, and \$100/home being dedicated to capital replenishment; the \$100/home capital replenishment amount contributes \$5.5M to 2024 total revenues.

Net Claims Incurred

Net claims incurred are projected at **\$21.6M**, a decrease relative to 2023 Budget by **\$2.9M**. The claims expenses consist of projected claims incurred of **\$37.9M**, net of expected recoveries of **\$16.4M**. This projected **\$21.6M** for 2024 represents an improvement over 2023 Budget of **\$24.5M** and **\$104.8M** forecast. The loss ratio is projected to improve in the later years, based on improved underwriting and collection practices, the impact of enforcement and licensing efforts of the HCRA, and continued economic normalization as the building industry continues to recover from the economic shocks in recent years.

Extraordinary Claims Event & Emerging Risk

In 2023 Tarion experienced an extraordinary claims event because of certain builder failures, receiverships, and illegal building and vending. While the projects and receiverships are not fully resolved as at the time of writing this plan, the gross claims for homeowner deposits may exceed \$90M. This represents the largest claim event in the history of the organization. The claims relate to deposit claims for agreements of purchase and sale entered by builders without complying with the warranty legislation. Tarion will work with the HCRA to pursue appropriate sanctions against the builders involved. Despite the potential of the contracts being entered into in contravention of the warranty legislation, the homeowners will benefit from deposit protection up to the relevant warranty limits. Tarion will work with the impacted homeowners in 2024. Tarion is working closely with the Ministry and HCRA to examine ways to curb illegal building and vending.

The risk of builder insolvency combined with illegal deposit taking is an emerging risk which may be heightened due to uncertainty in the overall housing market. This risk and the efficacy of our mitigation efforts will continue to be monitored in 2024 and will form part our overall

risk management efforts going forward. In 2024 Tarion will continue to mitigate the risks of similar losses in the future including by increasing homeowner education and improving our underwriting approach. Other process improvements are being investigated including the qualification for enrolment process and/or the tracking and registration of deposits and agreements of purchase and sale.

While the deposit claims represent an historical and material amount, at this time we do not believe that the overall losses will impair the ability of the provincial fund to respond to future warranty claims due to our capital management and reinsurance programs. The long-term impact of the deposit losses will also be mitigated by the capital replenishment program.

2024 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) of **\$80.5M** in 2024 compared to 2023 Budget of **\$78.3M**, are driven by \$1.7M in higher staffing costs; **\$1.5M** in general and administrative costs; \$0.5M higher external legal costs; offset by \$1.5M lower depreciation/amortization costs. Staffing costs increase is driven mostly by merit increase and staff augmentation to support operations: both Underwriting, Warranty staff as well as technology analysts. The increased staffing levels have assisted with the continued delivery of Tarion's services, the implementation of the Auditor General recommendations, along with addressing illegal vending. Including in the operating expenses are costs for the last phase of the key initiative to migrate our in-house applications to the Salesforce platform as well as the completion of Tarion Connect. Tarion also will be launching the replacement of the financial management system and data analytics – two multi-year projects. 2024 interest expenses are projected to decrease primarily due to the cessation of interest being accrued on vendors and builders' cash held as security.

The figure below outlines the prior year 2023 budget, 2024 budget, and projections out to 2026. Key assumptions are noted in the table below.

These 3-year projections were prepared with significant judgement and estimates by Management with unknown risks and uncertainties, especially for years 2025 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.

Exhibit 1 - 2023 - 2026 Financial Projections - IFRS 4 basis.

<i>Under IFRS 4 accounting Basis (\$Millions)</i>	2023 Budget	2024 Budget	2025 Projection	2026 Projection
<i>Written Revenue - Enrolment**</i>	75.8	83.4	101.7	113.0
<i>Written Revenue - Capital Replenishment fee</i>	-	5.5	6.5	7.0
REVENUE				
Gross home enrolment fees earned	62.3	66.7	71.0	78.1
Earned reinsurance premium	(0.9)	(1.0)	(1.1)	(1.2)
Net home enrolment fees earned	61.5	65.7	69.9	76.9
Investment income	34.2	33.7	35.9	38.0
Other income	0.6	6.1	7.1	7.6
TOTAL REVENUE	96.3	105.6	112.9	122.6
EXPENSES				
Net claims incurred***	24.5	21.6	20.3	20.6
Salaries and benefits	43.6	45.3	47.4	49.0
General and administrative	25.1	26.6	23.1	22.8
External legal expense	1.8	2.4	2.2	2.3
Depreciation and amortization	7.7	6.2	3.0	3.0
Operating expenses including depreciation	78.3	80.5	75.7	77.0
Interest expense	3.0	0.1	0.1	0.1
TOTAL EXPENSES	105.8	102.1	96.1	97.7
EXCESS OF REVENUE OVER EXPENSES***	(9.5)	3.4	16.8	24.9

Assumptions

Enrolment Levels**	65,000	55,000	65,000	70,000
Net claims Loss ratio	39%	33%	29%	27%
Investment Return	5.1%	5.7%	5.7%	5.7%

* The capital replenishment amount is included in Other Income

** Enrolment level for 2023 is forecasted to be 50,000 (written revenue of \$65.9M) due to the slowdown in the housing market. On a revenue earned basis, this does not have significant impact to the bottom line due to the slower earning patterns in the first few years of enrolment.

***The **Excess of revenue over expenses** for **2023** is forecast to end with a significant deficit of **\$80.2M** due to the anticipated deposit exposure from builders in receiverships – especially those projects that were not enrolled with Tarion. The net deposit claims losses (captured in **Net claims incurred**) are forecasted at **\$80M** based on information available to date. Some of these losses will be mitigated over time because of Tarion's excess loss reinsurance program.

Exhibit 2 - Reconciliation of IFRS 4 to IFRS 17

Reconciliation of IFRS 4 to IFRS 17 (In Millions)	2024 Budget	2025 Projection	2026 Projection
IFRS 4 - Bottom Line	3.4	16.8	24.9
Insurance Revenue	(1.7)	(3.5)	(4.8)
Change in Discount Rate	(4.5)	(3.1)	(2.1)
Net Claims Incurred	4.3	1.7	0.7
Net Loss component	(8.0)	(9.6)	(9.3)
Net Deferred Acquisition Cost	8.7	6.3	4.8
IFRS 17 - Bottom Line	2.2	8.6	14.2

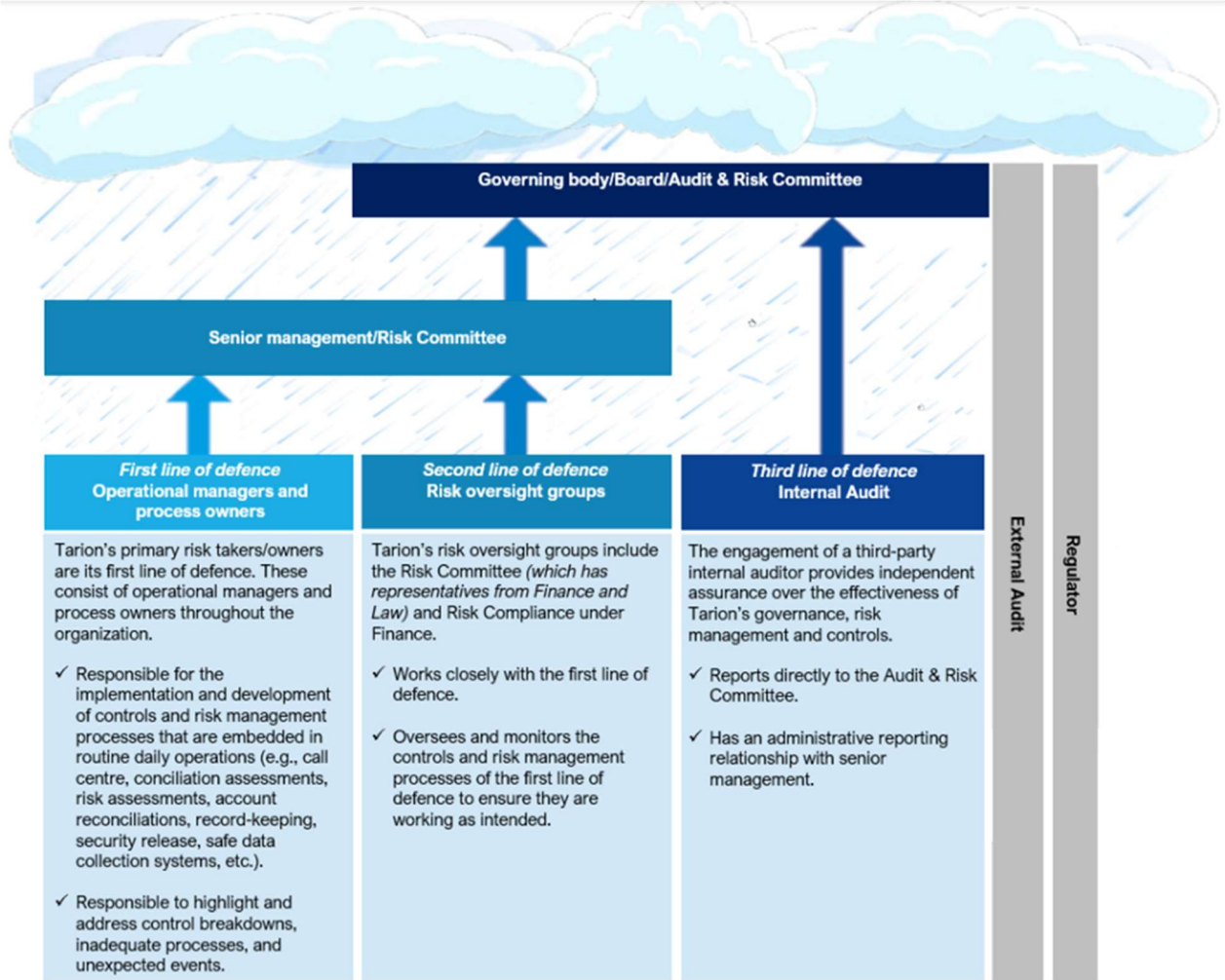
While the underlying operating assumptions (enrolments, operating cost, revenue projections, claim payment projections) of the business have not changed, the conversion to the new insurance accounting standard IFRS 17 materially changes the way the financial results are accounted for and presented. Exhibit 1 shows the budget and projections based on the historical IFRS 4 standard and Exhibit 2 shows a high-level reconciliation of how the financial reporting under IFRS-17 differs from the old standard. The key differences include a different bottom line due to changes in the accounting treatment for revenues, discounting, expenses, and the timing of when certain losses are to be recognized at each reporting period. The above reconciliation shows the major components driving the change to the IFRS 4 bottom line due to different accounting treatments. Some additional information concerning the differences is set out below:

- Insurance revenue represents the earned enrolment fee with the interest accretion impact due to the time value of money. The difference is due to timing of revenue recognition due to earnings pattern differences, the one-time transition impact at time of IFRS 17 adoption, which increased opening equity and decreased future years revenues.
- Change in discount rate is the mark to market of the interest rate at each reporting period - a new concept under IFRS 17.
- Net claims incurred represents gross claims incurred net of recoveries discounted for the time value of money. The difference is due to different discounting rate and risk margins being used under IFRS 17.
- Net Loss component represents the projected losses from onerous contracts at the time of enrolment. IFRS 17 does not allow offset of onerous and non-onerous contracts. These project losses are required to be recognized immediately at the beginning of the enrolment and are revised based on updated assumptions from actual loss experience over time.
- Acquisition costs represents mostly underwriting costs that were expensed immediately under IFRS 4 but are deferred and amortized under IFRS 17.

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 Model⁶ 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.

Three Lines of Defence Model



⁶ 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.

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 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 include 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.

Tarion's 2024 Risk management planning will include addressing the extraordinary deposit claim and related emerging risks described above.

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). The next FCT exercise will occur in 2024 and will take account of the changes to financial reporting resulting from the adoption of the IFRS-17 accounting standard. This 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.