

TARION | 40 YEARS

40 YEARS OF BUILDING CONFIDENCE

Enhancing Fairness and Confidence
in the New Home Buying Experience

2015 | ANNUAL REPORT

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"…the program will give the new home buyer…peace of mind with respect to the largest single investment most of us make in a lifetime."

– **Ernest Assaly**, First Chair of the Board, 1976

Buying a new home is one of the most significant, and financially impactful decisions that someone can make in their lifetime. Since 1976, Tarion has helped Ontarians make that decision with confidence.

Our homes help shape the way we live. Whether we are finding the best place to lay down our roots, raise our families or enjoy our retirement – we rely on our new homes to improve the quality of our lives. Once we decide on the right home, we expect that home will be built properly, by a skilled builder who will also fix issues after we move in. Tarion expects the same, and believes that a new home warranty is essential. That's why builders in Ontario must provide warranty protection on every home they build, and Tarion backstops this warranty.

Tarion is here to make sure the new home buying experience is working. We set the standards when it comes to builder licensing and after sales service. We step in when builders cannot or will not fulfill their warranty obligations. At the end of the day, we are here to ensure builders stand by their construction. If they don't, we work directly with you to resolve your issues.

It all comes down to standing behind each and every new home, so that the new home ownership experience continues to be a positive one for Ontarians.

For almost four decades, Tarion has been enhancing fairness and confidence in the new home buying experience, and we look forward to continuing our work in the new home building industry for years to come.

Message from the Chair

My first year as Chair of the Board has been a busy and very successful one for Tarion. We have continued to improve protections for new home buyers and raise standards for new home builders.

Overall, the new home building industry was once again very active, with a continued increase in builder registrations and new home enrolments. Both freehold and high-rise enrolment levels were higher in 2015 compared to the year before, contributing to Tarion's financial strength. Tarion's balance sheet was healthy in 2015 due to prudent investment and expense management. The guarantee fund remained strong, with sufficient reserves to address claims and potential market fluctuations. This fund is an essential part of Tarion's consumer protection mandate. Using actuarial analysis, we continuously review our ability to meet future claims needs under adverse conditions.

This year, Tarion continued to work with various stakeholders to improve the protections for Ontario's new home buyers. In partnership with the Ontario Home Builders Association, the Ontario Building Officials Association and 14 municipalities, Tarion piloted a new strategy to protect new home buyers from the dangers of illegal building. Illegal building is a concern across Ontario, putting homeowners at risk and hurting the reputation of the building industry. By providing home buyers with warranty information before they take out a building permit, as well as verifying these permits, we believe we can help prevent illegal building before it starts. Ultimately, the goal of the pilot is to encourage legislative change that will help the Ontario Government fulfil its 2014 budget commitment of preventing illegal building.

After a thorough consultation with the public, Tarion began phasing in higher standards for new home builders wanting to become registered by adding new educational competencies that must be met as a condition of their registration. The new requirements hold new home builders to an improved standard and provide more consumer protection to Ontario's new home buyers. I see this as a long-term strategy to raise the level of professionalism in Ontario's new home building industry.

We also have many new proposals to look forward to. In 2015, the Government announced changes to the Condominium Act. Included among them is a warranty protection for condominium conversions. As these types of buildings have become more popular, the Ministry of Government and Consumer Services found that home buyers believed they were buying a brand new product, and felt that buyers should therefore receive some protection. At the request of the Province, Tarion conducted research into the feasibility of covering these buildings, and recommended we offer a modified warranty on certain conversions. Tarion looks forward to working with Government on developing the specifics on this warranty, and expanding our consumer protection mandate. In January 2015, the Ontario Building Code was changed to allow wood frame buildings to be built up to six storeys high. In preparation for these changes, Tarion consulted with the industry and introduced changes to our own requirements through Builder Bulletin 19, to add risk areas specific to residential mid-rise wood buildings. We enrolled the first mid-rise wood condominium project in 2015 and will be monitoring the claims data on these buildings to make sure the protections in place remain up-to-date.

Thank you to all my fellow Board Members for the leadership and direction you have provided throughout the year. I would also like to express my gratitude to Howard Bogach, his Corporate Leadership Team and all Tarion employees for their hard work and dedication. I would like to recognize the many contributions that outgoing Board Members, Chris Spiteri and Deborah Brown have made to the board during their tenure. I would also like to welcome Loralea Carruthers and John Lieou to the board in 2015.

I am proud to serve as Chair of the Board as Tarion embarks on its 40th anniversary. As a builder, I value the importance of Ontario's new home building industry maintaining a strong reputation. I believe it is essential for consumers to have confidence in a builder's abilities. Equally as important, home buyers should feel adequately protected by the warranty. I look forward to continuing to strengthen the warranty and the registration requirements so that new home buyers across Ontario can buy a new home with confidence.



MARK BASCIANO
Chair of the Board

Message from the President and CEO

Tarion continued to serve the public interest in 2015 by introducing new and innovative initiatives all focused on consumer protection. Our public consultation processes continued to grow, providing Tarion with record amounts of feedback that have helped shape new policies, and strengthen our consumer protection mandate.

We created the Early Intervention Process as a result of listening to homeowners and builders who requested an option to have Tarion get involved earlier in the process to diminish the possibility of disputes later on. We hired a third party dispute resolution expert to review our processes and make recommendations for improvement. We clarified the rules on chargeability based on our most robust consultation process to date, and also held our first post consultation briefing where we invited all participants to hear the proposed changes before they were posted publically. We also hired an external agency to perform a communications audit, with the goal of ensuring Tarion's communications are consistent and effective.

In 2015, we also began consulting on the Repair Warranty. Tarion has a longstanding, informal policy that warrants repairs for one year. We think that formalizing this policy will lead to better protection for homeowners, and a clearer process for builders and Tarion. I am looking forward to reviewing the feedback on this policy so we can create stronger protections for home owners.

Tarion increased its efforts to reach out to stakeholders with emphasis on quality, online content in addition to more face-to-face interactions across the province. Our new blog gives readers an inside look at real home owner warranty files, and how they were resolved. We launched the Tarion Ambassador program, which has grown to more than 50 Tarion staff members who have visited various communities interacting with home buyers, Realtors and builders. We expanded our social media activities, reaching out to various stakeholders on a daily basis on Twitter while continuing to engage with the public on Facebook. Our efforts have not gone unnoticed: Tarion's online educational videos enjoyed an increase in viewership of 440 per cent from the previous year. And for the first time, we offered information in other languages, including Mandarin, Punjabi and French. Tarion also implemented our first Corporate Social Responsibility plan, which formalizes our longstanding commitment to charitable giving.

We also welcomed a new Chair of the Board. Mark Basciano has been a member of the board since 2009. In 2016, Mark's company, Mountainview Homes, was nominated by his home buyers for a Homeowners' Choice Award. As with all finalists, this recognition from customers demonstrates an important commitment to customer service. Mark's tremendous industry experience and expertise, and his commitment to our values and mandate have made him an excellent leader for Tarion's Board.

I would like to thank our Corporate Leadership Team and all of the Tarion employees for their hard work and dedication in helping make 2015 a dynamic and productive year. Tarion's staff have an extensive range of credentials and experience, and have used their knowledge to improve the protections for new home buyers while enhancing fairness and confidence in the new home buying experience.

As we approach Tarion's 40th anniversary, we've been reflecting on the many changes that have taken place since the Government introduced the new home warranty legislation in 1976. Over the years, the price of homes has risen dramatically. Condominiums have become more attractive to new home buyers. New building techniques have continued to evolve, and so have the issues that home builders and buyers face. The passing of a revised Condominium Act and the continuous changes to the Building Code have endeavoured to keep up with these constant changes. Tarion has also improved the warranty protections for new home buyers as the industry has evolved. But the Ontario New Home Warranties Plan Act has not been reviewed since it was created forty years ago. So this year, the Government has begun a review of Tarion and the Ontario New Home Warranties Plan Act. We agree that it is time to consider how effective the legislation is in today's new home and condominium industry. This review will provide us with the opportunity to share our thoughts on how to strengthen the legislation so that we can continue to protect Ontario's new home buyers and regulate new home builders effectively.

Tarion believes that the right to a new home warranty should never be questioned. Ensuring that the warranty meets the needs of homeowners in the 21st Century and provides the right protections is essential. We look forward to continuing our work in serving the public interest for years to come.



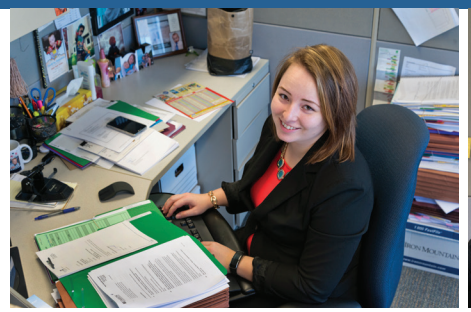
HOWARD BOGACH
President and Chief Executive Officer

We are Proud to Serve Ontario's New Home Buyers

With approximately 225 staff members across Ontario, Tarion is made up of a broad cross-section of individuals with expertise from various disciplines and industries.

Tarion's staff have an extensive range of credentials and experience when it comes to new home building expertise. Some of these skills include engineering degrees, architecture diplomas, mould certifications, expertise in plumbing, heating and air conditioning, post-graduate degrees in building sciences and expertise in energy evaluation.

Most of Tarion's Warranty Services staff have completed the courses necessary to obtain their Building Code Identification Number (BCIN), in addition to completing courses relating to other areas of the building code. Staff members are also encouraged to undergo continuing education in various areas relating to new home building.














IN 2015, TARION'S EMPLOYEES:

- Enrolled 57,788 new homes
- Registered 596 new builders
- Performed 1,361 Conciliation Inspections on new homes
- Paid $11.6 million in claims
- Participated in 473 industry events
- Handled approximately 118,000 interactions by phone, email, fax and directly through MyHome
- Led 220 continuing builder education presentations
- Conducted 241 illegal building investigations leading to 105 convictions and two jail sentences

These are some of the faces of Tarion. Together, we serve Ontario's public interest by enhancing fairness and building confidence in the new home buying experience.






About Tarion

Tarion Warranty Corporation was created in 1976 to protect new home buyers and new home owners through the administration of Ontario's new home warranty program and the regulation of Ontario's new home builders.

TARION ADMINISTERS THE ONTARIO NEW HOME WARRANTIES
Plan Act ("the Act") which states that all new home buyers in Ontario are entitled to a warranty that covers defects in workmanship, water penetration and major structural defects as well as delayed closing and deposit protection.

Tarion administers the Act by:

- Protecting new home buyers from builder failures or defaults (such as substandard construction, faulty workmanship and materials, incomplete construction and loss of deposits) through the development, promotion and administration of statutory warranties.
- Licensing new home builders and vendors and ensuring they abide by the Act.
- Promoting better communication between builders and home buyers.
- Providing new home buyers with a forum to address concerns or complaints about their newly constructed homes and helping to resolve warranty issues.
- Establishing and administering a guarantee fund that provides compensation under the Plan.
- Educating new home buyers and new home owners about the warranty protection they are entitled to.
- Informing and educating new home builders and promoting progressive improvement in the quality of housing in Ontario.

"I would like to thank you…and the Tarion team for your advice and great service during this process!"

– **D.S.**, New Homeowner from Ottawa, Ontario

At a Glance



366,264

TOTAL HOMES UNDER WARRANTY* (2015)

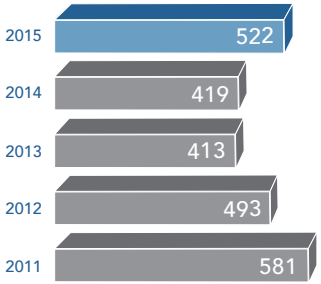
*Possessions and units under warranty are restated based on the latest available data.



522

CLAIMS PAID

NUMBER OF CLAIMS (2015)

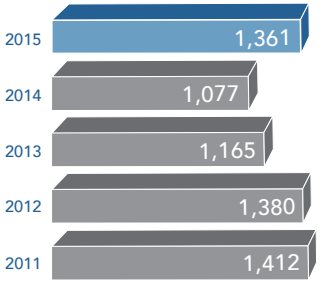




1,361

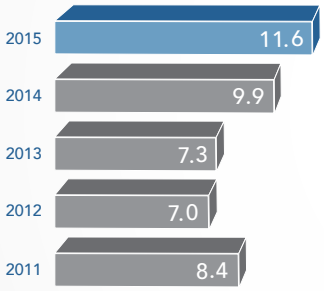
INSPECTIONS

NUMBER OF CONCILIATION INSPECTIONS (2015)



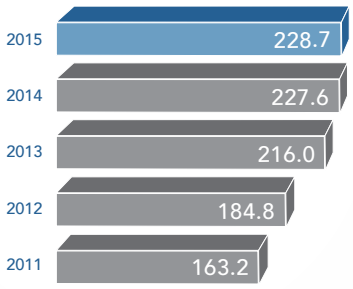
$11.6 MILLION

TOTAL CLAIMS PAID (2015)



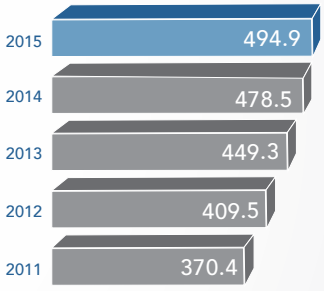
$228.7 MILLION

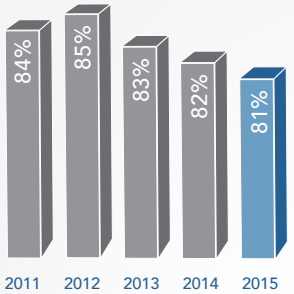
TOTAL EQUITY (2015)



$494.9 MILLION

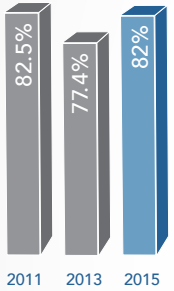
GUARANTEED FUND (2015)





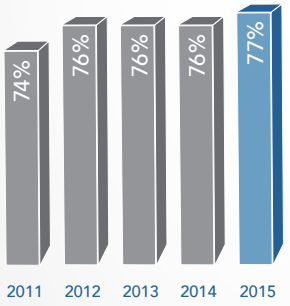
HOMEOWNER SERVICE ORIENTATION INDEX*

* The Homeowner Service Orientation Index reflects the average of opinion scores for accessibility, ability to listen to and understand needs and how easy Tarion is to do business with.



BUILDER SERVICE ORIENTATION INDEX*

* The Builder Service Orientation Index reflects the average of opinion scores for accessibility, ability to listen to builder needs and concerns and how easy Tarion is to do business with.



EMPLOYEE ENGAGEMENT*

* 2011–2012 results are based on a bi-annual employee opinion survey conducted by the Hay Group, where the survey consisted of 66 questions. 2013–2014 results are based on an employee opinion survey conducted by the Hay Group, consisting of 15 questions.

Highlights from 2015

In 2015, Tarion introduced a new three year Strategic Plan with the overarching goal of enhancing fairness and confidence in the new home buying experience. Throughout the year, Tarion carried out significant accomplishments under these themes:

Progressive and Consistent Service Delivery

To consistently achieve high levels of satisfaction from key stakeholders through the provision of progressive, consistent and fair warranty and regulatory frameworks.

ILLEGAL BUILDING PREVENTION

Tarion, in partnership with the Ontario Home Builders Association (OHBA), the Ontario Building Officials Association (OBOA) and 14 municipalities, piloted a new strategy to protect new home buyers from the dangers of illegal building.

EARLY INTERVENTION

Tarion introduced an Early Intervention Process to help diffuse potentially volatile disputes early in the claims process, based on direct feedback from homeowners, builders and the government.

STRATEGIC COMMUNICATIONS

Tarion renewed a focus on strategic communications by creating a plan aligned with its corporate vision. This included conducting a communications audit, launching a plain language review of key consumer and builder documents and enhancing how Tarion engages with stakeholders when improving our processes.

Tarion hired an external agency to perform a communications audit, with the goal of ensuring Tarion's communications are consistent and effective.

DISPUTE RESOLUTION

Tarion hired an independent, third party dispute resolution expert to review its dispute resolution processes from a homeowner's perspective and accepted recommendations from this report.

CLARIFYING CHARGEABILITY

After a robust public consultation process, Tarion updated Builder Bulletin 20, which outlines the parameters around chargeable conciliations.

Internal Continuous Improvement

To incorporate best practice in all internal processes in keeping with a continuous improvement focus.

NEW TECHNOLOGY INFRASTRUCTURE

Tarion replaced our core technology framework to better serve our stakeholders.

Financial Strength

To build a strong financial position through cost-effective operations, risk management, and risk mitigation.

ENHANCING BUILDER REGISTRATION REQUIREMENTS

Tarion began phasing in education criteria as a condition of a new builder's registration, enhancing the level of professionalism in the industry.

Effective Tarion Team

To build, empower and engage an effective employee team.

REFINING OUR SKILLS

Tarion's staff continued to focus on education by completing courses on various parts of the building code in addition to focusing on other credentials that provide staff with expertise relating to new home construction. Tarion also introduced a mandatory training system that requires staff to acknowledge that they have read important information on all new policies and procedures.

Tarion also launched the Tarion Ambassador program, which includes more than 50 staff members who receive presentation training and conduct presentations to various stakeholders on behalf of the company every week.

CORPORATE SOCIAL RESPONSIBILITY

Tarion implemented a Corporate Social Responsibility Plan, integrating meaningful economic, social and environmental considerations into our business practices.

For more than 20 years, Tarion has supported causes such as Habitat for Humanity and Children's Wish Foundation. In 2015, Tarion employees contributed 298 corporate supported volunteer hours to social and environmental causes.

Tarion's charitable work led the organization's nomination for a business community champion award in 2015.

THE TARION WAY

Tarion continued to focus on enhancing our service culture through the Tarion Way.

The Tarion Way is a company-wide, customer service initiative that was implemented in 2010. Since that time, the Tarion Way has been integrated into our daily operations and remains our primary guide on how to deliver service excellence to our stakeholders.

The Tarion Way supports a culture of service excellence by emphasizing the importance of communication across all departments and the continuous practice of the five guiding principles: Listening, Caring, Fairness, Logic and Teamwork.



Tarion hires contractors to complete driveways for an entire subdivision whose builder was declared unwilling/unable to fulfill warranty obligations.

How Tarion Helps

When a builder fails to fulfil his/her warranty obligations, Tarion steps in and makes sure homeowners receive the warranty they are entitled to by law.

This happened in 2015 when a builder was not properly resolving warranty claims. Tarion looked into the situation and declared that this builder was unwilling/unable – meaning he was not fulfilling his warranty obligations. This allowed Tarion to assume responsibility and control of the builder's warranty. In particular, the builder had left an entire subdivision without sod, grading or completed driveways. Tarion held two separate town hall meetings to listen to the various concerns from homeowners. After hearing their issues, Tarion decided to finish the sodding and driveways for all 57 homes in the subdivision.

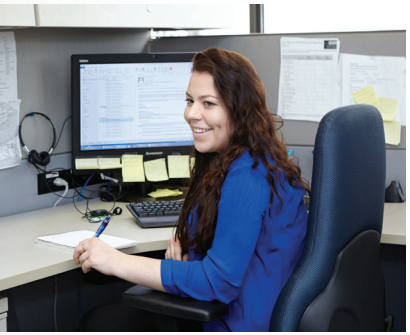














"I would like to express my sincere appreciation to you and to Tony Stinson regarding both of your excellent levels of service and customer care. Throughout our claim experience, you and Tony provided responsive service with a particularly personal level of care and attention that represents Tarion's service goals and vision well."

– **D.T.**, New Homeowner from Greely, Ontario

The Warranty

New home buyers in Ontario are entitled to warranty coverage of up to $300,000 over a seven year term which is provided by the builder and backed by Tarion. There is also separate coverage of up to $2.5 million for the common elements of a condominium (such as a lobby or garage). Builders must enrol every new home with Tarion at a cost that is based on the selling price of the home and ranges from $385.00 to $1,500.00 (plus HST). The warranty provides excellent value and remains with the home for seven years, even if it is sold during this period. While the vast majority of builders resolve or repair any deficiencies/issues to the satisfaction of new home buyers, Tarion stands behind newly constructed homes and is there to help if a dispute about coverage does arise.

We do this by administering the new home warranty and ensuring that builders observe specific customer service standards. Tarion's claims process involves working with the purchaser, the builder and other parties such as the local municipality if needed. In situations where a builder is unwilling or unable to address an issue that falls under the statutory warranty coverage, we work directly with the homeowner to resolve the matter.

COVERAGE HIGHLIGHTS

- Protection of deposits up to $40,000 for freehold homes and $20,000 for condominium units[1]
- Compensation of up to $7,500 for certain types of delays in closing or occupancy
- A one year warranty requiring that the home is fit for habitation as well as free from defects in work and materials and violations of the Ontario Building Code
- A one year warranty providing protection against certain kinds of improper substitutions
- A two year warranty that protects against defects allowing water penetration through the foundation and building envelope, defects in the electrical, plumbing and heating systems and the exterior cladding, and health and safety violations of the Ontario Building Code
- A seven year warranty that protects against work and material defects that adversely affect a load-bearing part of the home's structure, causing it to fail or significantly affect use of the building as a home

[1]Condominium deposits are also protected by the trust provisions of The Condominium Act.

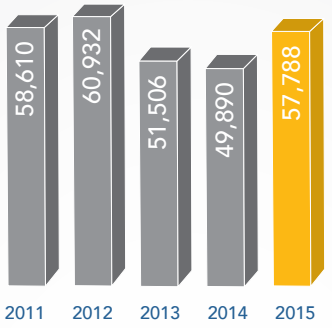
Ontario's New Home Building Industry

In 2015 there was a substantial increase of approximately 16 per cent in total enrolments relative to 2014. Overall, this activity was driven by a 30 per cent increase in high-rise enrolments and an 8 per cent increase in freehold enrolments. There was a decrease of 22 per cent for low-rise enrolments relative to the prior year.

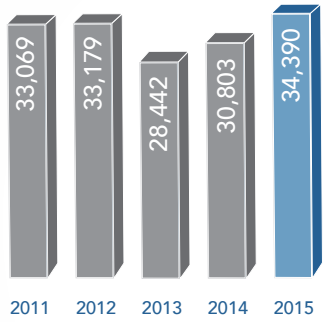
The increase in high-rise enrolments is attributable to the strength of sales in the condominium market, which is translating into more construction activity and ultimately, an increase of units being enrolled.

"I would like to share my sincere appreciation to Stuart Brown and Assunta Salvato for the assistance they have been providing us to get building deficiencies remedied. They have provided good advice and have guided us to a point where the developer is finally addressing our issues. I just wanted Tarion to be aware of their great contribution to our well-being. Thank you!"

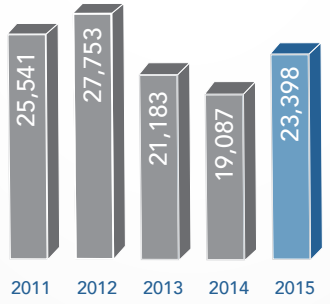
– **B.S.**, Condo Board President, Richmond Hill, Ontario.



TOTAL ENROLMENTS



FREEHOLD HOME ENROLMENTS



CONDO UNIT ENROLMENTS

Warranty Services

Tarion's Warranty Services Department manages all freehold home, condominium and common element claims throughout Ontario. Many staff work from home offices where they are responsible for conducting Conciliation Inspections and assessing defects. Tarion also operates three offices in Ottawa, London and Toronto, where homeowners and builders can interact directly with staff.

Of the 55,974 forms that were submitted in 2015, this group conducted 1,361 Conciliation Inspections, assessed 13,175 items, and made decisions to pay out claims on 522 homes totalling $11.6 million.

Tarion's Customer Service Department is the first point of contact for new home owners across the province who are looking for information on their warranty. This department is essential to successfully serving and educating Ontario's new homeowners and ensuring we uphold our mandate that we are built upon. They receive calls from new home buyers, builders, homeowners, lawyers, Realtors, etc. Essentially anyone who has anything to do with the new home buying or home building process in Ontario.

In 2015, Tarion's Customer Service team responded to more than 168,000 telephone calls and more than 18,000 emails from homeowners and builders. Most callers were asked about warranty coverage, the claims process or the status of a specific claim. Throughout the year, an additional 1,285 homeowners and builders visited Tarion in person to drop off warranty forms and other documents or to meet with Tarion representatives regarding specific individual questions or issues.

TRACKING COMPLAINTS

In 2011, Tarion launched a cross-departmental review to determine the best way to track and handle complaints that are received through multiple intake channels. In 2015, Tarion continued to review its complaint management process and established multiple areas where stakeholders can issue a complaint about our services.

There was a total of 145 complaints received from these multiple intake channels in 2015.

In addition to tracking complaints, Tarion's Warranty Service Team has also been sending out surveys to homeowners after certain Conciliation Inspections to gather feedback. Managers review the feedback with their staff, and with the individual Tarion representative. In 2016, these surveys will be expanded to include all Conciliation Inspections.

ONLINE WARRANTY ADMINISTRATION

Over the years, we have invested a significant amount of time and effort to make the warranty processes easier and more convenient for new home owners. **MyHome**, Tarion's online warranty service portal, allows homeowners to manage the majority of their warranty tasks online. They can submit warranty forms and upload photos, book Conciliation Inspections, and interact with Tarion's Customer Service Representatives through our live CHAT function. In 2015, more than 49,000 forms were submitted through MyHome, representing 89 per cent of the total forms received that year. According to our Customer Service surveys, being able to manage the warranty online has increased homeowners' satisfaction with Tarion's processes.

MYHOME ASSIST APP

We are currently working on an App that will allow homeowners with smart phones to capture and upload pictures of their homes and any supporting notes right into their MyHome account. This App was piloted in 2015, and we hope to launch this new service to homeowners in 2016.

"You are so amazingly efficient in your customer care service! Thank you very much."

– **D.R.**, Homeowner from Kingston, Ontario

Homeowner Protection

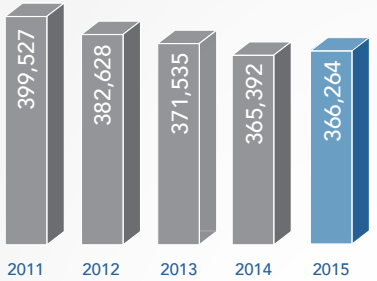
Tarion continued to offer the range of warranty services that we have been refining for 40 years. In 2015, there were 56,769 new home possessions that fell under Tarion's regulation.

When a homeowner is unable to resolve an issue with his or her builder and Tarion determines that the item is covered under the statutory warranty, we work directly with the homeowner to resolve the matter. Claims paid reflects total amounts spent by Tarion to repair defects directly or to cash settle, as preferred by the homeowner.

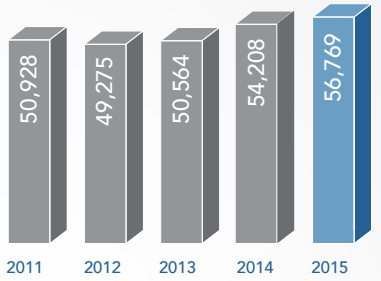
In 2015, Tarion paid out claims on 522 totaling $11.6 million. Year to date claims payments are higher than last year mainly due to the higher payments of year 3-7 major structural defects from freehold enrolments when higher payments of deposit claims. However, this is still considered low compared to the ten year historical average of $12.4 million.

"I really appreciate how helpful Tarion has been through this processes. Glad to have you guys around."

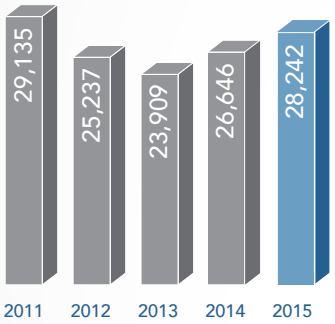
– **B.J.**, Homeowner from London, Ontario



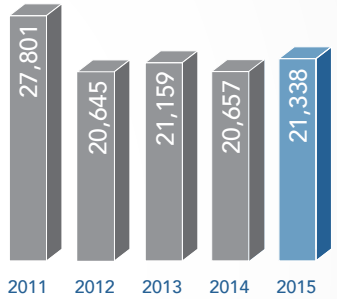
TOTAL HOMES UNDER WARRANTY



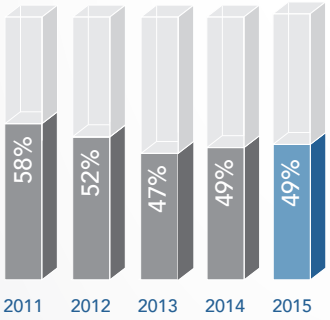
NEW HOME POSSESSIONS



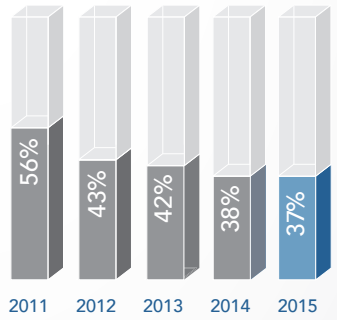
NUMBER OF 30-DAY FORMS SUBMITTED



NUMBER OF YEAR-END FORMS SUBMITTED



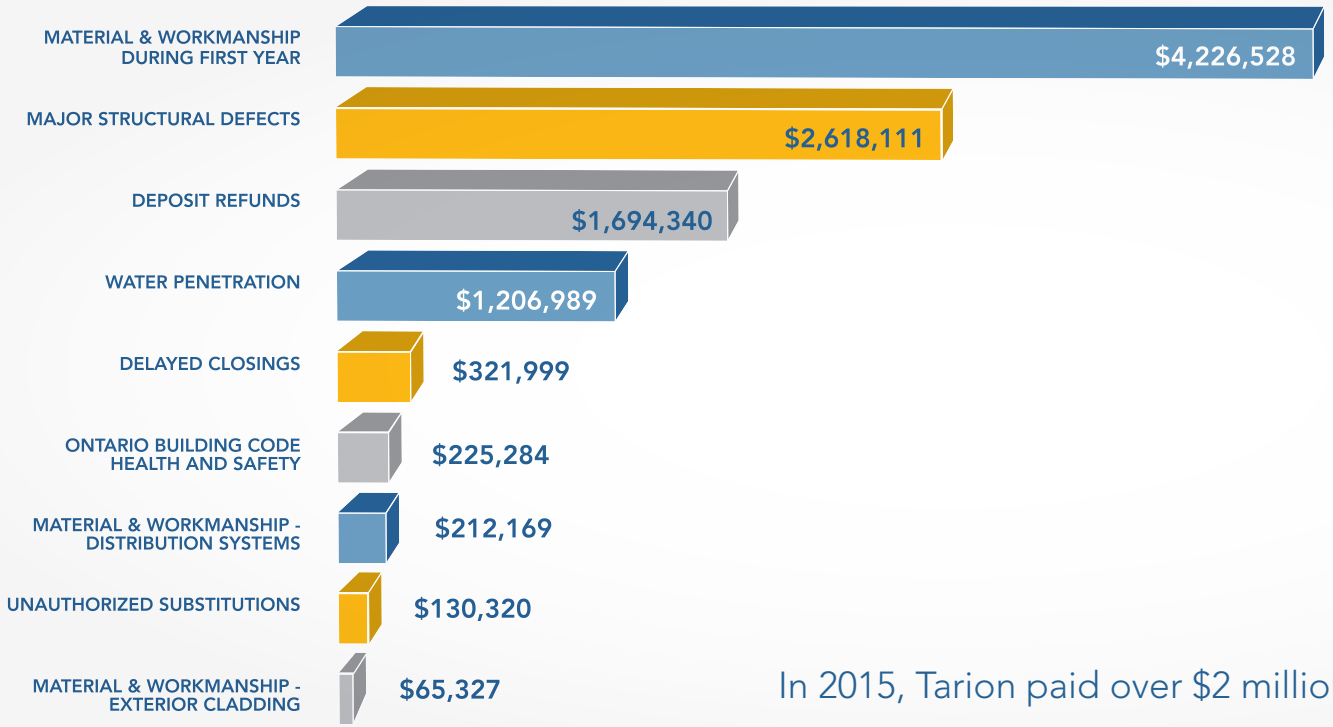
PERCENTAGE OF HOMES FOR WHICH 30-DAY FORMS WERE SUBMITTED



PERCENTAGE OF HOMES FOR WHICH YEAR-END FORMS WERE SUBMITTED

Claim Payments by Type

Tarion regularly monitors claims activities and presents this data to builders across the province. We use this data to identify any trends or issues, and to educate builders on reported defects with the goal of reducing claims activities where possible.



"Thank you again for being so responsive and efficient on this case."

– **J.C.**, Homeowner from Markham, Ontario

In 2015, Tarion paid over $2 million in claims on illegally-built homes.

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















"We appreciate Tarion's effort in having the issues resolved. Cheryl you are a wonderful person, making everyone coming before you very comfortable and happy."

– **Homeowner's Uncle**, Toronto

How Tarion Helps

Purchasing a brand new condominium usually marks a significant milestone in a person's life; marriage, downsizing or independent living for example. In Ontario, where new homes and condos represent some of the most expensive real estate across the country, buying a new condo is also a significant investment.

Imagine reaching that milestone and purchasing a brand new condo. Now imagine the heartbreak if you can't even get past the threshold of your new home. This is what happened to a homeowner who suffers from polio and required an accessibility accommodation package that was purchased in addition to the condo but not delivered to her specifications. The homeowner's wheelchair couldn't fit through the bathroom door. The tiles were not slip-proof, and the sink was not adjustable preventing her from using it – among many other serious issues.

The new home warranty provides consumers with the confidence that one of the largest purchases of their lives is protected and normally provides coverage to homeowners where the builder does not comply with Ontario's accessibility regulations. In this case, however, while the builder was in compliance with the accessibility regulations, the homeowner had additional special needs.

Although this matter fell outside the parameters of the new home warranty, a Tarion Customer Service Representative believed the fair and right thing to do was contact the builder, discuss the situation, and help her realize her dream of homeownership.

This was not an easy process. The builder had complied with the accessibility regulations. The challenge is that the purchaser's needs didn't fit into the standard requirements. Tarion contacted the builder and a resolution was achieved by customizing the unit to the buyer's specific needs – all at a significant cost to the builder. And finally, the new homeowner was able to fulfill her dream of independent living.

Making Sure the Process is Working

In 2015, approximately 99 per cent of warranty claims were resolved between builders, homeowners and Tarion without the need for legal proceedings.

We work hard to find solutions to homeowner issues, and we act as a facilitator to resolve claims. Most homeowner issues are resolved by the builder directly or through our facilitation efforts. If all sides are unable to reach a resolution then a homeowner has the option to seek civil litigation through the courts or a faster and less costly option through the independent Licence Appeal Tribunal (LAT). LAT is an administrative tribunal run by the Province of Ontario and independent of Tarion. This body provides a pre-hearing process that includes mediation by an independent chairperson. If there's no resolution in one or more pre-hearings then the matter is heard as a fresh hearing by a different chairperson.

Tarion aims to resolve disputes properly and fairly. This is based upon communication between homeowners and builders with Tarion's assistance and intervention as necessary. In 2015, approximately 90 per cent of claims were resolved without the need for Tarion's involvement.

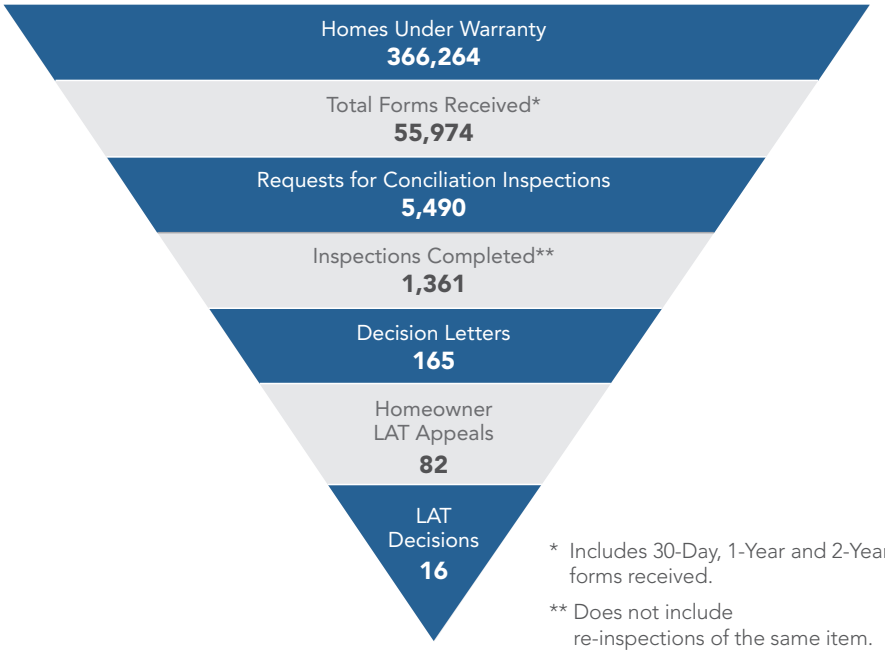
This leaves approximately 10 per cent of claims not resolved during the initial builder repair period, and where Tarion was requested to perform a Conciliation Inspection. At this stage Tarion staff becomes much more involved in encouraging communication between all parties, answering questions and facilitating resolution.

During conciliation, Tarion may inspect the home to assess whether the claim is warranted, and completes a Warranty Assessment Report. The vast majority of these claims are resolved through conciliation.

However, if homeowners are not satisfied with Tarion's assessment, they can request a Decision Letter and appeal the decision with LAT, or seek resolution through the courts. In 2015, Tarion issued 165 Decision Letters.

The numbers suggest that for the most part, the process and model is working. Overall, builders are taking care of their warranty responsibilities and Tarion is finding resolutions when a builder cannot or will not fulfill their obligations.

2015 WARRANTY PROCESS FIGURES



* Includes 30-Day, 1-Year and 2-Year forms received.

** Does not include re-inspections of the same item.

CHALLENGING TARION'S DECISION LETTERS

As mentioned, homeowners have a right to appeal Tarion's Decision Letters to a provincially created, independent dispute resolution Tribunal called the Licence Appeal Tribunal (LAT).

In 2015, there were 82 homeowner appeals. The appeal process encourages the affected parties — homeowners, builders and Tarion — to exchange all relevant information relating to their position with respect to warranties. Pre-hearings which serve in part as a mediation by an independent and impartial LAT chairperson and other discussions led to 66 of the appeals being resolved. Ultimately there were 16 full hearings at LAT with decisions being issued. Of the 16 decisions, Tarion's assessment was upheld in its entirety in nine cases and in part in the other three cases. Tarion's decision was not upheld in four cases.

BUILDER ARBITRATION FORUM

Builders do not have the right to appeal Tarion's warranty decisions to the Licence Appeal Tribunal. To provide such an alternate appeal, Tarion created a consensual arbitration process allowing eligible builders to challenge Tarion's claim assessment. The parties exchange information setting out their position and an arbitrator will conduct an informal hearing. After listening to both sides the arbitrator will issue a final and binding decision. The arbitration framework and processes are governed by the BAF Rules and also described in Builder Bulletin 41.

TARION'S NEW HOME BUYER OMBUDSPERSON OFFICE

Homeowners who feel they have not been treated fairly by Tarion can turn to the **New Home Buyer Ombudsperson Office**. The Ombudsperson Office receives, investigates and seeks to resolve complaints from homeowners, providing an objective perspective for consumer concerns to determine whether a decision was made fairly. The Office promotes and protects fairness and is meant to supplement — not replace — existing dispute resolution processes or formal channels of appeal. Accordingly, it does not make warranty decisions, mandate policies, or formally adjudicate issues for Tarion.

The Ombudsperson Office makes recommendations related to specific complaints and systemic concerns. A summary of activities, case studies, observations and recommendations for process improvement and/or policy changes based on the previous year's activity can be found in the **Ombudsperson Annual Report**.

For more information about the New Home Ombudsperson Office or for a copy of the 2015 Ombudsperson Annual Report visit our Annual Reports Page.



Tarion believes that these efforts will further enhance the warranty process, and encourage earlier resolutions of claims.

How Tarion Helps

Tarion makes every effort to resolve claims through our resolution process. While the great majority of claims get resolved, a very small percentage are appealed to the Ontario Licence Appeal Tribunal (LAT).

The opportunity to appeal is a unique feature. Many new home warranty decisions in other provinces have no appeals option. LAT is not part of Tarion. It is an external body, created by the Ontario Government to provide a fair, impartial and efficient way to appeal decisions by several provincial organizations, including Tarion.

We regularly review the cases that proceed to LAT, to extract any learning that will improve our resolution processes.

There are three aspects we examine to ensure that Tarion learns from the outcome of each case. The first is we strive to ensure Tarion's staff are consistently making the correct decision on whether an item is warranted or not. We have tremendous confidence in our staff to make these decisions correctly and fairly. The fact that those few decisions that are appealed are usually upheld further demonstrates this is the case. Ontario new home owners and new home builders rely on Tarion's expertise in these matters, and we are continuously providing our staff with training to ensure they can properly identify claims that fall within the warranty.

The second aspect we consider is the claim process itself, and whether a resolution could have been reached prior to reaching a full LAT hearing with more intervention, or a different approach from Tarion.

What we have found is that the cases that proceed to a full LAT hearing are very complex, and the relationship between the homeowner and builder has usually deteriorated significantly. Over the years, Tarion has implemented several improvements in order to help minimize the number of cases that require legal adjudication. A number of years ago, Tarion began gathering more information at the onset of a claim, to better understand the issues right from the start and to facilitate better communication between homeowners and builders. In 2015, we also initiated an Early Intervention Process allowing homeowners and builders to request Tarion's involvement earlier on if the relationship between the two parties becomes severely strained. We also hired an independent, third party dispute resolution expert to review and report on our processes. Since Tarion implemented this process, more than 50 cases were resolved in 2015 to the satisfaction of both parties.

And finally, there are times when a claim proceeds to LAT that may open a larger industry-wide issue. In these cases, Tarion reaches out to builders, industry associations and the Government to determine whether new home buyers and home owners need better protection.

Licensing and Underwriting

Tarion has responsibility for licensing and regulating new home vendors and builders. Vendors and builders must demonstrate they have the technical competence, customer service capabilities and financial capacity required to build and sell new homes.

Tarion also considers the past conduct of principals, officers and directors associated with the vendor and builder as it relates to honesty and integrity. Vendor and builder licensing occurs annually, with new registrations occurring throughout the year, and involves establishing individual terms and conditions of registration in accordance with the Act.

Builder registrations have remained relatively stable since 2010, with 5,507 registered builders in 2015. Throughout the year, 15 builders were denied licences or had their licences revoked by Tarion.

POSSIBLE SANCTIONS

Vendors or builders who do not abide by their terms and conditions of registration may be subject to a variety of sanctions. This may include additional terms and conditions such as restrictions on the number or types of homes built, additional training, requirements for extra performance security and up to and including refusal or revocation of their licence.

LICENCE APPEAL

If Tarion proposes to refuse to grant, renew or revoke a registration, then the builder has a right to an independent hearing through Ontario's Licence Appeal Tribunal (LAT). LAT may agree with, overturn or allow registration on different terms and conditions following a hearing on the matter. In 2015, builders filed 31 new appeals of Tarion's proposals to withhold or withdraw a licence and 26 appeals were resolved. Of the 26 appeals resolved, Tarion withdrew its Notice of Proposal in 14 cases either because the builder complied with the proposed terms and conditions of registration or because resolution was reached with the builder that addressed the issues to Tarion's satisfaction. The last appeal was administratively dismissed by LAT without a hearing.

HONESTY AND INTEGRITY

Tarion requires that registered builders carry out their warranty undertakings in accordance with the law and operate with honesty and integrity. Tarion will investigate whenever there are reasonable grounds to believe either a registered builder, or its officers and directors, have not carried out their undertakings with honesty and integrity. As long as a builder is registered with Tarion, this obligation is ever present and ongoing. A breach of the obligation may lead to sanctions. These sanctions can include a Notice of Proposal to revoke the builder's registration. Tarion tracks honesty and integrity investigations in a central database system linked to the builder's file, and monitors trends or deterioration in builder behaviour.

In 2015, 39 new individual honesty and integrity builder files were opened and 57 files were resolved, leaving a balance of 25 open files at year-end. Due to the complexity and legal proceedings of some builder files bringing them to resolution can in several cases take some time to conclude.

AS AT	DECEMBER 31, 2013	DECEMBER 31, 2014	DECEMBER 31, 2015
Files Opened	34	24	39
Files Resolved	30	17	57
Files Unresolved	37	44	26



SOME MEMBERS OF TARION'S LICENSING AND UNDERWRITING TEAM

Tarion's seven educational competencies for new registrants:

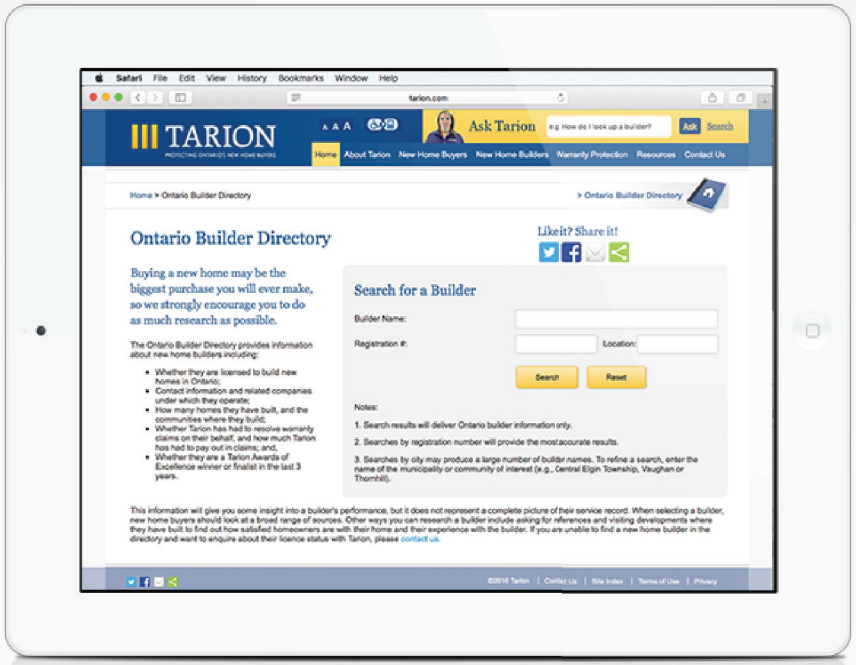
1. Business Planning and Management
2. Financial Planning and Management
3. Project Management and Supervision
4. Legal Issues in Housing
5. Building Codes in Ontario
6. Construction Technology
7. Customer Service and Tarion Requirements

For more information, go to:
http://www.tarion.com/New-Home-Builders/Pages/Getting-Registered.aspx

How Tarion Helps

As of September 2015, Tarion began phasing in higher standards for new home builders wanting to become registered.

We did this by adding new educational competencies that must be met as a condition of their registration. The new requirements hold new home builders to an improved standard and provide more consumer protection to Ontario's new home buyers. Tarion's new education requirements are based on the Canadian Home Builders' Association National Education Benchmarks for residential construction. They focus on areas such as business planning, legal issues in housing, building codes, construction technology and customer service. Beginning September 1, 2016, completing these competencies will be a pre-requisite for registration.



Beware of a builder that is not listed in this directory! Unlisted builders may not have passed the technical test based on the Ontario Building Code regulations, or may not have the financial capabilities required to properly build and sell homes in Ontario — and are likely building illegally.

How Tarion Helps

The Ontario Builder Directory continues to expand.

The directory, available on Tarion's website, displays a 10-year history for all builders in Ontario. This includes builders who are no longer registered with Tarion, and those who have had their registrations refused or revoked. The directory also shows if a builder has been a customer service award finalist or winner in the past three years; a breakdown of the types of homes built over a 10-year span and lists the names of officers and directors for each company, providing links to companies that share the same officers and directors.

We continue to look at more ways to increase the information available to home buyers in the directory. Over the years, this has included:

- Linking builders who are part of an umbrella group of companies, so consumers can learn other names under which the builder may be operating and the communities in which it builds.
- Distinguishing between major structural defect claims, versus the one and two year workmanship claims.
- Posting a notification in the directory if Tarion is in the process of revoking a builder's licence.

The Ontario Builder Directory includes a great deal of information that we hope will be useful for consumers. It's important that whatever information we provide is clear, easy to understand, and fair to the individuals or businesses being described. We always recommend that prospective home buyers check our website as one of a number of sources in making their home buying decisions.

Improving our Processes

DISPUTE RESOLUTION

As part of our ongoing public interest and consumer protection commitment, Tarion hired an independent, third party dispute resolution expert to review its processes. The results of this review were received in 2015. This report includes an assessment of Tarion's current dispute resolution processes, as well as recommendations for improvement.

The consultant was provided full and unfettered access to Tarion's business, including its records and staff. Tarion's purpose in commissioning this review was to better understand its warranty claim processes from a homeowner's perspective and to obtain recommendations for improvement.

The report describes Tarion as an "open, values-based organization with a commitment to continual improvement," and states that "I observed a customer-service oriented culture at Tarion that works to understand and serve its constituents better." The report also states that "it would not, I wish to stress, involve disrupting its operation or dismantling what Tarion has developed to date."

The report acknowledges the very complex role that Tarion's staff face, and offers a number of suggestions for improvement, including improved communication methods with homeowners and builders, dispute resolution training and the hiring of third party consultants. The report also stresses that all recommendations can be implemented within the current structure of Tarion. At no time does it suggest that there exists a presence of any systemic problems or biases inside Tarion that require a disruption of current operations.

Tarion published the findings of this report online in 2015. More information about this report can be found on **Tarion's website**.

EARLY INTERVENTION

In 2015, based on direct stakeholder feedback, Tarion introduced an Early Intervention Process which allows either the homeowner or builder to request Tarion's involvement earlier, in order to reduce issues later on. Tarion may also determine independently that early intervention is required and initiate the process. Some situations include: a seemingly insurmountable impasse between the homeowner and builder; a dispute over warranty obligations and coverage; a belief that either party is not operating in good faith; a builder who is unable or unwilling to provide information on the proposed repair; a homeowner who is experiencing repeated challenges scheduling repairs because of cancelled appointments; or a homeowner who is not receiving any response from their builder to specific inquiries.

Since Tarion implemented this process, more than 50 cases were resolved in 2015 to the satisfaction of both parties.

EARLY INVOLVEMENT OF EXPERTISE

When Tarion is asked to perform a Conciliation Inspection, there are times where our Warranty Services Representatives cannot assess the defects. This may be the case in certain roofing or attic defects. In these cases, Tarion will use outside experts to examine the claims. In 2015, Tarion began bringing in these experts earlier on in the process in order to shorten timelines for resolution. By engaging in more in depth conversations with homeowners and builders before the Conciliation Inspection, we are able to determine if an outside expert is needed, and eliminate a second visit to the home at a later date to assess the same issue. Leveraging these experts earlier on has had a significant reduction in the time it takes to assess these warranty claims.

UPGRADING OUR SYSTEMS

This year Tarion made a significant upgrade to its infrastructure by replacing our core technology framework with the Enterprise Service Bus. The new hardware platforms are faster, better performing and more stable. To homeowners and builders, it means Tarion's electronic services will be functioning when you need them. Our main portals — MyHome and BuilderLink — are reliable, and better positioned to accommodate the growing number of activities performed on these services. The investment in this technology will allow Tarion to continue to service our stakeholders seamlessly.



"When we were contacted by this homeowner who found extensive mould in his basement, Tarion put the new Early Intervention Process to work."

How Tarion Helps

Imagine if you move into your new home and within the first week you discover mould...

This happened to a family in south-central Ontario, and Tarion was able to help these homeowners much faster because of our new Early Intervention Process. In an effort to improve our dispute resolution process, we felt that if Tarion could get involved earlier in certain cases, we could help diminish issues later on. When we were contacted by this homeowner who found extensive mould in his basement, Tarion put the new Early Intervention Process to work. We met the homeowner and the builder at the home the next day to inspect the situation and ensure the builder would make the necessary repairs. We then followed up with the homeowner later that week while he and his family were staying at a hotel at the expense of the builder. The homeowner was very grateful for Tarion's involvement.

Enforcement

Illegal building is a concern across Ontario, putting homeowners at risk and hurting the reputation of the building industry. When a builder fails to register with Tarion or enrol a home with Tarion, purchasers are typically unaware of their right to new home warranty coverage.

In addition, illegally-built homes often do not meet Ontario Building Code standards and can leave home owners living in unsafe and substandard conditions. In 2015, Tarion paid over $2 million in claims on illegally-built homes. Tarion continues to work with the Ontario Building Officials Association, Ontario Home Builders' Association, their local associations and the media to highlight that illegal building puts homeowners at risk, hurts the reputation of the industry, is harmful to the local economy and costs Tarion millions of dollars in annual claims.

The Tarion Enforcement Team tracks down, charges and prosecutes illegal builders. In 2015, the efforts of this group, which consists primarily of former police officers, led to 105 convictions in provincial courts and fines of more than $330,000, which includes the victim surcharge fees. Two builders were also sent to jail. Tarion continues to utilize its intelligence-based software system to identify high-risk builders, including repeat offenders and builders who have either had their licences revoked or refused by Tarion. Along with a dedicated intelligence analyst, this system identifies priority cases, improving the speed and accuracy of detecting illegal building activity across the province. The system also alerts Tarion to builders who obtain building permits but do not include a vendor/builder number on the permit. Since implementing the new software, there has been a significant increase in the number of files that have been flagged to Tarion's Enforcement Team.

In 2015, the Enforcement Team participated in an illegal building sweep in Niagara Falls to investigate illegal building activities in that area. This area was chosen for its high rate of illegal building activities, and lead to 19 investigations of 38 homes. In total, Tarion Investigators laid 16 charges amounting to $62,500 in penalties imposed by the Niagara Region court system.

Tarion continues to receive building permit information from Ontario's 415 municipalities at the onset of a building project, which is another significant advancement in identifying illegal building activities. In 2015, we received just under 36,000 permit reports.



Builders jailed after log home goes unfinished

Napanee builder sent to jail

NAPANEE BUILDER SENTENCED TO JAIL

Napanee builders jailed for illegal building near Coe Hill

Two men were fined $112,500 and sentenced to a month in jail

How Tarion Helps

During the summer of 2009, a retired couple paid a builder in excess of $850,000 — the majority of their life savings — to build their dream home, where they would enjoy their retirement. However, the builder was operating illegally and never completed the home. What the homeowners received was an incomplete and uninhabitable home. These home buyers, like many in Ontario, were unaware that they were entitled to a new home warranty when they hired their builders. Today, the home remains incomplete and was observed with the exterior log shell remaining unfinished, with no roof.

Tarion issued payment for a deposit claim for these home buyers, and helped to prosecute the builders, who were sentenced to 30 days of incarceration and fined $112,500.

"My husband and myself would like to send you a letter of commendation and thanks for all the hard and heart felt work Todd Drain did for us… [he] never indicated to us that he was too busy to consider every email update and to respond with encouraging next steps which kept us both going… Through it all, he listened with compassion and encouraged us… Todd was professional and supportive throughout all our ordeals. I hope this email is enough to recognize this remarkable man."

– **G.&S.H.**, Homeowner from Highlands East, Ontario

PREVENTING ILLEGAL BUILDING

In 2015, Tarion partnered with the Ontario Home Builder's Association (OHBA), the Ontario Building Officials Association (OBOA) and 14 local municipalities to pilot a new strategy to protect new home buyers from the dangers of illegal building. Our goal is to identify illegal building activities before a new home buyer has to suffer the consequences of purchasing a sub-standard home. Pamphlets with information on building your own home were supplied to each municipality to provide education to home buyers about the warranty, and what kinds of homes do not qualify for warranty coverage. Anyone applying for a home building permit in certain municipalities that was not a Tarion registered builder was directed to Tarion to obtain a Letter of Confirmation confirming that the proposed home is exempt from the Ontario New Home Warranties Plan Act. The purpose of this new strategy is to reduce illegal building and educate people considering building their own home. By requiring a Letter of Confirmation, Tarion hopes to identify potential illegal building projects before they begin. The new process will also educate people planning to build their own home about the benefits of using a registered builder.

Ultimately, the goal of the pilot is to encourage legislative change that will help the Ontario Government fulfil its 2014 budget commitment of preventing illegal building.



BUILDING YOUR OWN HOME IN ONTARIO?

BEFORE YOU START — KNOW YOUR RIGHTS

All builders in Ontario must provide a seven year statutory warranty on every home they build. This coverage includes:

- Protection on deposits
- Protection against financial loss for contract homes
- Compensation for delays in closing or occupancy
- Protection against unauthorized substitutions
- One and two year warranties for certain defects in work and materials and
- A seven year warranty for major structural defects

In addition to providing a warranty, anyone in the province of Ontario who plans to build a home for the purpose of sale or sells a new home must be registered with Tarion.

Every registered builder is listed on the Ontario Builder Directory, searchable on Tarion.com. This directory shows a 10-year history for each builder, and displays if a builder has had their license revoked or refused. Any builder that is not listed in this directory is not a registered builder in Ontario, and may be building illegally.

By building your own home, your home will not qualify for the statutory warranty.

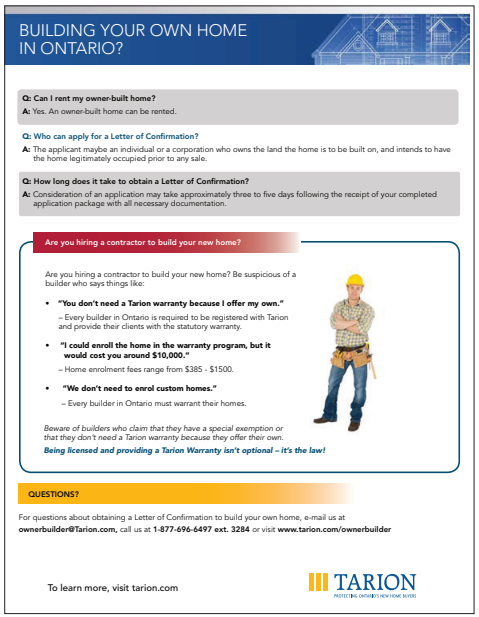
Owner-built homes are not enrolled with Tarion and do not have a statutory warranty. This means that by building your own home, you are responsible for defects in construction that may arise when building your own home.

Owner builders are not required to register with Tarion, but they must first obtain a Letter of Confirmation from Tarion to build their own home. If the owner sells the home without first legitimately residing in the home, he or she must register with Tarion. Further, the owner will be responsible for warranty coverage on the home. If the owner fails to register with Tarion and enrol the home before the home is sold, the owner may be subject to prosecution and face significant fines and/or imprisonment.

Becoming a registered builder requires an interview, testing on knowledge of the Ontario Building Code, and the posting of security to Tarion. These requirements, along with the mandatory warranty coverage, are in place to protect new home buyers from purchasing substandard homes.

To learn more, visit tarion.com

TARION



BUILDING YOUR OWN HOME IN ONTARIO?

Q: Can I rent my owner-built home?
A: Yes. An owner-built home can be rented.

Q: Who can apply for a Letter of Confirmation?
A: The applicant maybe an individual or a corporation who owns the land the home is to be built on, and intends to have the home legitimately occupied prior to any sale.

Q: How long does it take to obtain a Letter of Confirmation?
A: Consideration of an application may take approximately three to five days following the receipt of your completed application package with all necessary documentation.

Are you hiring a contractor to build your new home?

Are you hiring a contractor to build your new home? Be suspicious of a builder who says things like:

- **"You don't need a Tarion warranty because I offer my own."**
  – Every builder in Ontario is required to be registered with Tarion and provide their clients with the statutory warranty.
- **"I could enroll the home in the warranty program, but it would cost you around $10,000."**
  – Home enrolment fees range from $385 - $1500.
- **"We don't need to enrol custom homes."**
  – Every builder in Ontario must warrant their homes.

Beware of builders who claim that they have a special exemption or that they don't need a Tarion warranty because they offer their own.

Being licensed and providing a Tarion Warranty isn't optional – it's the law!

QUESTIONS?

For questions about obtaining a Letter of Confirmation to build your own home, e-mail us at **ownerbuilder@Tarion.com**, call us at **1-877-696-6497 ext. 3284** or visit **www.tarion.com/ownerbuilder**

To learn more, visit tarion.com

TARION

"OHBA has been working with the Ontario Building Officials and Tarion to combat illegal building for years, and this new partnership is the next step in protecting new home buyers. Before anyone should consider building their own home they should know all the facts so that they can make an informed choice between a Tarion registered professional home builder or on their own without any Tarion warranty protection."

– **Vince Molinaro**, President of the OHBA

Outreach

Tarion continued to reach out to various groups — consumers, builders and the industry partners, in order to raise awareness of the warranty, gauge industry issues and look for areas of improvement.

Tarion's employees participated in 473 events across the province in 2015. These included both builder and homeowner events, such as builder education seminars, meetings with groups of homeowners who have been through the warranty process and provided us with feedback, and Town Hall meetings for communities of homeowners who share a particular issue.

Tarion also reached out to stakeholders through articles in the **Toronto Sun** and industry publications such as New Home Guide, Condo Life, Homes Magazine and Hooshmand Magazine, a Farsi publication. Tarion's total media coverage in 2015 amounted to more than 900 news pieces, mostly consisting of articles educating consumers about the warranty, Tarion's tours of local communities, Tarion Awards of Excellence and illegal builder prosecutions.

MULTILINGUAL MATERIALS

In 2015, Tarion introduced materials in **French**, **Punjabi** and **Mandarin**. Two publications — the warranty brochure and an informational video — are currently available on Tarion.com and have been distributed in certain communities. We also offered our annual customer service survey in multiple languages. All languages that we offered — English, French, Mandarin, Farsi and Punjabi — were accessed by homeowners. The usage of these surveys in multiple languages has demonstrated to Tarion that there is a need to offer more materials in languages other than English, and we will continue to expand on these efforts.





"I would like to thank Tarion for this ground-breaking initiative that will provide much needed consumer protection and education to Punjabi speaking individuals who are purchasing a new home in Peel."

– **Linda Jeffrey**, Mayor of Brampton

CONSULTING WITH OUR STAKEHOLDERS

Formal public consultations continued to be an important part of policy making in 2015. Allowing collaboration and transparency ensures all stakeholders have a voice in Tarion's policy development process.

We continued to expand our commitment to making the public consultation process an essential part of our policy development. This expansion — adding more roundtable discussions with industry leaders, consumers and employees — has led to more balanced input on how to shape our policies.

In 2015, Tarion consulted on the Repair Warranty. Tarion has a long-standing, informal policy that repairs to warranted items, whether made by the builder or Tarion, should be warranted for one year. As far back as 20 years ago, the Licence Appeal Tribunal issued decisions that failed repairs are also warranted, and has since found the current one-year guideline to be reasonable. But since this is only an informal policy, Tarion cannot force a builder to fix a failed repair. We think that formalizing this policy will lead to better protection for homeowners, and a clearer process for builders and Tarion. In 2015, Tarion conducted a public consultation on this policy. We think formalizing this policy will provide clarity and consistency for all parties involved and enhance consumer protection. The feedback from this consultation will be reviewed in 2016.

CLARIFYING CHARGEABILITY

In 2014, Tarion consulted on Builder Bulletin 20, which outlines the parameters around chargeable conciliations. A Conciliation Inspection is generally considered chargeable if it could reasonably have been avoided by the builder honouring its warranty obligations. During this consultation, we explored new ways to reach out to the public and our stakeholders and were pleased to receive a record amount of feedback during this consultation. In 2015, we also conducted our first post-consultation briefing, inviting everyone who submitted feedback to listen to the results of this consultation.

Based on this consultation process, a revised Builder Bulletin 20 became effective in 2015. The revised rules were shared with builders, industry professionals and posted on Tarion's website.

INTRODUCING THE TARION AMBASSADORS

In 2015, Tarion launched the Tarion Ambassador program to promote Tarion's outreach with various stakeholders groups. Presentations by Tarion Ambassadors were offered across Ontario, and received a great response. More than 50 Tarion staff members participate in the program, and present on behalf of the company every week. Ambassadors presented to home buyers, Realtors and builders, all spreading the message of education about the warranty program. This program presents a great opportunity for Tarion's staff to engage with stakeholders and share advice based on their experiences with homeowners, builders and warranty issues.

EVOLVING OUR ANNUAL PUBLIC MEETING

Every year, Tarion holds an Annual Public Meeting (APM) to provide interested stakeholders with an update on the organization, and a forum for the public to directly interact with Tarion's Board of Directors, management and employees. In 2015, Tarion made enhancements to this meeting in order to provide information that better reflected our stakeholders' needs. We did this by accepting questions in advance of the meeting which helped to shape our presentations, and answer questions for people unable to physically attend. We received 115 questions prior to the meeting date. Approximately 80 questions concerned individual cases. Our Warranty Services staff contacted these homeowners individually to help resolve their issues before the meeting. We also had Tarion representatives outside the meeting hall before, during and after the meeting in order to respond to more questions. In total, 27 individuals met with these representatives, and some left satisfied before the formal meeting even began.

WORKING WITH THE INDUSTRY ON SIX-STOREY WOOD CONSTRUCTION

On January 1st, 2015, the Ontario Building Code was changed to allow wood frame buildings to be built up to six storeys high, raising the limit from four storeys. With safety in mind, the province also introduced requirements for such buildings, that included building stairwells with non-combustible materials and roofs that are combustion resistant.

In preparation for these changes, Tarion consulted with the industry and introduced changes to our own requirements through Builder Bulletin 19, to add risk areas specific to residential mid-rise wood buildings. Tarion has already received praise from the industry and Government ensuring safe construction and ultimately leading to confidence in wood frame buildings. Tarion staff also attended industry training throughout the year to become familiar with mid-rise wood construction techniques and best practices to better understand the warranty claim risks.



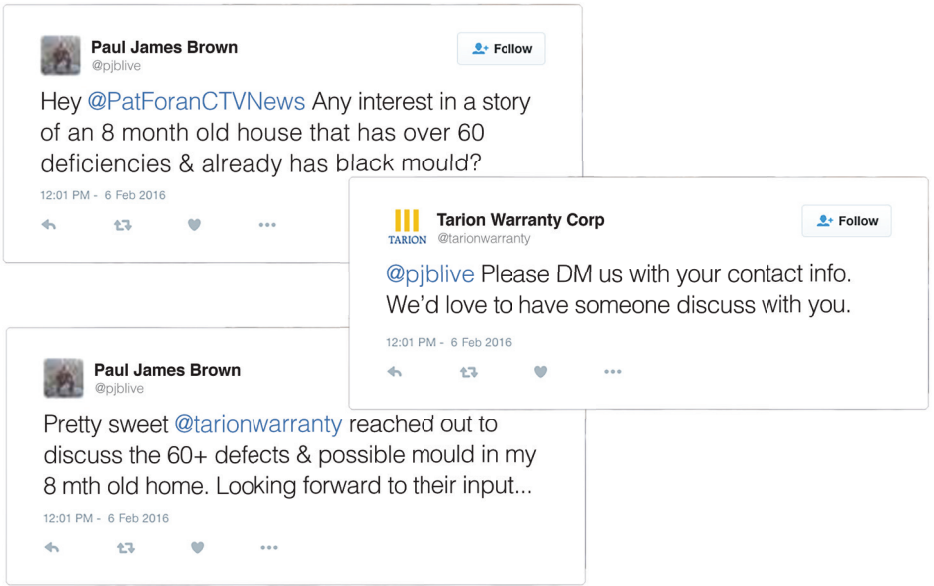
Tarion enrolled the first mid-rise wood condominium project in January 2015, and interviewed nine additional builders proposing 10 mid-rise wood buildings in Ontario.

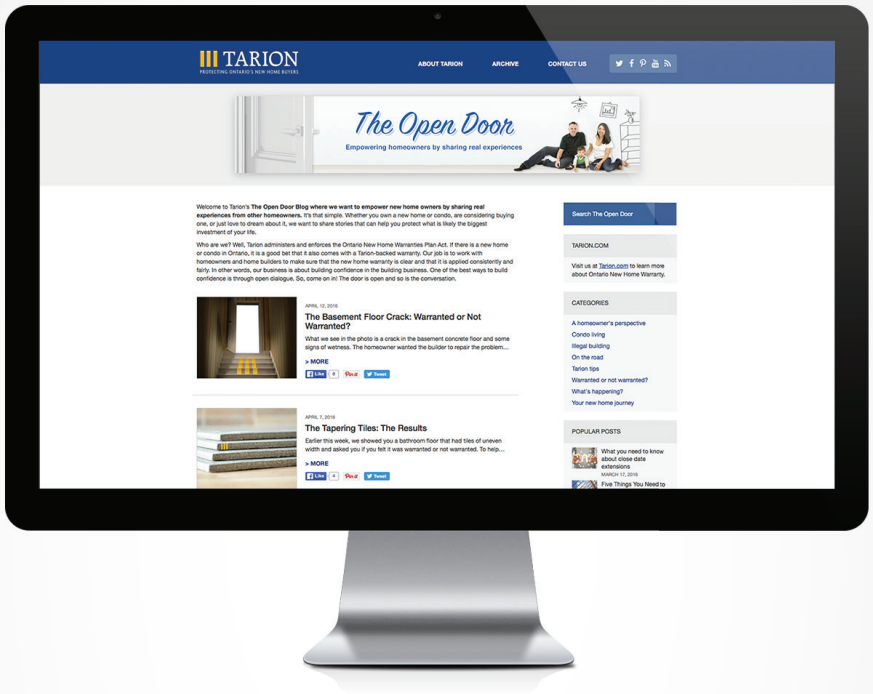
We will monitor the claims data on these buildings to make sure the protections in place remain up-to-date.

SOCIAL MEDIA

Tarion continued to focus on social media as a way to reach out to stakeholders, and for them to reach us. These channels include: **Facebook**, **LinkedIn** and **YouTube**. Social media has opened channels of communication, and provided Tarion with another avenue to offer education to homeowners and home builders. In 2015, Tarion launched our official **Twitter** Channel. By the end of 2015, Tarion had 828 followers on Twitter and 3,783 page likes on Facebook.

In 2015, Tarion's online educational videos posted on YouTube received 169,047 views, an increase of 440 per cent from 2014. For the first time, Tarion also produced videos in other languages, including Mandarin, Punjabi and French.





How Tarion Helps

In the market for a new home? We've got a blog for that...

To help new homeowners navigate through this process, we launched a blog called "**The Open Door**." We want to empower new home owners by sharing real experiences.

After nearly 40 years of protecting Ontario's new home buyers, we have lots of stories to share. We've helped homeowners whose builders have left them with unfinished and uninhabitable homes, and we've awarded builders whose homeowners have recognized them for excellent customer service. From sagging roofs to flimsy floors, we've been called in to address a wide variety of issues, and we want to share these stories with the public in hopes to empower them with knowledge on how to navigate the new home warranty process.

Our blog is here to help new homeowners understand where to turn if they are having issues with their new home. So, come on in and find out what you should know about new homeownership. The door is open and so is the conversation.

"I've met and enjoyed members of Tarion at the Builder Repair Seminars…Please continue your commitment to continuity of communication and guidance."

– **J.F.**, Customer Service Manager, Halminen Homes

Feedback

ANNUAL HOMEOWNER SURVEY

Every year in the fall, Tarion conducts an annual survey of new home owners across the province. In October 2015, two separate surveys conducted by Crunch Research, in partnership with Neilson, went out. First, all homeowners in their first year of ownership received a Year 1 survey invitation. A record 56,000+ invitations were sent to homeowners who took possession of their new home between October 1, 2014 and September 30, 2015. Equally historic, we received nearly 12,000 completed surveys back, representing a strong response rate of 21.4 per cent. The response rate in 2014 was 16 per cent (7,892 completed surveys) and 13.7 per cent in 2013 (6,426 completed surveys).

A second, smaller — still statistically valid — survey was conducted of a random sample of homeowners in their second through seventh year of ownership. The response rate to this latter Year 2-7 survey was also excellent at 27.2 per cent. Detailed results from both homeowner surveys are available on our website at Tarion.com.

Why survey? The goals of this research are threefold. We want to better understand homeowners' perceptions of Tarion's service and processes across all stages of the new home warranty life cycle. The results provide current data that can inform decision-making about future homeowner communications and service improvement strategies across all stages of the new home warranty. Tarion also uses the insights gained from this research to gauge its corporate performance. Secondly, we use the builders' results to help improve builder processes. Builders are provided with a copy of their individual results (if sufficient responses are received), as well as a comparison of their results to those in their category. Tarion then offers customer service training to builders who are looking to improve their service and results. Finally, results from the Year 1 survey are used to identify the Homeowners' Choice Award finalists and recipients (formerly the Tarion Awards of Excellence) among new home builders in four categories: High-Rise (more than 100 high-rise possessions in the year), Large Volume (more than 100 freehold possessions in the year), Medium Volume (21-100 possessions) and Small Volume (5-20 possessions).

HOMEOWNER SURVEY – YEAR ONE

2015 also marked the highest ever response rate from high-rise buyers (44 per cent versus 39 per cent in 2014 and 31 per cent in 2013). Notably, the higher representation of high-rise owners has pushed down Tarion's overall Homeowner Service Orientation Index score to 81 per cent. Traditionally, we've noticed that high-rise owners are less satisfied with Tarion and their new home experience in general as compared to freehold owners. So, while an impressive 8 out of 10 homeowners remain satisfied with Tarion overall, high-rise owners are less satisfied than their freehold counterparts. In fact, satisfaction among all categories of freehold homeownership has either remained stable or improved. For example, results for homeowners in the Small Volume category have returned to 2013 levels.

	2015	2014	2013
Tarion is accessible (to homeowners)	**87.3%**	87.7%	88.5%
Tarion listens to the needs and concerns (of homeowners)	**78.4%**	79.2%	80.1%
Tarion is easy to do business with	**76.8%**	78.6%	80.1%
Homeowner Service Orientation Index	**81.0%**	82.0%	83.0%

BUILDER SERVICE MANAGEMENT STRATEGY GRID

HIGHER

Builders' Relative Performance

LOWER

MAINTENANCE ITEMS (HIGHER Performance & LOWER Importance)	RELATIVE STRENGTHS (HIGHER Performance & HIGHER Importance)
• Amount of time scheduled for & pace of PDI • Communication prior to moving in • Responses to your questions & concerns about APS • Accuracy in recording all items identified during PDI • Explanation(s) of APS • Overall thoroughness of PDI • Explanation of home's systems & equipment at PDI • Ability to deliver the home as agreed in APS • Exterior readiness	• Customer service BEFORE move-in • Being accessible • Scheduling repairs at a convenient time • Completing repairs leaving home clean & damage free • Interior readiness • Ability to listen to & understand needs
SECONDARY ISSUES (LOWER Performance & LOWER Importance)	**KEY FOCUS** **(LOWER Performance & HIGHER Importance)**
• Explanation of warranty & obligations • Explanation of the Tarion HIP • Landscaping / driveway readiness • Condo common areas readiness	• Overall communication effectiveness • Overall customer service • Ability to follow through on commitments • Overall quality of service & repairs • Instilling confidence in work & commitment to service • Customer service AFTER move-in • Timeliness of response to service & repair requests

HIGHER

Importance - Impact on Likelihood to Recommend
Importance data generated from bivariate correlation analysis

HOMEOWNER SURVEY – YEAR ONE (continued)

Some of Tarion's strengths as identified by homeowners include:

- Helping homeowners understand warranty rights obligations
- Listening to the needs and concerns of homeowners
- Giving home buyers confidence in the home buying experience
- Easy to do business with
- Open and transparent in dealings with homeowners & builders
- Ensuring fairness in overseeing rights/ obligations of both new homebuyers and builders

Areas in which Tarion can improve its performance focus generally on areas that relate to claims/ conciliation inspections. While conciliation and claims inspections only represent 6 per cent of homeowners surveyed, improvements here would impact future results.

HOMEOWNER SURVEY – YEARS TWO-SEVEN

A randomly selected sample of about 8,290 new home owners who took possession of their home between October 1, 2008 and September 30, 2014 received survey invitations. We received 2,255 completed surveys providing a total margin of error of +/- 2.1 per cent 9.5 times out of 10.

Since the Year 2-7 Survey began in 2009, the 2015 results reveal the highest ever level of customer satisfaction. Notably, the key metrics that had declined in 2013 are trending positive again.

In most cases the opinions of homeowners in the 1st year possession survey are quite similar to the opinions of homeowners in their 2nd year of possession. Satisfaction levels generally decline marginally in each of years 1, 2 and 3. The results on virtually every comparable measure show there is a further incremental "step down" whereby those homeowners in their 4th and 5th year of possession share similar but less favourable views. Similarly, homeowners in their 6th and 7th year of possession share similar but even less favourable views than those earlier in the warranty life cycle.

Overall, when homeowners report that builders have met or exceeded their expectations, opinions of Tarion tend to be significantly higher. Similarly, when builders do not meet expectations, homeowners' opinions of Tarion are also lower. Thus, the experience with the home and builder significantly contextualizes homeowner impressions of Tarion. In the end, it's important that homeowners have confidence in the new home buying experience and as positive an experience as possible. It's one of the reasons why Tarion works closely with builders to help improve their customer service. In 2015, Tarion conducted 220 builder education seminars across the province. This is in addition to our regular day-to-day interaction with field representatives and individual builder meetings to review survey data.

"Working with you has been an excellent experience. Your service is fantastic!"

– **J.T.**, Markham, Ontario

% AGREE TARION (IS)...	2015	2014	2013	2012	2011	2010	2009
Accessible	**84%**	83%	81%	84%	81%	82%	80%
Helps new homeowners understand their warranty rights & obligations	**77%**	77%	72%	77%	76%	73%	71%
Listens and understands	**72%**	69%	65%	71%	68%	69%	65%
Easy to do business with	**70%**	68%	64%	69%	66%	67%	64%
Makes sure new home builders fulfill their warranty obligations	**68%**	67%	61%	67%	63%	62%	61%

BUILDER SURVEY

In November of 2015, Tarion launched its regular survey of registered builders. To date, this survey has occurred every two years, the last builder survey having taken place in 2013. Conducted by Crunch Research, in partnership with Neilsen, 257 interviews were completed with key personnel at randomly selected registered builders.

Why survey? One of the primary goals of this research is to better understand builders' market expectations and outlook as well as gaining insight into their top market challenges or concerns. Of course, the survey is also important to gauge builders' overall impression of Tarion, including customer service, builder registration and new home enrollment processes. Tarion uses the insights gained from this research to help make improvements across all stages of the new home warranty.

Detailed results from the Builder Survey are available on our website at Tarion.com

BUILDER SEGMENT	SIZE OF POPULATION*	UNWEIGHTED SAMPLE	WEIGHTED SAMPLE	CONFIDENCE** (19 TIMES IN 20)
Large (100+)	106	57	14	13%
Medium (11-99)	388	100	51	10%
Small (1-10)	1,453	100	192	10%
All	**1,947**	**257**	**257**	**6%**

* Among registered builders who had at least one possession in the 12 months preceding November 1 2015.

** Sample confidence is based on the actual (unweighted) sample size.

BIGGEST CHANGE OVER NEXT YEAR	2015	2013	2011
Availability of skilled labour/trades people	14%	9%	7%
Finding land to build on/aquisition/development	13%	7%	10%
Economy/recession/consumer confidence/ market conditions	11%	12%	21%
Increasing home/land costs/staying under budget	10%	6%	7%
Government regulation/permits/fee/demands	9%	14%	9%

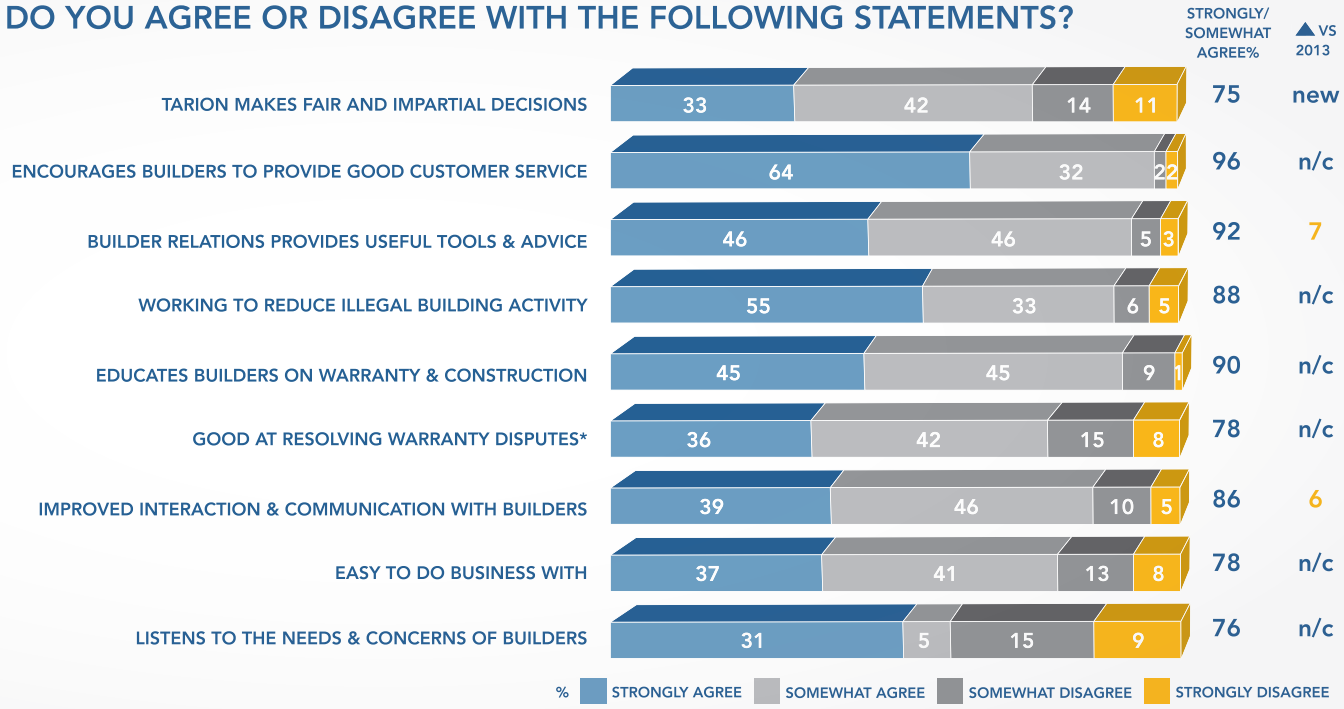
SURVEY HIGHLIGHTS

Overall, Ontario builders are optimistic about the residential construction market in 2016 with 89 per cent of respondents believing that the construction market will grow or remain stable.

Builder satisfaction with, and impressions of, Tarion have recovered from declines witnessed in 2013 to return to 2011 levels. Among the key areas of strength for Tarion are our trustworthiness, that we act with integrity and that we are dependable.

Key areas for improvements focus on greater outreach and communication with builders on a variety of subjects including: Listening to builders' needs and concerns; being easy to do business with; dealing with homeowner complaints and claims; and being consistent.

DO YOU AGREE OR DISAGREE WITH THE FOLLOWING STATEMENTS?



A REVIEW BY THE MINISTRY OF GOVERNMENT AND CONSUMER SERVICES

In 2015, the Ministry of Government and Consumer Services initiated a review of Tarion, and the Ontario New Home Warranties Plan Act. The legislation has not been reviewed since it was created in 1976, and we agree that it is time to consider how effective the regulatory framework is in today's new home and condominium industry.

This review will provide us with the opportunity to share our thoughts on how to strengthen the legislation so it better reflects the needs of today's consumers.

We look forward to working closely with the Ministry and with Justice Cunningham throughout this review process.

"Tarion has always been committed to continuous improvement and this review is an opportunity to further improve the new home buying process for Ontario homeowners. Our legislation is 40 years old and this is the first review since it was created in 1976. This means we have before us a great opportunity to help strengthen the legislation so it better reflects the realities of today's new housing industry."

– **Howard Bogach**





"We know that satisfied customers are critical for our success. In addition to building a top-quality home, open and honest communication is key. There is no better feeling than knowing that our new homeowners have recognized our attention to customer service by honouring us once again with a Tarion Award of Excellence."

– **Mark Klemencic**, Klemencic Homes

Recognizing the Best in Customer Service

Great home builders ensure their customers feel supported long after they've settled into their new homes.

Tarion's Awards of Excellence recognize excellence in customer service, and leave it to the homeowners to tell us their experience has been a great one.

The awards are based on the results of annual customer service satisfaction surveys sent to homeowners who have taken possession of a home in the previous year. Survey questions focus on homeowner satisfaction with their builder, covering every stage in the homeowner-builder relationship from the signing of the agreement of purchase and sale, through construction and the pre-delivery period, to after-sales service.

The 2015, Tarion Awards of Excellence were based on the results of almost 7,900 surveys completed by homeowners.

Tarion hosted a luncheon to recognize the finalists and recipients of the Tarion Awards of Excellence.

AWARDS WERE PRESENTED TO:



THE TRICAR GROUP, LONDON
High-Rise Category



KLEMENCIC HOMES, TRENTON
Medium Volume Category



FUSION HOMES, GUELPH
Large Volume Category



ROCHON CONSTRUCTION, NORTH BAY
Small Volume Category

"When it comes to customer service, if it's worth doing, it's worth doing it right. Receiving a Tarion Award of Excellence emphasizes to us that our customers recognize this effort, and appreciate the time we spend to ensure they are satisfied with their new home."

– **Ray Rochon**, Rochon Construction in North Bay

"We have three major areas of focus with the goal of delivering top quality customer service. These are communication, education and ensuring it is always a team effort. The Tricar Group is constantly refining our best practices to ensure we are improving whenever we can. Being recognized by our customers as the top high-rise builder in Ontario for the second year in a row with a Tarion Awards of Excellence tells us that our process is working."

– **Adam Carapella**, The Tricar Group

Corporate Social Responsibility

Corporate Social Responsibility is an important part of Tarion's cultural identity. It has a significant impact on our stakeholder relationships and the morale of staff. It helps reinforce our connection to the community we serve daily and builds confidence in our interactions.

In 2015, Tarion implemented a **Corporate Social Responsibility Plan**, integrating meaningful economic, social and environmental considerations into our business practices and fostering a culture of sustainability. The plan formalizes the previous commitments made by Tarion toward corporate social responsibility, which includes a long standing commitment to charitable giving.

Tarion has always embraced the importance of charitable giving by supporting causes that impact our communities and our employees. Since 1993, Tarion has waived more than $450,000 in fees for Habitat for Humanity, translating into more than 900 homes for Ontarians across the province. For more than 20 years, Tarion has hosted an annual Charity Golf Tournament in support of Children's Wish Foundation, raising over $700,000 for this charity. According to Children's Wish Foundation, Tarion has been one of their largest contributors over the last 21 years.

Tarion's employees are involved in charitable giving through Tarion Cares, an employee led committee established to promote employee social responsibility. Since 2009, Tarion Cares has raised more than $76,600 for humanitarian causes directly through the charitable donations of Tarion employees. In 2015, Tarion employees contributed 298 corporate supported volunteer hours to social and environmental causes.

By fostering a culture of giving within our organization, we strive to make a positive impact on our community.





How Tarion Helps

In 2009, a group of eight employees from various departments put together a committee called Tarion Cares. This committee invites individual employees to nominate charities close to their hearts that all employees can support by making a donation to participate in casual Fridays. It's a win-win! Our staff looks forward to taking a break from their heels and ties for a day, and we get to give back to our community.

One of the charities we fundraised for in 2015 was Wounded Warriors, a program that supports ill or injured veterans and their families. Staff raised close to $500 in one day for this cause. "My wife and I have many friends and relatives that are/were veterans of many conflicts going back to the First World War – a lot of them are now deceased. We both have a special passion for Canadian Military history and very much appreciate what Canada's military has done for this country – Wounded Warriors is a way to give something back so that's why I nominated this charity for Tarion Cares," says Dan, a Tarion employee.

Tarion is committed to supporting humanitarian efforts and have adopted this within its business practice. Find out more in Tarion's Corporate Social Responsibility Plan.

"My wife and I have many friends and relatives that are/were veterans of many conflicts going back to the First World War. Wounded Warriors is a way to give something back so that's why I nominated this charity for Tarion Cares."

– **Dan**, Tarion Employee

Looking Forward to 40 Years of Service

2016 marks Tarion's 40th anniversary of serving new home buyers. After four decades, we have the experience and vision to enhance fairness and build confidence in the new home buying experience.

We strive to provide consumers with a warranty program that is:

- Committed to consumer protection.
- A leader in home warranty administration.
- Progressive and effective in its regulations.
- Fair, competent, and effective in dispute resolution.
- Financially sound and secure.
- A preferred employer and a great place to work.
- Focused on adding value through continuous improvement and best practices.
- An effective communicator and educator.

Although a lot has changed in the past 40 years, Tarion's main objective remains the same. Since 1976, Ontario's new home warranty program has registered close to two million homes and paid out hundreds of millions of dollars in warranty claims. We will continue to protect Ontario's consumers as we have since 1976. We will do so by continuing to enhance fairness and confidence in the new home buying experience.

Our mandate is to serve the public interest, and is what guides us every day.

Tarion's Impact in 40 Years of Service

1.9 Million
Warranted homes

$345 Million
Dollar claims paid

37,326
Builder/vendors registered

3,804
Builders/vendors revoked or refused

Tarion's Corporate Leadership Team

Tarion's day-to-day operations are managed by the corporate leadership team and their staff.

BACK ROW (L-R)

JOHN BECEVELLO
Vice President
& Special Advisor to the CEO

TIM SCHUMACHER
Vice President
& General Counsel

BILL WALLACE
Vice President
& Chief Information Officer

HOWARD BOGACH
President & CEO

KEVIN BRODIE
Vice President
Warranty Services

SILONI WARAICH
Vice President
Stakeholder Engagement

EDMOND LEE
Vice President
& Chief Financial Officer

FRONT ROW (L-R)

PETER BALASUBRAMANIAN
Vice President
Licensing & Underwriting

EILEEN HOLDEN
Vice President
Human Resources

MICHAEL QUAST
Vice President
Strategic Communications

DAVID J. GUINEY
Chief Operating Officer

NOT PICTURED

LESLEY ROSS
Corporate Secretary



Board of Directors

Tarion is governed by a Board of Directors with members representing key stakeholders within the housing industry, new home buyers, builders, consumer advocates, the financial community and provincial and municipal levels of government across Ontario.



BACK ROW (L-R) Lynn Peterson, Bob Finnigan, Loralea Carruthers, Dan Gabriele, Paul Golini Jr., Wendy Rinella
MIDDLE ROW (L-R) Sheldon Libfeld, Frank Giannone, Peter Oakes, Greg Graham, Sandy Ewen
FRONT ROW (L-R) Hari Panday, Lea Ray, Mark Basciano, John Lieou, Justin Rangooni

The Board is responsible for the stewardship of the organization, including promoting sound governance practices, regulatory oversight and taking a leading role in the establishment of the organizations' strategic direction. Using a committee structure, recommendations are made to the full Board which in turn makes final decisions. The Board is not responsible for the day-to-day management and operation of the Company's business, as this responsibility has been delegated to management. The Board provides oversight in supervising management in carrying out this responsibility.

AMONG ITS KEY RESPONSIBILITIES, THE BOARD:

- Approves Tarion's strategic plan, business plan and budget ensuring the integrity of the organization's financial reporting;
- Monitors the strategic environment and ensures appropriate enterprise wide risk management;
- Monitors corporate performance against the strategic plan and business, operating and capital budget;
- Oversees management succession planning, including appointing and monitoring the President & Chief Executive Officer;
- Assesses its own effectiveness in fulfilling its responsibilities, including monitoring the effectiveness of individual directors;
- Ensures the integrity of the Company's internal control system and management information systems;
- Develops the Company's approach to corporate governance, including developing a set of corporate governance principles and guidelines.

Governance Policies

The Board of Directors of Tarion Warranty Corporation is committed to a series of governance policies which are intended to support the supervisory role of the Board and to ensure that the Board acts in the best interest of the company having regard to its consumer protection mandate and interest of its stakeholders. Some highlights of the Board's current governance practices include the following:

INDEPENDENCE

To ensure independence of the Board and management, an independent Director is elected and serves as Chair of the Board. The Board is comprised entirely of outside Directors.

BOARD COMPOSITION

Tarion's Board of Directors is made up of 16 members nominated in accordance with the by-laws of the Company. Membership on the Board of Directors is comprised of a number of individuals having knowledge of the interests of all stakeholders. The by-laws of the Company provide for the appointment of Directors as follows:

- Five (5) nominees appointed by the Ministry of Government and Consumer Services;
- Eight (8) nominees put forward by the Ontario Home Builders Association (OHBA) and selected by the Nominations Committee; and
- Three (3) nominees nominated at large and selected by the Nominations Committee.

Nominated Directors are all chosen by reference to a Competency Framework/Skills Matrix. The three candidates nominated at large cannot be:

(i) an employee of the Company; (ii) employed by or directly associated with the Ministry; (iii) an officer, director, employee, principal or person directing operations of a current new home vendor or builder in Ontario ("Ontario Builder"); nor (iv) an officer, director, employee or principal of an association comprised of and/or representing Ontario Builders.

MEETINGS

The Board meets in accordance with a schedule established each year by the Board, and at such other times as the Board may determine. Meeting agendas are developed in consultation with the Chair. The Chair is responsible for ensuring that a suitably comprehensive information package is sent to each director in advance of each meeting.

Directors are expected to be fully prepared for each Board meeting, which requires them, at a minimum, to have read the material provided to them prior to the meeting. At Board meetings, each Director is expected to take an active role in discussion and decision-making. To facilitate this, the Chair is responsible for fostering an atmosphere conducive to open discussion and debate.

The Board meets without the presence of management at each of its meetings.

FINANCIAL CONTROLS

The Audit Committee of the Board is composed entirely of independent Directors whose responsibilities are set forth in a detailed Committee mandate. The Committee has the ability to deal directly with the external auditor regarding the Company's annual financial statements, and with the external actuary regarding the warranty liabilities of the Company. Consistent with the best practices of regulated financial institutions, Tarion has established an internal audit mandate. To fulfill this mandate, the Company has engaged the services of a public accounting firm to provide internal auditing to maintain and improve the Company's internal control environment. The internal auditor has a direct reporting relationship to the Audit Committee.

RISK MANAGEMENT

The Board, together with the Audit Committee, monitors, reviews and approves adherence to corporate policies to manage and control risk, as well as compliance with policies of the Company and regulatory requirements. A management risk sub-committee also identifies emerging issues and reports to the Audit Committee. The Board annually conducts a detailed assessment of all corporate risks and appropriate mitigating actions. These risks are reviewed as to their probability and potential impact. Every identified risk is assigned to one of the standing Committees of the Board.

STRATEGIC PLANNING

The Board engages in a strategic planning process each year which takes into account business policy initiatives and opportunities, operational and financial risks and emerging risks and opportunities. Throughout the year, the Board reviews corporate performance against the Company's annual business plan and the current strategic plan.

ANNUAL PERFORMANCE OBJECTIVES

The Board approves the annual corporate business plan and key performance indicators. The Board evaluates the CEO against performance objectives established by the Board. This evaluation is conducted in-camera session and is supported by a mid-year review of the CEO's performance. The CEO reports annually to the Board through the Human Resources & Compensation Committee on senior management performance and succession planning.

CODE OF GOVERNANCE PRACTICES

Each member of the Board is required, on an annual basis, to sign a Code of Governance Practices that has been approved by the Board. This Code is intended to assist the Directors in performing their responsibilities to the Company with appropriate discipline and dedication.

Responsibilities of the Committees of the Board

The Board has the authority to establish and carry out its duties through Committees and to appoint Directors to be members of these Committees. The Board assesses the work and recommendations of the Committees of the Board and the constitution and work plan of each Committee is reviewed annually or more frequently, as circumstances require. From time to time the Board may create ad hoc Committees or Task Forces to examine specific issues on behalf of the Board.

The Board has established the following standing committees: (1) Audit Committee; (2) Consumer Committee; (3) Governance Committee; (4) Human Resources & Compensation Committee; (5) Investment Committee; (6) Nominations Committee, and (7) Regulatory Affairs Committee. The Board has established the following task forces: (1) Builder Education Task Force and (2) Condominium Task Force.

In 2015 the Board established a Key Performance Indicator Review Ad Hoc Committee and a Public Interest and Mandate Review Ad Hoc Committee. The Board has also established a Consumer Advisory Council.

All Committee meetings have regularly scheduled in-camera meetings without the presence of management.

AUDIT COMMITTEE

LEA RAY, CPA, ICD.D, Chair
HARI PANDAY, FCPA, FCGA, ICD.D, Vice Chair
SANDY EWEN
SHELDON LIBFELD
GREG GRAHAM, CGA

The Audit Committee, composed of five members of the Board, reviews the quarterly financial statements and key performance indicators, the annual audited financial statements and financial operating performance reported in Tarion's Annual Report, the assessment of reserves, and the results of capital adequacy testing. The Committee is also responsible for the development and monitoring of policies to address risk management as well as the internal control framework. It also makes recommendations to the Board with respect to the appointment of an external auditor, the internal auditor, the external actuary and the pension plan actuary and administrator.

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

The Committee meets five times per year and at such other times as the Committee may determine. The Committee meets without the presence of management with the Actuary and the internal and external auditors.

CONSUMER COMMITTEE

JUSTIN RANGOONI, Chair
LYNN PETERSON, ICD, Vice Chair
BOB FINNIGAN
DANIEL GABRIELE
PAUL GOLINI JR.
WENDY RINELLA, ICD
JOHN LIEOU
LORALEA CARRUTHERS

The Consumer Committee is composed of eight members of the Board who represent Tarion's major stakeholders. The Committee provides guidance, informed opinion and progressive ideas, and makes recommendations to the Board of Directors with respect to the promotion of consumer interests and consumer protection initiatives as they relate to both the mandate of Tarion and to Tarion's Commitment to new home buyers.

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

The Committee meets four times per year and at such other times as the Committee may determine. The Committee meets without the presence of management with the Ombudsperson at every meeting.

CONSUMER ADVISORY COUNCIL

MARIO DEO, Chair

The Consumer Advisory Council serves as an advisory body and reports to the Consumer Committee. The Council provides ongoing advice from a home buyer consumer perspective, on proposed Tarion policy changes. The Council met four times in 2015. The Chair and Vice Chair of the Advisory Council meet regularly with the Consumer Committee.

The members of the Council include consumers that have been through our warranty process, a home inspector, a retired building official, real estate lawyers and other experts who have direct dealings with new home buyers.

Any policy recommendations to be considered by the Council can be made through a written submission to Tarion's website under "Contact Us."

GOVERNANCE COMMITTEE

LYNN PETERSON, ICD, Chair
PETER OAKES, MBA, CPA, ICD.D, Vice Chair
DAN GABRIELE
FRANK GIANNONE, ICD
HARI PANDAY, FCPA, FCGA, ICD.D.
JUSTIN RANGOONI
MARK BASCIANO (ex-officio)
LEA RAY (ex-officio) CPA, ICD.D

The Governance Committee, composed of six members of the Board, provides recommendations to the Board with respect to governance matters affecting the Company. The Committee has responsibility for developing and monitoring the effectiveness of Tarion's system of corporate governance, including making recommendations to the Board of Directors on appropriate and necessary governance policies; governance structure and board committees.

Among its key responsibilities, the Governance Committee:

- Recommends procedures for the recruitment of Director candidates to the Board of Directors of Tarion providing oversight over the election process through the Nominations Committee;
- Provides input to the Board of Directors and the Nominations Committee on an appropriate Director nomination process to ensure that the Board has the appropriate skills and background to address the business issues of the Corporation, including expertise in the areas of insurance, claims management, governance, consumer issues, new home construction, risk management and financial matters;
- Oversees the development and implementation of orientation procedures for new Directors as well as the development and implementation of Director training policies and programs;
- Recommends to the Board of Directors the Board evaluation process to be followed by the Board each year in keeping with the requirements of the Letter of Accountability. The Committee is responsible for the conduct of this process ensuring results of the evaluation are acted on, and that a policy is in place to proactively address full Board and individual Director training and development;
- Recommends to the Board of Directors, governance improvements, based on current trends and needs of the Board, as well as from best-practice trends in corporate governance in Canada;
- Develops, maintains and updates as necessary the Code of Conduct and Governance Practices of the Corporation, to ensure every Director executes a copy of the Code each year, and agrees to abide by each of its principles.

HUMAN RESOURCES & COMPENSATION COMMITTEE

FRANK GIANNONE, ICD, Chair
LEA RAY, CPA, ICD.D, Vice Chair
MARK BASCIANO
BOB FINNIGAN
GREG GRAHAM
WENDY RINELLA, ICD

The Human Resources & Compensation Committee, composed of six members of the Board, is appointed by the Board of Directors to assist the Board in fulfilling its oversight responsibilities regarding human resources and compensation on behalf of Tarion. The Committee oversees the implementation of human resources decisions of the Board and ensures the adequacy and effectiveness of the systems implemented to ensure compliance with all human resources legislation, policies and procedures.

Additionally, the Committee leads the evaluation and compensation process for the President and CEO and is responsible for recommending to the Board of Directors the annual objectives for the President and CEO and for evaluating performance against those objectives. The Committee works with external expert compensation advisers who provide information with respect to current market compensation payable to senior executives of comparable organizations. It also undertakes an annual succession review of the senior management team in consultation with the President and CEO.

The Committee is also responsible for recommending Director compensation. A comprehensive review is undertaken every two years with the last review conducted in the latter part of 2015. No changes were made as a result of the review of Directors current compensation levels.

INVESTMENT COMMITTEE

PETER OAKES, MBA, CPA, ICD.D, Chair
GREG GRAHAM, CGA, Vice Chair
BOB FINNIGAN
SHELDON LIBFELD
LEA RAY, CPA, ICD.D

The Investment Committee, composed of five members of the Board, reports to the Board on the corporate investment plans, policies and issues with respect to corporate funds and pension plan(s) that affect Tarion. The goals of the investment strategies and policies are to maximize return and minimize risk to the corporation within agreed upon constraints; and to ensure funds are invested appropriately, recognizing the liquidity, timing and security considerations of corporate operational and reserve requirements. The Investment Committee considers and recommends investment strategies, plans and policies related to the invested assets of the Company. The Committee oversees the selection and appointment of one or more investment managers and reviews and approves the investment policies of the Company each year. It also reviews reports from fund managers on investment activities and measures investment results against the investment goals of the Company. In addition, the Committee is responsible for the oversight of the management of assets related to the pension plan of the Company.

The Committee meets without the presence of management with each of the Investment Managers annually.

REGULATORY AFFAIRS COMMITTEE

LYNN PETERSON, ICD, Chair
JUSTIN RANGOONI, Vice Chair
FRANK GIANNONE, ICD
LEA RAY, CPA, ICD.D
SHELDON LIBFELD
MARK BASCIANO, ex officio

The Regulatory Affairs Committee, composed of five members of the Board, assists the Board in fulfilling its oversight responsibilities with regard to Tarion's regulation making powers as provided in the Ontario New Home Warranties Plan Act. It provides due diligence on behalf of the Board of Directors for the planning, research, stakeholder consultation and implementation of each proposed regulation change; evaluates the adequacy and effectiveness of current or proposed legislation or regulations to ensure compliance with the mandate of the Corporation; and ensures that Tarion is meeting its regulatory obligations and responsibilities as set out in its Mandate.

NOMINATIONS COMMITTEE

The Nominations Committee reports to the Governance Committee and is composed of a member of the Board, two appointees from the Ministry of Government & Consumer Services, and two appointees from the Ontario Home Builders Association.

The Nominations Committee is responsible for receiving and initiating proposals for nomination of individuals for election to the Board and assessing incumbent Directors for re-nomination to the Board. Industry based and At Large candidates are evaluated by the Nominations Committee, having regard to the candidate's background and qualifications to ensure that the candidate's experience and skill are aligned with the Company's needs. In evaluating candidates, the Nominations Committee considers diversity as well as the effectiveness of the Board, as a whole, and its individual members, including their respective competencies and skills.

Following the interview process, nominees are recommended to the Governance Committee and to the Board of Directors to fill identified vacancies.

KEY PERFORMANCE INDICATORS (KPI) REVIEW AD HOC COMMITTEE

Following the Board's strategic planning session in June 2015, the Board formed a Key Performance Indicator Review Ad Hoc Committee. This Committee, composed of three board members, was tasked with reviewing the corporation's key performance indicators with the intent to developing an improved approach to establishing, measuring and reviewing KPIs. This review was completed in November 2015.

PUBLIC INTEREST & MANDATE REVIEW AD HOC COMMITTEE

Following the Board's strategic planning session in June 2015, the Board formed a Public Interest and Mandate Review Ad Hoc-Committee. This Committee, composed of four Board members, was tasked with reviewing Tarion's mandate and definition of "Public Interest." An initial report was presented to the Board of Directors in December 2015 regarding a proposed new "About Us" page for Tarion's website. The Public Interest Mandate received final approval by the Board in February 2016. This has now been updated on our website.

BUILDER EDUCATION TASK FORCE

The Builder Education Task Force was composed of seven Directors and two representatives from the Ontario Home Builders' Association with the objective of supporting management's development of a builder education initiative. The first phase of the Builder Education initiative was implemented in 2015 and full implementation is expected in September 2016. As of September 1, 2015, new applicants proposing to build residential freehold and low-rise condominium construction under Part 9 of the Ontario Building Code are required to complete seven educational competencies in addition to Tarion's existing registration requirements. The educational requirements are based on the Canadian Home Builders' Association's National Education Benchmarks for residential construction. As of September 1, 2016, achieving these competencies will be a pre-requisite for registration. The Task Force provided strategic advice to management to assist with the development and launch of the initiative through 2015. It is not expected that the Task Force will be meeting in 2016 with further updates on the status of the builder education initiative going directly to the Board. In the longer term, a form of the Task Force may be reconstituted as we give further consideration to the potential for continuing education for existing registrants.

CONDOMINIUM TASK FORCE

The Condominium Task Force is composed of three Directors and four industry appointees experienced in the condominium area. The Task Force was established as a forum to facilitate research, provide informed opinions and discussion and make progressive recommendations to Tarion management and the Board of Directors relating to the condominium industry. In 2015, the Task force provided feedback to management in respect of the ongoing review of the security rules for condominiums (as part of the overall review of Builder Bulletin 28); improvements to BB19 and performance of BB19 filed Review Consultants. In 2015, the government, working with Tarion, included provisions in Bill 106 that amended the Ontario New Home Warranties Plan Act and would extend most of the new home warranty coverage to certain condominium conversion projects. In January 2015, the government also raised the height restriction on certain wood frame buildings from four to six storeys. It is expected that the Task Force will continue to provide input on these subjects in 2016, as well as continue to be engaged in the policy development around expanding warranty coverage to condominium conversions and monitor the development of wood frame construction in connection with the Building Code changes which went into effect in 2015.

Directors Attendance

The number of Board and Board Standing Committee meetings held by the Company during 2015 was as follows:

Board of Directors	**10 MEETINGS**
Audit Committee	**6 MEETINGS**
Consumer Committee	**5 MEETINGS**
Governance Committee	**6 MEETINGS**
Human Resources & Compensation Committee	**6 MEETINGS**
Investment Committee	**4 MEETINGS**
Nominations Committee	**3 MEETINGS**
Regulatory Affairs Committee	**4 MEETINGS**
TOTAL	**44 MEETINGS**

The following chart reflects attendance during the fiscal year. It includes former and newly elected Directors whose terms ended and/or commenced concurrent with the Annual Meeting of Members in April 2015.

	BOARD OF DIRECTORS		COMMITTEE		TOTAL	
Director	**Held**	**Attend**	**Held**	**Attend**	**Held**	**Attend**
Basciano, Mark	10	10	18	16	28	26
Ray, Lea	10	10	19	18	29	28
Carruthers, Loralea	2	2	2	2	4	4
Ewen, Sandy	10	10	7	7	17	17
Finnigan, Bob	10	10	15	14	25	24
Gabriele, Dan	10	8	11	9	21	17
Giannone, Frank	10	9	16	14	26	23
Golini, Paul	10	10	6	5	16	15
Graham, Greg	10	10	16	15	26	25
Libfeld, Sheldon	10	9	11	9	21	18
Lieou, John	1	1	1	1	2	2
Oakes, Peter	10	9	11	10	21	19
Panday, Hari	10	10	12	12	22	22
Peterson, Lynn	10	10	14	14	24	24
Rangooni, Justin	10	9	14	13	24	22
Rinella, Wendy	10	10	11	11	21	21
Spiteri, Christopher	3	3	10	10	13	13
Brown, Deborah	4	4	7	7	11	11

Tarion Warranty Corporation

December 31, 2015

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MEMBERS OF TARION'S FINANCE TEAM

2015 Financial Commentary

The Canadian economy along with the global economy were significantly impacted in 2015 due to growing concern over the Chinese economy and the impact it has on the commodities markets – especially oil. This translated into significant volatility in the capital markets across the world. The Bank of Canada maintained the same level of interest rates, diverging from the US who increased its rates in early December. While the Ontario economy had moderate growth, the Ontario housing market remained resilient with enrolments surpassing expected levels. These factors notably impacted Tarion 2015 financial results.

Tarion ended the year with a positive bottom line of $1.3M as a result of positive investment returns and strong enrolment levels.

The Ontario new home market was strong and both freehold and high-rise enrolment levels in 2015 surpassed that of 2014. The year ended with total enrolment levels at 57,788 compared to 49,890 in 2014.

The Guarantee Fund grew by $16.4M despite the unstable capital markets as a results of overall positive investment return and strong enrolment cash flows. Both the fixed income portfolio and global fund had positive returns, offset by losses in the domestic equities.

2015 net claims experience was $6.2M, $1.3M higher than 2014 of $4.9M as a result of a few large claims cases. The Corporation paid out $11.6M (2014 – $9.9M) to new homeowners for warrantable claims.

Total 2015 operating expenses (excluding net claims incurred) of $39.7M reflects a 3.3 per cent increase over 2014 of $38.4M. While Management continues to focus on expense management, it also invests in the Company's future via continuous improvement of its business processes and policies. Tarion launched its new 3-year strategic plan in 2015 with a focus on *enhancing fairness and confidence in the new home buying experience*. A few key initiatives were implemented including the phase-in of education criteria as a condition of a new builder's registration, piloting the illegal building prevention model and improving core technology platforms.

In spite of challenging 2015 capital markets, Tarion remained financially strong with equity of $228.7M (2014 – $227.6M) and a Guarantee fund of $494.9M (2014 – $478.5M).

Management's Responsibility For Financial Reporting

Management is responsible for the integrity of the financial statements and operational information presented in this Annual Report. The financial statements have been presented in accordance with International Financial Reporting Standards and reflect management's best estimates and judgments. Financial information presented elsewhere in the Annual Report is consistent with these financial statements.

Management maintains a system of internal controls, to provide reasonable assurance that all assets are safeguarded and to facilitate the preparation of relevant, reliable and timely financial information.

The external actuary who is appointed by the Board of Directors is responsible for ensuring that the assumptions and methods used in the determination of the warranty liabilities are in accordance with accepted actuarial practice.

The external auditor has audited and reported on the annual financial statements prepared in accordance with International Financial Reporting Standards.

The Audit Committee, consisting of non-executive directors, has reviewed these financial statements with management and the external auditor and has reported to the Board of Directors, which has approved the financial statements.

HOWARD BOGACH
President & Chief Executive Officer
April 21, 2016

EDMOND LEE
Vice President & Chief Financial Officer
April 21, 2016

Independent Auditors' Report

To the Directors of **Tarion Warranty Corporation:**

We have audited the accompanying financial statements of Tarion Warranty Corporation, which comprise the statement of financial position as at December 31, 2015, the statements of comprehensive results of operations, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of Tarion Warranty Corporation as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants,
Licensed Public Accountants
April 21, 2016
Toronto, Canada

Actuary's Report

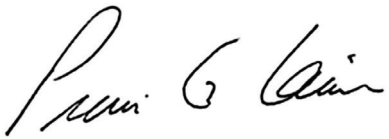
To the Directors of **Tarion Warranty Corporation:**

Willis Towers Watson

175 Bloor Street East
South Tower, Suite 1701
Toronto, Ontario M4W 3T6

I have valued the warranty liabilities of **Tarion Warranty Corporation** for its Statement of Financial Position as at December 31, 2015 and their change in the Statement of comprehensive results of operations for the year ended December 31, 2015 in accordance with accepted actuarial practice in Canada, including the selection of appropriate assumptions and methods.

In my opinion, the amount of these warranty liabilities makes appropriate provision for all warranty obligations, and the financial statements fairly present the results of the valuation.



Pierre Laurin
Fellow, Canadian Institute of Actuaries
April 21, 2016

For the year ended December 31, 2015 ($CAD thousands)

	NOTES	2015	2014
ASSETS			
Cash and cash equivalents	4	**$ 6,237**	$ 2,863
Trade and other receivables from vendors and builders	5	**6,052**	4,851
Prepaid expenses and other assests		**1,035**	249
Investments	6	**494,893**	478,481
Equipment and leaseholds	7	**2,445**	2,668
Intangible assets	8	**2,395**	2,907
TOTAL ASSETS		**$ 513,057**	$ 492,019
EQUITY AND LIABILITIES			
LIABILITIES			
Accounts payable and accrued liabilities	9	**$ 8,975**	$ 7,181
Lease obligations and inducements	10	**1,775**	2,067
Warranty liabilities	11	**219,220**	203,278
Funds held as security	12	**48,744**	46,741
Employee future benefits liabilities	13	**5,634**	5,195
Total liabilities		**284,348**	264,462
EQUITY		**$ 228,709**	$ 227,557
TOTAL EQUITY AND LIABILITIES		**$ 513,057**	$ 492,019

See accompanying notes to financial statements.

Approved by the Board of Directors

MARK BASCIANO
Director and Chair of the Board

LEA M. RAY
Director and Chair of Audit Committee

For the year ended December 31, 2015 ($CAD thousands)

	NOTES	2015	2014
REVENUE			
Home enrolment fees earned	11	$ 32,928	$ 27,962
Builders' registration and renewal fees		3,451	3,303
Investment results			
Investment income	14	11,444	23,504
Investment management fees		(1,422)	(1,355)
Other revenue		784	725
		47,185	54,139
EXPENSES			
Net claims incurred	11	6,231	4,893
Salaries and benefits		24,775	24,258
General and administrative		11,460	10,451
Depreciation and amortization	7, 8	2,922	3,159
Interest expense	15	495	561
		45,883	43,322
EXCESS OF REVENUE OVER EXPENSES		1,302	10,817
OTHER COMPREHENSIVE RESULTS OF OPERATIONS			
Actuarial gain/(losses) for employee future benefits	13	(150)	737
TOTAL COMPREHENSIVE RESULTS OF OPERATIONS FOR THE YEAR		$ 1,152	$ 11,554

See accompanying notes to financial statements.

For the year ended December 31, 2015 ($CAD thousands)

	2015	2014
Beginning of the year	$ 227,557	$ 216,003
Excess of revenue over expenses for the year	1,302	10,817
Other comprehensive result of operations		
Actuarial gains/(losses) for employee future benefits	(150)	737
TOTAL EQUITY, END OF YEAR	$ 228,709	$ 227,557

See accompanying notes to financial statements.

For the year ended December 31,2015 ($CAD THOUSANDS)

	2015	2014
NET INFLOWS (OUTFLOWS) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Home enrolment fees received	$ **49,802**	$ 41,589
Builders' registration fees received	**3,451**	3,303
Other miscellaneous fees received	**327**	290
Payments to employees for salaries and benefits	**(24,136)**	(23,616)
Payments to suppliers for general and administrative expenses	**(11,150)**	(10,706)
Claims payments	**(11,590)**	(9,854)
Securities receipts from builders, net of releases	**1,951**	5,736
Recoveries from builders for claims and conciliation fees	**4,041**	4,666
Interest expenses	**(444)**	(523)
Cash provided by operating activities	**12,252**	10,885
INVESTING		
Interest received	**9,172**	9,394
Dividend received	**17,925**	9,043
Investment management fees	**(1,459)**	(1,360)
Proceeds from sale and maturity of investments	**970,535**	649,526
Purchase of investments	**(1,002,610)**	(675,010)
Purchase of equipment and leaseholds	**(417)**	(165)
Purchase of intangible assets	**(1,440)**	(1,270)
Cash used in investing activities	**(8,294)**	(9,842)
FINANCING		
Payment of finance lease liabilities	**(584)**	(645)
Cash used in financing activities	**(584)**	(645)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE YEAR	**3,374**	398
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**2,863**	2,465
CASH AND CASH EQUIVALENTS, END OF YEAR	$ **6,237**	$ 2,863

See accompanying notes to financial statements.

1. CORPORATION OPERATIONS

Tarion Warranty Corporation (the "Corporation"), domiciled in Ontario, Canada, was designated in 1976 by the Government of Ontario to administer the Ontario New Home Warranties Plan Act (the "Act"). The objectives of the Act include consumer protection, builder regulation and providing consumers and builders with a broad range of services including information and education. The Corporation collects home enrolment and builder registration fees and invests available funds for the purposes of settling warranty claims from homeowners, and providing for investigation, enforcement, and other administrative costs related to its responsibilities in administering the Act. Warranty protection is outlined in the Act and includes providing a warranty to purchasers of new homes in respect of:

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

The Government of Ontario has designated the Corporation as a non-profit organization incorporated without share capital under the Act. The Corporation's equity is not traded in a public market and it represents the retained accumulation of excess of revenue over expenses and actuarial gains (losses) for employee future benefits. The registered office is located at 5160 Yonge Street, 12th Floor, Toronto, Ontario, M2N 6L9.

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

The financial statements for the year ended December 31, 2015, were approved by the Corporation's board of directors and authorized for issue on April 21, 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The significant accounting policies used in the preparation of these financial statements are described below.

EQUIPMENT AND LEASEHOLDS

Equipment and leaseholds are recorded at cost less accumulated depreciation and impairment. The assets' residual values, useful lives and the method of depreciation are reviewed at the end of each annual reporting period, and adjusted as necessary on a prospective basis. The depreciation expense on equipment and leaseholds is disclosed separately in Note 7 to the financial statements and included in the statement of comprehensive results of operations.

Depreciation is provided at the following rates:

Computer equipment	- straight-line over three years
Furniture and office equipment	- declining balance at 20% a year
Leasehold improvements	- straight-line over the term of the lease
Computer and office equipment under finance lease	- straight-line over the terms of the leases

Leased property includes buildings, computer and office equipment. There are no renewal terms on building leases but equipment leases include renewal options. These options are based on the fair market value of the equipment and the lease rate available at the time of expiry. The Corporation also has the option to extend leases on a month to month basis making the same payments and this is typically the option taken by the Corporation.

The gain or loss arising on the disposal or retirement of an item of equipment and leaseholds is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognized in the statement of comprehensive results of operations in other revenue. The gain or loss is recognized upon disposal of an item of equipment and leaseholds or when no future economic benefits are expected from its use or disposal.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INTANGIBLE ASSETS

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

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

FINANCIAL INSTRUMENTS

IFRS 9(2010) – Financial Instruments requires all financial assets to be classified in their entirety on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are measured either at amortized cost or fair value through profit or loss.

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

  Cash and cash equivalents, the fixed income portfolio and the equity portfolio are classified as FVTPL. Financial assets at FVTPL are measured initially at fair value with any gains or losses arising on subsequent measurement recognized in the statement of comprehensive results of operations, in investment income.

  Transaction costs are recognized in the statement of comprehensive results of operations as incurred.

  Interest income on the fixed income portfolio is included in investment income as earned using the effective interest rate method. Dividend income on the equity portfolio investments is recognized as of the declaration date in investment income. The gains and losses from currency translation are recognized in the statement of comprehensive results of operations in investment income.

- Financial assets at amortized cost

  Trade and other receivables from vendors and builders are measured at amortized cost less accumulated impairment. The carrying value is based on management's best estimate of the recoverable value determined by considering past collection experience, the amount of security held and the existence of guarantees. At the end of each reporting period the Corporation will assess for indicators of impairment. Where there is objective evidence that there is impairment in these amounts, the impairment charge is recognized in the statement of comprehensive results of operations in net claims incurred, at an amount that reduces the carrying value of the financial assets to their recoverable amounts.

- Other financial liabilities

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

PREPAID EXPENSES AND OTHER ASSETS

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

Other assets include unsettled investment trade receivable. These are investments trades made within three business days of the end of the fiscal year and are settled immediately after the fiscal year-end.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprises cash on hand and at the bank, any short-term deposits with a maturity of up to three months on the date of purchase net of any bank overdrafts payable on demand. There are no restrictions or limitations to the use of the cash and cash equivalents. Cash equivalents held for investment purposes are included in the *fixed income portfolio*.

EMPLOYEE FUTURE BENEFITS

In addition to participating in government managed employee benefit plans, the Corporation has the following employee benefit plans:

- A pension plan consisting of a fully vested and closed defined benefit component, and an active defined contribution component; and
- A post-employment medical and dental benefits plan for employees.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Actuarial gains and losses are recognized in the statement of comprehensive results of operations in the period they occur. They are not reclassified to excess of revenue over expenses in subsequent periods.

The Corporation accrues its obligations under employee benefit plans and the related costs, net of plan assets. The defined benefit asset or liability comprises the net present value of the defined benefit obligation less the fair value of the plan assets, out of which obligations are to be settled. Plan assets are held in a trust and are not available to creditors of the Corporation, nor can they be paid directly to the Corporation. Fair value is based on market price information.

The Corporation's contributions to the defined contribution pension plan are expensed in the statement of comprehensive results of operations in the year to which they relate and are included as part of salaries and benefits expenses.

WARRANTY LIABILITIES

Warranty liabilities include estimates of costs for claims reported and in process, provisions for claims incurred but not yet reported at the statement of financial position date where it is anticipated that costs will be incurred by the Corporation and deferred home enrolment fees to be taken into revenue as earned based on the expected claims experience over the warranty period.

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

The warranty claims liabilities are discounted to reflect the investment income expected to be earned over the period between the incurrence and settlement of claims. The discount rate reflects the expected future yield from the fixed interest investments. Provisions for adverse deviation are added to allow for the inherent measurement uncertainty that arises because actual investment yields may differ from the discount rate; because the actual settlements may occur at amounts that differ from expected settlement amounts; and because the actual timing of settlements may differ from expected timing.

Claims incurred include claims recoveries, and changes in the provisions for claims reported and in process and for claims incurred but not yet reported.

Claims recoveries include amounts recovered in the current year from builders on claims incurred during the current or previous years, and changes in the estimate of amounts recoverable from builders on outstanding warranty claims liabilities. Estimated amounts recoverable from builders are presented on the statement of financial position in trade and other receivables from vendors and builders.

LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Corporation. All other leases are classified as operating leases. Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Assets held under finance leases are initially recognized as assets of the Corporation at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the finance lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in the statement of comprehensive results of operations.

Assets under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

PROVISIONS

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as a separate asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. Expenses related to any provision are presented in the statement of comprehensive results of operations net of any reimbursement.

REVENUE RECOGNITION

Home enrolment fees are remitted by builders during the year. These fees are deferred and taken into revenue as earned based on the expected claims experience over the warranty period. The earning patterns are reviewed annually. When the initial selected patterns for prior years' enrolments differ from the actual claims emergence, the patterns are updated prospectively. The deferred portion of home enrolment fees is included in warranty liabilities. If claims experience indicates that home enrolment fees collected will not be sufficient to discharge related liabilities, a provision for premium deficiency is included in the warranty liabilities.

Builders' registration fees are recorded as revenue upon registration and renewal fees are recorded as revenue in the year in which they are due.

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

INTEREST EXPENSE

Interest expense is recognized in the statement of comprehensive results of operations as it accrues and is calculated by using the effective interest rate method. Accrued interest is included within the carrying value of the interest bearing liability.

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

For the purposes of assessing impairment, assets are grouped into cash-generated units at the lowest levels for which there are separately identifiable cash flows. An impairment loss is recognized in the statement of comprehensive results of operations for the amount by which the carrying amount of the cash-generating unit exceeds its recoverable amount. The recoverable amount is the higher of the cash-generating unit's fair value less costs to sell and value in use.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the statement of comprehensive results of operations.

CURRENCY TRANSLATION

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

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the period-end rate. The translation impact is recorded in the statement of comprehensive results of operations in the period in which they arise. Exchange gains or losses on financial assets at fair value through profit or loss are reported as part of investment income in the statement of comprehensive results of operations. Revenue and expense items in a foreign currency are translated into Canadian dollars at the transaction date rate.

FUTURE ACCOUNTING CHANGES

IFRS 4 – Insurance Contracts

In June 2013, the IASB proposed a new accounting and reporting model for insurance contracts in a re-exposure draft. The proposals would apply to all insurance contracts, including certain financial guarantees, rather than insurance entities, and to investment contracts with a Discretionary Participation Feature (DPF) issued by insurance companies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Some of the key points proposed in the exposure draft include:

- No gains at inception of policy, but losses possible (as "onerous contracts").
- Discounting is required using a risk-free (e.g., government bond) interest rate, plus a "liquidity adjustment". There is no linkage of the discount rate to assets actually held (limited exceptions for asset-linked and participating business).
- A margin on top of discounted cash flows to be required, but different from Canadian actuarial provisions for adverse deviations.

The proposals in the re-exposure draft introduce a number of significant changes, including:

- the use of other comprehensive income to present changes in the measurement of insurance liabilities arising from changes in discount rates;
- a new presentation approach for both the statement of profit or loss and other comprehensive income and the statement of financial position, which would change the way insurers report performance;
- an unlocked contractual service margin, which would change the timing of profit recognition;
- a mirroring approach, which would reduce accounting mismatches by aligning the measurement of contracts whose cash flows vary with underlying terms; and
- a retrospective approach for the transition to the new standard, with practical expedients.

The final standard is expected to be issued with a mandatory implementation date which will not be before 2020.

Management continues to monitor developments in this area and will develop a plan to evaluate the impact on the Corporation's financial statements once the final standard is issued.

IFRS 9 – Financial Instruments

In July 2014, the IASB published an amended version of *IFRS 9 Financial Instruments*, which replaces *IAS 39 Financial Instruments: Recognition and Measurement*, and includes guidance on the classification and measurement of financial instruments, impairment of financial assets, and a new general hedge accounting model. Financial asset classification is based on the cash flow characteristics and the business model in which an asset is held.

The classification determines how a financial instrument is accounted for and measured. *IFRS 9* also introduces a single impairment model for financial instruments not measured at fair value through profit or loss that requires recognition of expected credit losses at initial recognition of a financial instrument and the recognition of full lifetime expected credit losses if certain criteria are met. The new model for hedge accounting aligns hedge accounting with risk management activities. The financial reporting impact of adopting *IFRS 9* is being assessed.

While the new standard is generally effective for years beginning on after January 1, 2018, in December 2015 the IASB published an Exposure Draft Applying *IFRS 9 Financial Instruments* with *IFRS 4 Insurance Contracts*, which proposes to allow some insurers optional transitional relief until the forthcoming insurance accounting standard is available for implementation. The proposed options would allow (a) entities whose predominant activity is issuing insurance contracts within the scope of *IFRS 4* to defer the implementation of *IFRS 9* to as late as January 1, 2021, which may allow alignment of the implementation of *IFRS 9* with the forthcoming insurance accounting standard, or alternatively (b) give entities issuing insurance contracts the option to remove from profit or loss the incremental volatility caused by changes in the measurement of specified financial assets upon application of *IFRS 9*.

The new standard has a mandatory effective date of January 1, 2018, but may be adopted early. As the standard has been completed in stages, entities that have adopted a previous version prior to February 1, 2015 may continue to apply that version until the mandatory effective date of January 1, 2018. The Corporation will perform a thorough assessment on the impact of these changes on its financial statements for implementation in 2018.

IFRS 16 – Leases

On January 13, 2016 the IASB issued *IFRS 16 Leases*. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply *IFRS 15 Revenue from Contracts with Customers* at or before the date of initial adoption of *IFRS 16*. *IFRS 16* will replace *IAS 17 Leases*.

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

This standard substantially carries forward the lessor accounting requirements of *IAS 17*, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The Corporation intends to adopt *IFRS 16* in its financial statements for the annual period beginning on January 1, 2019. The Corporation will perform a thorough assessment on the impact of these changes on its financial statements for implementation in 2019.

3. KEY ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Key Management Judgments

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

- Internally generated software enhancements

  Internally generated software enhancements costs are capitalized if, and only if, all of the following criteria are met: (1) the technical feasibility can be demonstrated; (2) management has the intention to complete the intangible asset and use it; (3) management has the ability to use the intangible asset; (4) the intangible asset will generate probable future economic benefits; (5) the availability of adequate technical, financial and other resources to complete the development and use the intangible asset; and (6) expenditures attributable to the intangible asset can be measured reliably.

Key Management Estimates and Assumptions

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

- Valuation of warranty claims liabilities

  Warranty claims liabilities include estimates of costs for claims reported and in process, and provisions for claims incurred but not yet reported at the reporting date where it is anticipated that costs will be incurred by the Corporation. The amount of claims liabilities equals the present value of cash flows on account of claims and related expenses incurred before the reporting date. The ultimate cost of outstanding claims is estimated by using actuarial valuation taking into account the Corporation's claims handling practices, actuarial assessments, the judgment of management, difference between actual and expected settlement amounts, historical precedents and trends, prevailing legal, economic, social and regulatory environments and expectations of future developments. Details of the key assumptions used in the estimates are contained in Note 11. The warranty liabilities amounts presented for these claims are stated at the amounts expected to be paid directly by the Corporation to settle its obligations which reflect the amounts paid in the normal course of operations.

- Valuation of trade and other receivables from vendors and builders

  Trade and other receivables from vendors and builders recorded in the statement of financial position are measured at amortized cost less accumulated impairment, which approximates fair value. The carrying value is based on management's best estimate of *recoverable value determined by considering past collection experience, financial condition of the builders, security held, legal action sought and judgments awarded.* Details of the key assumptions used in the estimates are contained in Note 5.

- Revenue recognition of home enrolment fees earned

  Home enrolment fees are deferred and taken into revenue as earned based on the expected claims experience over the warranty period. The deferred portion of home enrolment fees is included in warranty liabilities. The results are subject to significant uncertainty based on the actual claims experience over the warranty period. Details of the key assumptions used in the estimates are contained in Note 11.

- Employee future benefits

  The costs of defined benefit pension plans and other post-employment medical benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Details of the key assumptions used in the estimates are contained in Note 13.

4. CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash and cash equivalents include cash at the bank and on hand and investments in short-term deposits with a maturity of up to three months on the date of purchase, net of outstanding bank overdrafts. At December 31, 2015, cash and cash equivalents was solely cash at the bank and on hand of $6,237 (2014 – $2,863) with no short-term deposits or bank overdrafts payable on demand. There are no restrictions, pledges or limitations to the use of the cash and cash equivalents.

5. TRADE AND OTHER RECEIVABLES FROM VENDORS AND BUILDERS

Trade and other receivables from vendors and builders consist of three types of receivables:

- Trade receivables from vendors and builders represent amounts receivable arising from warranty claims that the Corporation has paid out on behalf of vendors and builders during the remediation process. Trade receivables from vendors and builders are measured at amortized cost less accumulated impairment. Amounts receivable from registered builders are classified as financial assets. All the amounts are due immediately.
- Amounts recoverable from vendors and builders represent the estimated amounts recoverable from vendors and builders in respect to the outstanding warranty claims recognized under the warranty liabilities. Amounts are invoiced to the vendors and builders only when the Corporation has paid out monies for the claim.
- Other receivables from vendors and builders represent other receivables such as enrolment and/or registration fees.

	2015	2014
Gross trade receivables	$ 24,842	$ 20,915
Less: Allowance for impairment	(22,527)	(19,334)
Trade receivables	2,315	1,581
Amounts recoverable from vendors and builders	3,075	2,682
Other receivables from vendors and builders	662	588
	$ 6,052	$ 4,851

Before accepting registration for any vendor and builder, the Corporation undergoes an underwriting process that typically includes obtaining an external credit score to assist in assessing the applicant's credit quality, an assessment of the applicant's construction expertise, the applicant's business acumen and where applicable, the merits of the applicant's proposal to construct a building or project. Terms and conditions of registration vary from applicant to applicant but typically include limits on the volume and type of new home construction, and a requirement to provide security and/or indemnitors. Assessments are revisited annually at registration renewal time or earlier if additional risk factors surface.

As at December 31, 2015, there are five (2014 – three) vendors and builders each of whom represent more than 5% of the balance of trade receivables net of allowances. However, due to trade receivables being almost fully reserved, the overall net exposure of the Corporation to these vendors and builders as at December 31, 2015 is only $1,295 (2014 – $760).

As described in Note 12, the Corporation obtains security from builders to minimize its financial losses from future warranty claims. At December 31, 2015 there is $3,456 (2014 – $2,498) of cash and non-cash security held associated with the trade and other receivables from vendors and builders.

5. TRADE AND OTHER RECEIVABLES FROM VENDORS AND BUILDERS (CONTINUED)

UNREGISTERED VENDORS AND BUILDERS

Warranty coverage is also available for homes which were built by unregistered builders. However, under the Act, unregistered builders are deemed to be building illegally, subject to prosecution and are required to indemnify the Corporation for any financial loss the Corporation incurs with respect to the homes the unregistered vendors and builders built. Included in the total trade and other receivables from vendors and builders as at December 31, 2015 are amounts recoverable from unregistered vendors and builders of $114 (2014 – $169).

AGING OF PAST DUE BUT NOT IMPAIRED

In assessing the impairment of the trade and other receivables from vendors and builders, the Corporation individually assesses accounts that are greater than $50 based on the credit history of the vendor/builder, their financial condition, security held, legal action sought and judgment awarded. For accounts less than $50, a general recovery rate is applied. The rate used depends on the account status as to whether it is in collection litigation or active collection. The recoverability rates are based on trailing averages.

As at December 31, 2015, a 1% change in these rates would have an impact of $19 (2014 – $9) to the trade receivables. These rates are recalculated annually and assessed for reasonability.

Actual recovery on these balances may differ if the financial health of the vendor/builder changes, if the guarantors/indemnitors financial situation changes and/or if the court or tribunal's decision differs from that of the Corporation. The objective evidence of impairment for the amounts recoverable from builders includes the Corporation's past collection experience, financial condition of the builders, security held, legal action sought, and judgments awarded.

As at December 31, 2015, the trade and other receivables from vendors and builders includes $1,735 (2014 – $1,263) that are greater than 90 days past due but not considered to be impaired. The Corporation considers registered builders who have past due but not impaired balances to be able to pay their debts as they fall due. In addition, the credit quality of these builders' receivables is enhanced by the existence of indemnities and/or guarantees.

	2015	2014
1 to 90 days	$ 580	$ 318
91 to 360 days	674	543
Over 360 days	1,061	720
Total receivables, end of year	**$ 2,315**	$ 1,581

MOVEMENT IN TRADE RECEIVABLES

	2015	2014
Gross trade receivables		
Beginning of year	$ 20,915	$ 20,933
New bills issued	9,325	9,307
Write-offs processed	(1,372)	(4,687)
Recoveries	(4,026)	(4,638)
End of year	$ 24,842	$ 20,915
Allowance for impairment		
Beginning of year	$ (19,334)	$ (18,642)
Impairment losses recognized (net of recoveries)	(4,565)	(5,379)
Write-offs processed	1,372	4,687
End of year	$ (22,527)	$ (19,334)
Trade receivables, end of year	**$ 2,315**	$ 1,581

The Corporation employs various methods to collect its receivables which could extend over multiple-years. Trade receivables are written off when the likelihood of further collection is considered remote, or when a settlement agreement is reached. Until such time, an allowance for impairment is carried.

6. FINANCIAL INSTRUMENTS

(A) FAIR VALUE

Fair value represents the amount that would be exchanged in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Corporation's cash and cash equivalents and investments are measured at fair value.

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

The fair value of trade and other receivables from vendors and builders approximates carrying value; there is no external active market for this type of asset and the inputs required to value these are primarily based on the Corporation's assumptions about the credit quality of the vendors and builders, and the availability of collateral for the receivable. See Note 5 on the valuation methodology used.

The carrying value for accounts payable and accrued liabilities approximates fair value due to their short-term nature. Under *IFRS 7 - Financial Instruments Disclosure*, the fair value of financial liabilities measured using amortized cost has to be disclosed and categorized according to a fair value hierarchy. The fair value of the funds held as security is calculated based on discounted cash flow. The key inputs include cash flow received from builders by builder as security, the estimated duration periods of such funds by building types and a discount rate of 3.7% (2014 – 4.0%). Management has categorized such liabilities as level 3 as they were valued using internal assumptions with respect to the inputs.

FAIR VALUE HIERARCHY

IFRS 13 – Fair value measurement requires classifying of fair value measurements using a three-level fair value hierarchy, described below, for disclosure purposes. Each level reflects the types of inputs used to measure the fair values of financial assets and financial liabilities:

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

6. FINANCIAL INSTRUMENTS (continued)

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

	2015			2015
	Level 1	Level 2	Level 3	Fair Value
Financial assets measured at fair value through profit or loss (FVTPL)				
Fixed income portfolio:				
Federal, provincial and municipal government bonds	$ –	$ 131,184	$ –	$ 131,184
Financial institution bonds	–	142,885	–	142,885
Other corporate bonds	–	56,267	–	56,267
Treasury bills and short-term notes	–	8,494		8,494
Mortgage trust fund	–	9,827	–	9,827
	–	348,657	–	348,657
Equity portfolio	38,346	107,890	–	146,236
Total investments	38,346	456,547	–	494,893
Cash and cash equivalents	6,237	–	–	6,237
	44,583	456,547	–	501,130
Financial liabilities measured at fair value through profit or loss (FVTPL)				
Unsettled investment payable	669	–	–	669
Financial liabilities measured at amortized cost				
Funds held as security	–	–	45,800	45,800
Total financial liabilities	$ 669	$ –	$ 45,800	$ 46,469

6. FINANCIAL INSTRUMENTS (continued)

	2014			2014
	Level 1	Level 2	Level 3	Fair Value
Financial assets measured at fair value through profit or loss (FVTPL)				
Fixed income portfolio:				
Federal, provincial and municipal government bonds	$ –	$ 151,609	$ –	$ 151,609
Financial institution bonds	–	109,464	–	109,464
Other corporate bonds	–	56,600	–	56,600
Treasury bills and short-term notes	–	20,024		20,024
	–	337,697	–	337,697
Equity portfolio	37,962	102,822	–	140,784
Total investments	37,962	440,519	–	478,481
Cash and cash equivalents	2,863	–	–	2,863
	40,825	440,519	–	481,344
Financial liabilities measured at fair value through profit or loss (FVTPL)				
Unsettled investment payable	16	–	–	16
Financial liabilities measured at amortized cost				
Funds held as security	–	–	43,445	43,445
Total financial liabilities	$ 16	$ –	$ 43,445	$ 43,461

During the years ended December 31, 2015 and 2014, there were no transfers among Levels 1, 2 and 3.

(B) MARKET RISK

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

6. FINANCIAL INSTRUMENTS (continued)

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

- *Interest rate risk*

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

2015	TERMS OF MATURITY (1)				
	Due within one year	Due one through five years	Due after five years	Due after ten years	Total
Government					
Federal	$ 5,467	$ 94,157	$ 884	$ –	$ 100,508
Yield to Maturity (YTM)	0.8%	0.8%	0.9%	–	0.8%
Provincial	–	30,393	–	–	30,393
YTM	–	1.1%	–	–	1.1%
Treasury Bills	8,490	–	–	–	8,490
YTM	0.5%	–	–	–	0.5%
Total Government	13,957	124,550	884	–	139,391
YTM (%)	0.6%	0.8%	0.8%	–	0.9%
Financial Institutions	7,208	133,127	1,761	–	142,096
YTM	1.0%	1.7%	2.4%	–	1.7%
Other Corporate	4,582	46,074	5,119	–	55,775
YTM	1.8%	1.7%	2.6%	–	1.8%
Mortgage Trust Fund	1,948	4,430	3,351	98	9,827
YTM	1.3%	2.7%	3.4%	3.8%	2.7%
Total Fixed Income	$ $27,695	$ 308,181	$ 11,115	$ 98	$ 347,089
Accrued Interest	1,568	–	–	–	1,568
Total Fixed Income with Accrued Interest	**$ 29,263**	**$ 308,181**	**$ 11,115**	**$ 98**	**$ 348,657**
YTM	**1.0%**	**1.4%**	**2.7%**	**3.8%**	**1.4%**

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

6. FINANCIAL INSTRUMENTS (continued)

2014	TERMS OF MATURITY (1)				
	Due within one year	Due one through five years	Due after five years	Due after ten years	Total
Government					
Federal	$ 44,592	$ 68,001	$ –	$ –	$ 112,593
Yield to Maturity (YTM)	1.1%	1.3%	–	–	1.2%
Provincial	5,404	33,134	–	–	38,538
YTM	1.1%	1.5%	–	–	1.4%
Treasury Bills	20,006	–	–	–	20,006
YTM	0.9%	–	–	–	0.9%
Total Government	70,002	101,135	–	–	171,137
YTM (%)	1.0%	1.3%	–	–	1.2%
Financial Institutions	51,003	56,655	981	–	108,639
YTM	1.5%	1.8%	2.6%	–	1.7%
Other Corporate	10,009	40,975	5,130	–	56,114
YTM	1.5%	1.9%	2.6%	–	1.9%
Total Fixed Income	$ 131,014	$ 198,765	$ 6,111	$ –	$ 335,890
Accrued Interest	1,807	–	–	–	1,807
Total Fixed Income with Accrued Interest	**$ 132,821**	**$ 198,765**	**$ 6,111**	**$ –**	**$ 337,697**
YTM	**1.3%**	**1.6%**	**2.6%**	**0.0%**	**1.5%**

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

6. FINANCIAL INSTRUMENTS (continued)

- *Equity price risk*

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

	December 31, 2015			December 31, 2014		
Financials	$	**46,616**	**32%**	$	43,662	31%
Energy		**18,187**	**12%**		19,513	14%
Industrials		**16,932**	**12%**		16,128	11%
Consumer Discretionary		**14,837**	**10%**		13,244	9%
Consumer Staples		**10,491**	**7%**		10,008	7%
Information Technology		**9,818**	**7%**		7,984	6%
Materials		**9,354**	**6%**		9,829	7%
Telecommunication		**7,599**	**5%**		6,596	5%
Health Care		**5,053**	**4%**		6,729	5%
Other		**3,873**	**3%**		4,415	3%
Utilities		**3,476**	**2%**		2,676	2%
Total:	**$**	**146,236**	**100%**	$	140,784	100%

- *Foreign currency risk*

Foreign currency risk is the risk of loss due to adverse movements in foreign currency rates versus the Canadian dollar. The equity portfolio contains investment in pooled funds along with investment in individual securities. The Corporation is exposed to currency risk on its global pooled fund and U.S. denominated investments. As at December 31, 2015, the Corporation had approximately 15.5% (2014 – 15.5%) of its fair value of the total investments with foreign currency risk; the largest foreign currency exposure was to the U.S. dollar of 6.9% (2014 – 7.7%). The Corporation manages its foreign currency exposure by limiting the foreign content in the investment managers' portfolio.

6. FINANCIAL INSTRUMENTS (continued)

The table below shows the potential impact on the statement of comprehensive results of operations and statement of changes in equity as a result of specific stress scenarios applied to financial assets and financial liabilities (excluding warranty liabilities). The analysis reflects management's view of key sensitivities. The actual results may differ from this sensitivity analysis and the difference could be material.

The stress scenarios for 2015 are:

- Interest rate risk: a shift of -25/+25 basis points in interest rates for all maturities. Funds held as security are credited at floating interest rates (Prime less 2%) and are changed semi-annually to calculate the interest paid on security. The annual interest paid impact on a -25/+25 basis points change in interest rates is disclosed below.
- Equity price risk: an increase/decrease of 10% in equity market prices.
- Foreign currency risk: a strengthening/weakening of 5% in the Canadian dollar relative to the U.S. dollar in the table below.

The stress scenarios for 2015 are:

	Fair Value Amount	Interest Rate Risk		Equity Price Risk		Foreign Exchange Rate Risk	
		-25 BP	+25 BP	-10%	+10%	-5%	+5%
	($'000)	($'000)	($'000)	($'000)	($'000)	($'000)	($'000)
FVTPL investments:							
Fixed income portfolio	348,657	2,407	(2,382)	–	–	–	–
Equity portfolio	146,236	–	–	(14,612)	14,612	(1,702)	1,702

The stress scenarios for 2014 are:

	Fair Value Amount	Interest Rate Risk		Equity Price Risk		Foreign Exchange	
		-25 BP	+25 BP	-10%	+10%	-5%	+5%
	($'000)	($'000)	($'000)	($'000)	($'000)	($'000)	($'000)
FVTPL investments:							
Fixed income portfolio	337,697	1,516	(1,495)	–	–	(278)	278
Equity portfolio	140,784	–	–	(14,069)	14,069	(1,576)	1,576

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

6. FINANCIAL INSTRUMENTS (continued)

(C) CREDIT RISK

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

- The Corporation's investment policies limits the concentration in any one investee or related group of investees, except for financial instruments issued by the Government of Canada for which there is no limit.
- The Corporation only deals with counterparties believed to be creditworthy and actively monitors credit exposure, requiring minimum credit ratings of A for debt securities at the time an investment is purchased. At December 31, 2015, 98.4% (2014 – 100%) of the debt securities have a rating of A or better.
- Cash and cash equivalents and investments are placed with governments, well-capitalized financial institutions and other creditworthy counterparties.
- The Corporation assesses the builders' risk profile, including their financial position, during the registration and renewal processes. Based on the assessment, a builder may be licensed and as disclosed in Note 12, security is obtained in the form of cash, letters of credit, and other guarantees from the builder in order to reduce the risk of financial loss related to future warranty claims from homeowners.

(D) LIQUIDITY RISK

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation is exposed to daily cash requirements from settlement of claims, operating expenses and cash security releases. The settlement of claims have no fixed terms and is dependent on the timing of the repair work involved and the cash security release has no fixed terms and is contingent upon fulfilment of certain requirements (see Note 12). Liquidity risk is considered low as a significant percentage of the investment portfolio is traded in an active market and can be readily disposed of. The Corporation also has a $2,000 (2014 – $3,000) unsecured demand operating facility it can draw on of which the amount outstanding at December 31, 2015 is Nil (2014 – Nil).

7. EQUIPMENT AND LEASEHOLDS

Equipment and leaseholds consist of the following as at December 31, 2015:

	Computer Equipment	Furniture and Office Equipment	Leasehold Improvements	Computer and Office Equipment Under Finance Lease	Total
At cost					
Balance at December 31, 2014	$ 1,669	$ 1,544	$ 2,432	$ 2,477	$ 8,122
Additions	403	14	–	396	813
Disposals	–	–	–	(627)	(627)
Balance at December 31, 2015	2,072	1,558	2,432	2,246	8,308
Accumulated depreciation					
Balance at December 31, 2014	1,484	1,295	1,236	1,439	5,454
Depreciation expense	154	52	195	570	971
Disposal	–	–	–	(562)	(562)
Balance at December 31, 2015	1,638	1,347	1,431	1,447	5,863
Carrying amount					
Balance at December 31, 2015	**$ 434**	**$ 211**	**$ 1,001**	**$ 799**	**$ 2,445**
Balance at December 31, 2014	$ 185	$ 249	$ 1,196	$ 1,038	$ 2,668

8. INTANGIBLE ASSETS

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

	Software and applications	Internal software enhancements	Total
At cost			
Balance at December 31, 2014	$ 9,294	$ 3,784	$ 13,078
Additions	1,193	247	1,440
Disposals	–	–	–
Balance at December 31, 2015	10,487	4,031	14,518
Accumulated amortization			
Balance at December 31, 2014	7,057	3,114	10,171
Amortization expense	1,478	474	1,952
Disposal	–	–	–
Balance at December 31, 2015	8,535	3,588	12,123
Carrying amount			
Balance at December 31, 2015	**$ $1,952**	**$ 443**	**$ 2,395**
Balance at December 31, 2014	$ 2,237	$ 670	$ 2,907

Development costs recognized as an expense under general and administrative in the statement of comprehensive results of operations during the year amount to $178 (2014 – $240).

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	2015	2014
Trade and supplier accruals	$ 2,127	$ 1,890
Amounts due to vendors and builders	2,103	1,607
Salaries and benefits	2,817	2,738
Unsettled investment trade payable	669	16
Other liabilities	1,259	930
Total accounts payable and accrued liabilities	$ 8,975	$ 7,181

10. PROVISIONS, CONTINGENCIES, COMMITMENTS AND GUARANTEES

In the normal course of business, the Corporation is a party to a number of lawsuits as the administrator of the Act.

To the extent that lawsuits relate to disputes of warranty coverage, provisions for loss are included in warranty liabilities on the statement of financial position.

Other lawsuits are at various stages of legal proceedings, the outcome of which are currently not determinable and are not expected to have a significant impact on the Corporation's financial position. Accordingly, no provision for any lawsuit has been made in these financial statements as at December 31, 2015 (2014 – Nil).

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

These indemnification provisions will vary based on the nature and terms of the agreements. The nature of these agreements precludes the possibility of making a reasonable estimate of the maximum potential amount the Corporation could be required to pay as the agreements often do not specify a maximum amount and the amounts are dependent on the outcome of future contingent events, the nature and likelihood of which cannot be determined. Historically, the Corporation has not made significant payments under such indemnification agreements. Accordingly, no amounts have been accrued related to these agreements as at December 31, 2015 and 2014.

OPERATING LEASE COMMITMENTS

The Corporation has entered into commercial leases on premises and other miscellaneous equipment which are recognized and reported as part of general and administrative costs in the statement of comprehensive results of operations. For 2015, the Corporation recognized lease payments of $767 (2014 – $765) in the statement of comprehensive results of operations. These leases have an average life of three years with renewal option included in the miscellaneous equipment contracts. There are no restrictions placed upon the Corporation by entering into these leases.

The future minimum annual lease payments under operating leases are as follows:

	2015
Operating lease	Minimum lease payments
Within one year	$ 789
Between one and five years	3,257
More than five years	205
Minimum lease payments	$ 4,251

10. PROVISIONS, CONTINGENCIES, COMMITMENTS AND GUARANTEES (continued)

FINANCE LEASE OBLIGATIONS

The Corporation has leased computers and other office equipment that qualifies as a finance lease. The balance of the finance lease obligations arising from the acquisition of certain computer and office equipment are reported separately on the statement of financial position. The total value of these obligations as at December 31, 2015 is $783 (2014 – $979). Interest expense of $130 was incurred during 2015 (2014 – $150) on the leases and is reported in the statement of comprehensive results of operations. These leases have renewal options for either single or multi-years. They may contain purchase options and escalation clauses. Renewals are at the option of the Corporation.

Future minimum lease payments and the present value of the net minimum lease payments under the finance leases are as follows:

	2015	
	Minimum lease payments	Present value minimum payments
Within one year	$ 484	$ 408
Between one and five years	406	375
More than five years	–	–
	890	783
Less amounts representing finance charges	107	–
Present value of minimum lease payments	$ 783	$ 783

LEASE INDUCEMENTS

The Corporation received various forms of lease inducements for its current Corporate offices including reduced rent and leasehold improvements. These lease inducements are amortized over the term of the lease agreements and offset against rent expenses which are included in general and administrative expense on the statement of comprehensive results of operations. The amortized benefits in December 31, 2015 were $96 (2014 – $96).

As of December 31, 2015, the total unamortized lease inducements reported on the statement of financial position is $992 (2014 – $1,088).

11. WARRANTY LIABILITIES

The determination of the Corporation's warranty liabilities is dependent on the Corporation's claims handling practices, on actuarial assessments, on the judgment of its management, on historical precedents and trends, on prevailing legal, economic, social and regulatory environments and on expectations of future developments. Annual reviews are performed by management and reviewed by our appointed actuary to assess whether warranty claims liabilities recorded for homes and condominiums, and deferred home enrolment fees are adequate relative to future claims and related administration costs to administer claims.

11-A. COMPONENTS OF WARRANTY LIABILITIES

The following table summarizes the components of the warranty liabilities as at December 31:

	2015	2014
Change in provisions, net of reversals	$ 10,658	$ 8,692
Recoveries	(4,427)	(3,799)
Net claims incurred for the year	$ 6,231	$ 4,893

	2015	2014
Deferred home enrolment fees, beginning of year	$ 181,343	$ 167,716
Fees received	49,802	41,589
Fees earned	(32,928)	(27,962)
Deferred home enrolment fees, end of year	198,217	181,343
Warranty claims liabilities, beginning of the year	21,935	23,098
Change in claims outstanding	11,586	9,225
Changes due to assumptions (such as: risk, inflation & discount rate)	(928)	(534)
Claims paid	(11,590)	(9,854)
Warranty claims liabilities, end of year	21,003	21,935
Warranty liabilities, end of year	$ 219,220	$ 203,278

11. WARRANTY LIABILITIES (continued)

11-B. WARRANTY COVERAGE AND POLICY

The warranty coverage begins when the home is enrolled, providing deposit protection and compensation for delayed closing and occupancy. Once the new owner takes possession of the home, there are three periods of warranties: one-year, two-year and seven-year warranty, each with different indemnity scopes and limits of settlement covering defects that are prescribed under the Act.

11-C. SIGNIFICANT WARRANTY CLAIMS LIABILITY AND DEFERRED ENROLMENT FEES RISK AND ASSUMPTIONS

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

Earnings Pattern

As home enrolment fees are collected, they are deferred and taken in to revenue over the period of the warranty that the fees cover. The rate at which these fees are recognized in revenue is based on the expected pattern of incurrence of claim costs over the warranty period, or 'earning pattern'. The actual emergence of claims may differ from the initial expected pattern. When an update of the pattern is required for prior years' enrolments, it will result in the estimate change for the unamortized deferred enrolment fees not yet recognized into revenue. The impact of changes in the earnings pattern is set out in the sensitivity analysis in Note 11-E.

Insurance risk

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

Generally, the Corporation is primarily concerned with the number and nature of the warrantable events and the uncertainty of the amount of the potential resulting claims and loss.

Insurance risks are managed through the Corporation's builder regulation and licensing strategy. Annual licensing assessments are performed on new and existing registered builders to verify that they have the technical experience, customer service capabilities and financial capacity required to build new homes in compliance with the terms and conditions of the Act. Subsequent to year end, the Board approved Management to enter into excess of loss agreements with a large third-party insurance company to reinsure its insurance risk for warrantable claims in accordance with the Corporation's risk management framework following a review of large historic claims losses of other jurisdictions. These agreements provide the Corporation with ability to recover losses relating to specified enrollment years in excess of a self-insured retention amount of $75 million to a maximum amount of $55 million.

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

- Collection of home enrolment fees from builders prior to construction of each home to help discharge the related liabilities;
- Obtain securities in the form of cash, letters of credit and other guarantees from the builders during the registration and renewal process to reduce risk of financial loss related to the claims;
- Experienced claims service representatives work closely with homeowners and builders to assess the adequacy of the claims in accordance to the Act;
- Processes exist to ensure that all claims are captured, reviewed and updated on a timely basis with a realistic assessment of the ultimate settlement costs;
- Engage qualified actuaries annually to review and assess the adequacy of the warranty liability and the provisioning amounts; and
- The appointed actuary determines assumptions used to measure warranty liabilities in accordance with the process recommended by the Canadian Institute of Actuaries. Management reviews the assumptions recommended by the actuary.

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

11. WARRANTY LIABILITIES (continued)

1. Future claims adjustment cost
   This assumption reflects the costs generally related to claims administration, including claims staff salaries and a related share of facilities overhead and rent, none of which are allocated to individual claim files. An actuarially estimated cost percentage of the future claim cost is applied to the outstanding claims at the end of the reporting period. This assumption is reviewed annually by the Corporation's actuary.

2. Incurred but not reported claims
   Actual claim settlements may differ from estimated claim settlements and claims may exist of which the Corporation is unaware. These claims are estimated based on historical patterns of fluctuations in claim estimates and settlements. In general, the longer the period of time between the incidence of loss and the settlement of the related claim, the greater the potential for actual settlement amounts to differ from the recorded estimates. The impact of changes in incurred but not reported claims is set out in the sensitivity analysis in Note 11-D.

3. Adverse deviation
   The liability has inherent measurement uncertainty that arises because:
   (i) actual investment returns may differ from the discount rate used in actuarial calculations; and
   (ii) actual claims settlements may occur for amounts or at times that differ from estimates (claim risk), which can occur due to actual experience differing from the experience assumed.

The developments of assumptions for future claims are based on the Corporation's experience and known cases or potential issues. Such assumptions require a significant amount of professional judgment; therefore, actual experience may be materially different than the assumptions made by the Corporation. Home builder payment patterns, renewals, withdrawals and surrender activities can be influenced by many factors including market and general economic conditions. Their behavior also has an impact on assessing future claims. The impact of changes in adverse deviation is set out in the sensitivity analysis in Note 11-D.

Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations associated with warranty liabilities. The Corporation is exposed to daily cash requirements from settlement of claims, cash security releases and operating expenses. Liquidity risk is considered low as the majority of its investment portfolio are traded in a highly liquid market and can be readily converted to cash. The Corporation also has a $2,000 (2014 – $3,000) unsecured demand operating facility that it can draw on and current cash equivalents of $6,237 (2014 – $2,863).

Concentration of insurance risk

The Corporation's exposure to concentration of insurance risk is mitigated by the establishment of a diversified portfolio of competent builders through the Corporation's strong regulating and licensing strategy.

11. WARRANTY LIABILITIES (continued)

Builders' registration and renewals are assessed annually. The table below shows the warranty claim liabilities by claim types as at December 31:

		Condominium		
2015	**Freehold**	**High-rise**	**Low-rise**	**Total**
Unpaid claims	**$ 3,347**	**$ 6,215**	**$ 294**	**$ 9,856**
Incurred but not reported	**1,558**	**1,287**	**30**	**2,875**
Provision for adverse deviation	**684**	**1,499**	**73**	**2,256**
Unallocated loss adjustment expense	**2,575**	**2,973**	**156**	**5,704**
Discount and inflation impact	**(59)**	**350**	**21**	**312**
	4,758	**6,109**	**280**	**11,147**
Balance as at December 31, 2015	**$ 8,105**	**$ 12,324**	**$ 574**	**$ 21,003**
2014				
Unpaid claims	$ 3,882	$ 5,548	$ 430	$ 9,860
Incurred but not reported	1,731	1,925	183	3,839
Provision for adverse deviation	824	1,404	112	2,340
Unallocated loss adjustment expense	2,746	2,803	281	5,830
Discount and inflation impact	(85)	144	7	66
	5,216	6,276	583	12,075
Balance as at December 31, 2014	$ 9,098	$ 11,824	$ 1,013	$ 21,935

Market risk

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

- Interest rate risk

  Interest rate risk is the risk that the value of future cash-flows of a financial instrument will fluctuate because of changes in market interest rates. Warranty claims liabilities are discounted to reflect the time value of money over the periods between the reporting date and settlement date based on accepted actuarial practice. The discount rate used is based on market yield of the fixed income portfolio supporting the warranty liabilities. The impact of changes in interest rate is set out in the sensitivity analysis in Note 11-D.

11. WARRANTY LIABILITIES (continued)

- *Inflation rate*

The cost to resolve claims are subject to inflationary pressure. The Corporation used the Construction Price Index as the basis of inflationary index, adjusted by expected economic and housing industry implications based on management's past experiences and expertise. The impact of changes in inflation rate is set out in the sensitivity analysis in Note 11-D.

11-D. SENSITIVITY ANALYSIS AND MATURITY PROFILE ON WARRANTY CLAIMS

The following table illustrates the assumptions used in developing the adequate warranty claim liability required for the statement of financial position:

	2015	2014
Discount rate	**1.5%**	1.7%
Inflation rate	**3.9%**	2.8%
Future claims adjustment costs	**27.5%**	29.0%

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

	Change in Assumption	**Impact on Warranty Liability**		**Impact on Comprehensive Results of Operations**		**Impact on Equity**	
2015		Increase	Decrease	Increase	Decrease	Increase	Decrease
Discount rate	1.0%	$ (348)	$ 360	$ 348	$ (360)	$ 348	$ (360)
Inflation rate	1.0%	$ 240	$ (236)	$ (240)	$ 236	$ (240)	$ 236
Future claims adjustment costs	1.0%	$ 146	$ (146)	$ (146)	$ 146	$ (146)	$ 146
2014							
Discount rate	1.0%	$ (398)	$ 412	$ 398	$ (412)	$ 398	$ (412)
Inflation rate	1.0%	$ 274	$ (269)	$ (274)	$ 269	$ (274)	$ 269
Future claims adjustment costs	1.0%	$ 155	$ (155)	$ (155)	$ 155	$ (155)	$ 155

11. WARRANTY LIABILITIES (continued)

Maturity profile

The table below summarizes the maturity profile of the warranty claim liabilities. The maturity profiles are determined based on estimated timing of net cash outflows from the recognized warranty liabilities.

Warranty Claims Liability	Due within One Year	Due Two through Five Years	Total
2015	**$ 15,404**	**$ 5,599**	**$ 21,003**
2014	$ 13,968	$ 7,967	$ 21,935

11-E. SENSITIVITY ANALYSIS ON DEFERRED HOME ENROLMENT FEES

Shifts in claims patterns affect the earning pattern and how enrolment fees are recognized. The analysis below is performed for reasonably possible movements in the earning pattern with all other assumptions held constant, showing the impact to warranty liabilities, statement of comprehensive results of operations, and equity. Below is the sensitivity analysis of a +/- 2.5% change in the 2015 earning factors for all enrolment years:

	Change in Assumption	Impact on Warranty Liability		Impact on Comprehensive Results of Operations		Impact on Equity	
2015		Accelerated	Decelerated	Accelerated	Decelerated	Accelerated	Decelerated
Earning pattern	2.5%	$ (7,679)	$ 7,679	$ 7,679	$ (7,679)	$ 7,679	$ (7,679)
2014							
Earning pattern	2.5%	$ (6,262)	$ 6,262	$ 6,262	$ (6,262)	$ 6,262	$ (6,262)

11. WARRANTY LIABILITIES (continued)

11-F. CLAIMS HISTORY

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

The following table illustrates the past experience related to the claims the Corporation has settled:

	All Prior Years Claims with Outstanding Liability	2007	2008	2009	2010	2011	2012	2013	2014	2015	TOTAL
ESTIMATE OF CUMULATIVE CLAIMS											
All prior years	$ 11,675										
At end of occurrence year		14,670	29,550	26,571	16,095	6,425	4,955	5,999	7,162	**9,870**	
One year later		16,712	22,424	20,773	12,538	9,058	5,823	6,164	8,797		
Two years later		15,832	20,625	19,179	12,752	9,438	6,014	6,217	–		
Three years later		12,360	20,446	19,276	12,583	9,885	5,882	–	–		
Four years later		12,053	20,474	19,613	13,703	9,818	–	–	–		
Five years later		12,129	20,404	19,589	13,922	–	–	–	–		
Six years later		12,121	20,415	19,795	–	–	–	–	–		
Seven years later		12,280	20,487	–	–	–	–	–	–		
Eight years later		12,423									
CURRENT ESTIMATE OF CUMULATIVE CLAIMS	11,675	12,423	20,487	19,795	13,922	9,818	5,882	6,217	8,797	**9,870**	**$ 118,886**

11. WARRANTY LIABILITIES (continued)

	All Prior Years Claims with Outstanding Liability	2007	2008	2009	2010	2011	2012	2013	2014	2015	TOTAL
CLAIMS PAID											
All prior years	$ 11,665										
At end of occurrence year		5,521	7,831	9,914	5,720	3,628	2,267	3,047	3,474	**4,776**	
One year later		4,083	7,944	6,831	3,506	2,635	1,877	2,333	3,689		
Two years later		1,640	3,862	625	1,300	681	905	585	–		
Three years later		572	194	339	803	1,149	485	–	–		
Four years later		39	214	698	1,639	508	–	–	–		
Five years later		211	65	111	853	–	–	–	–		
Six years later		43	74	332	–	–	–	–	–		
Seven years later		9	48	–	–	–	–	–	–		
Eight years later		304	–	–	–	–	–	–	–		
CUMULATIVE CLAIMS PAID	11,665	12,423	20,233	18,850	13,820	8,601	5,534	5,965	7,163	**4,776**	**$ 109,030**
Reconciliation to the Balance Sheet											
CURRENT PROVISION BEFORE DISCOUNTING	11	0	254	945	102	1,217	348	252	1,634	**5,093**	**9,856**
Actuarial reserves											**10,835**
Discounting											**312**
PRESENT VALUE RECOGNIZED ON THE STATEMENT OF FINANCIAL POSITION											**$ 21,003**

12. FUNDS HELD AS SECURITY

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

Security received in cash is invested as part of the Corporation's investment portfolio. As at December 31, 2015, the funds held as security of $48,744 (2014 – $46,741), presented at amortized cost on the statement of financial position as a liability are the potentially refundable security deposits received in cash, including cumulative accrued interest thereon to December 31, 2015 of $1,297 (2014 – $1,246). The fair value of the funds held as security is $45,800 as at December 31, 2015 (2014 – $43,445). Letters of credit and other guarantees are available to be drawn upon to settle known claims. Such drawn amounts would reduce the amounts recoverable from builders in the statement of financial position.

During the year, the Corporation incurred interest of $365 (2014 - $411) on cash security deposits. Interest is calculated based on Prime less 2%, adjusted every sixth months.

13. EMPLOYEE FUTURE BENEFIT PLANS

The Corporation's Pension Plan, The Pension Plan for the Employees of Tarion Warranty Corporation is comprised of a defined benefit provision ("DB Plan") which is closed to further accruals, and a defined contribution provision ("DC Plan").

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

DEFINED CONTRIBUTION PLAN

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

There also exists a Supplementary Executive Retirement Plan ("SERP") for senior management. The purpose of the SERP is to offset the limitation on contributions otherwise payable under the registered pension plan resulting from the application of the maximum contribution limits specified under the Income Tax Act (Canada). The SERP provides only for benefits in excess of those payable under the Registered Plan.

DEFINED BENEFIT PLAN AND OTHER POST-EMPLOYMENT BENEFITS

The DB Plan is fully vested and closed to new employees effective January 1, 1999. Plan participants who elected not to convert to the defined contribution provision retained their DB pensions earned to date. For service subsequent to December 31, 1998, all members of the Pension Plan participate on a defined contribution basis.

The DB Plan and OPEB are subject to periodic actuarial valuations. The Corporation has a December 31 measurement date. A valuation of the accrued pension benefit obligation was performed as at January 1, 2014 and a valuation of the OPEB was performed as of December 31, 2014. The next valuation of the accrued pension benefit obligation is expected to be performed as at January 1, 2017 and the valuation of the OPEB will be performed as at December 31, 2017.

PENSION PLAN REGULATORY FRAMEWORK

The Pension Plan is registered with the Financial Services Commission of Ontario (# 0594754) and with the Canada Revenue Agency.

Under the Ontario Pension Benefits Act, the employer must make contributions to fully fund the plan. The plan's liabilities are determined using actuarial valuations once every three years or on an annual basis, if the market value of the assets is below 85% of the solvency liabilities.

According to the most recent actuarial valuation for funding purposes as at January 1, 2014, the plan has a shortfall on both the going concern and solvency basis. Thus, the employer made minimum amortization payments to fund the shortfall in accordance with Regulation. The estimated required amortization payments in 2016 amount to $139. The expected Employer contributions in respect of current accruals to the DC Plan in 2016 are $1,089 (employee contributions are expected to be $583).

13. EMPLOYEE FUTURE BENEFIT PLANS (continued)

PLAN GOVERNANCE

The Human Resources & Compensation Committee and the Investment Committee are responsible for the management and administration of the plan, which it delegates to various providers. Manulife Financial is the custodian and is responsible for maintaining the assets, receiving contributions and investment income, paying out benefits and expenses as instructed. The assets of the defined benefit component of the Pension Plan is invested in Beutel Goodman balanced pooled fund. Morneau Shepell, the actuary and pension consultant, is responsible for providing actuarial, administrative and consulting services to the plan. Aon Hewitt provides investment consulting services to the plan. All external providers report to the plan administrator.

SIGNIFICANT RISKS TO WHICH THE PLAN EXPOSES THE ENTITY

Other than the traditional risks (market risk, credit risk, currency risk, longevity risk, etc.), the plan exposes the entity to no other unusual risk.

The amounts recognized in the statement of financial position for employee future benefits liabilities at the reporting date are as follows:

	2015			2014		
	DB Plan	**OPEB**	**Total**	DB Plan	OPEB	Total
Fair value of DB assets	**$ 4,271**	**$ –**	**$ 4,271**	$ 4,147	$ –	$ 4,147
Present value of the defined benefit obligation	**(4,789)**	**(5,116)**	**(9,905)**	(4,711)	(4,631)	(9,342)
Net defined benefit surplus (obligation)	**(518)**	**(5,116)**	**(5,634)**	(564)	(4,631)	(5,195)
Accrued asset/(liability)	**$ (518)**	**$ (5,116)**	**$ (5,634)**	$ (564)	$ (4,631)	$ (5,195)
Employer contributions	**$ 246**	**$ 33**	**$ 279**	$ 168	$ 32	$ 200
Employee contributions	**–**	**–**	**–**	–	–	–
Benefit payments and transfers to other plans	**$ 259**	**$ 33**	**$ 292**	$ 321	$ 32	$ 353

The present value of the SERP obligation as at December 31, 2015 was $695 (2014 – $572), which is included in the OPEB amounts in the table above. The benefit payments to the SERP for the year ended December 31, 2015 were Nil (2014 – Nil).

For the year ended December 31, 2015, the employer contributions to the DC Plan were $1,068 (2014 – $1,042), and the employee contributions to the DC Plan were $572 (2014 – $579).

13. EMPLOYEE FUTURE BENEFIT PLANS (continued)

HISTORICAL FUNDING TABLE

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

		2015		2014
Fair value of DB assets	$	**4,271**	$	4,147
Accrued Benefit Obligation, DB Plan		**(4,789)**		(4,711)
Surplus/(Deficit) DB Plan	$	**(518)**	$	(564)
Accrued Benefit Obligation, OPEB		**(4,421)**		(4,059)
Accrued Benefit Obligation, SERP		**(695)**		(572)
Net Employee Benefits Obligation Reported	$	**(5,634)**	$	(5,195)
Experience adjustments on employee future benefits liabilities	$	**(153)**	$	586
Experience adjustments on pension assets	$	**3**	$	151

As of December 31, 2015, the current liabilities are $33 (2014 – $32) with respect to the OPEB plan. There are no current liabilities with respect to the other plans.

13. EMPLOYEE FUTURE BENEFIT PLANS (continued)

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

	2015			2014		
	DB Plan	**OPEB**	**Total**	DB Plan	OPEB	Total
Beginning of year	**$ (4,711)**	**$ (4,631)**	**$ (9,342)**	$ (4,217)	$ (5,193)	$ (9,410)
Current service cost	**–**	**(294)**	**(294)**	–	(369)	(369)
Past service cost	**–**	**–**	**–**	–	–	–
Interest costs	**(184)**	**(224)**	**(408)**	(194)	(308)	(502)
Benefit payments	**259**	**33**	**292**	321	32	353
Actuarial gain/(loss) arising from plan experience	**–**	**–**	**–**	(160)	1,957	1,797
Actuarial gain/(loss) arising from changes in demographic assumptions	**–**	**–**	**–**	(31)	(223)	(254)
Actuarial gain/(loss) arising from changes in financial assumptions	**(153)**	**–**	**(153)**	(430)	(527)	(957)
Curtailments/settlements	**–**	**–**	**–**	–	–	–
Accrued obligation, end of year	**$ (4,789)**	**$ (5,116)**	**$ (9,905)**	$ (4,711)	$ (4,631)	$ (9,342)

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

	2015			2014		
	DB Plan	**OPEB**	**Total**	DB Plan	OPEB	Total
Beginning of year	**$ 4,147**	**$ –**	**$ 4,147**	$ 4,028	$ –	$ 4,028
Contributions by employer	**246**	**33**	**279**	168	32	200
Expected income on plan assets	**166**	**–**	**166**	188	–	188
Actuarial gains/(losses)	**3**	**–**	**3**	151	–	151
Benefits paid	**(259)**	**(33)**	**(292)**	(321)	(32)	(353)
Administration costs*	**(32)**	**–**	**(32)**	(67)	–	(67)
Curtailments/settlements	**–**	**–**	**–**	–	–	–
DB Plan assets, end of year	**$ 4,271**	**$ –**	**$ 4,271**	$ 4,147	$ –	$ 4,147

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

13. EMPLOYEE FUTURE BENEFIT PLANS (continued)

The major categories of plan assets at the end of the reporting period for each category are as follows:

	Fair value of DB plan assets	
	2015	2014
Canadian equity securities	**30%**	32%
International and US equity securities	**38%**	34%
Bonds	**31%**	32%
Cash	**1%**	2%
	100%	100%

The expected income on the DB assets net of investment expenses is determined based on the liability discount rate at the beginning of the year (i.e. 4.00% for 2015 and 4.75% for 2014). The actual return on the DB assets net of investment expenses was $169 in 2015 and $388 in 2014.

A discount rate of 3.75% per annum and 4.25% per annum was used for the disclosures at December 31, 2015 for the Pension Plan and OPEB respectively. Specifically, the discount rate was determined as the single discount rate that would produce the present value of obligations determined by discounting the plans cash flows using Corporate AA spot rates at December 31, 2015.

13. EMPLOYEE FUTURE BENEFIT PLANS (continued)

The amounts recognized in the statement of comprehensive results of operations in respect of the employee benefits liabilities are as follows:

	2015			2014		
	DB Plan	**OPEB**	**Total**	DB Plan	OPEB	Total
Current service costs	$ –	$ 294	$ 294	$ –	$ 369	$ 369
Administration costs (non-investment related)	32	N/A	32	67	N/A	67
Past service cost (including curtailment)	–	–	–	–	–	–
Loss (gain) on settlement	–	–	–	–	–	–
Service cost	**32**	**294**	**326**	**67**	**369**	**436**
Interest cost on the defined benefit obligation	184	224	408	194	308	502
Expected income on plan assets	(166)	–	(166)	(188)	–	(188)
Interest on the effect of the asset ceiling	–	–	–	–	–	–
Net interest on the net defined benefit liability (asset)	**18**	**224**	**242**	**6**	**308**	**314**
Expense (income) recognized in profit or loss	**50**	**518**	**568**	**73**	**677**	**750**
Remeasurements of the net defined benefit liability (asset)						
Actuarial loss (gain) on the defined benefit liability (asset)	153	–	153	621	(1,207)	(586)
Return on plan assets less expected income on plan assets	(3)	–	(3)	(151)	–	(151)
Change in the effect of the asset ceiling (excluding interest)	–	–	–	–	–	–
Total amount recognized in other comprehensive income	**$ 150**	**$ –**	**$ 150**	**$ 470**	**$ (1,207)**	**$ (737)**

13. EMPLOYEE FUTURE BENEFIT PLANS (continued)

The net expense for the SERP in 2015 was $122 (2014 – $129) included in the OPEB amounts above. The net expense for the DC Plan in 2015 was $1,068 (2014 – $1,042).

Service cost is reported as part of the Corporation's total salaries and benefits expense in the statement of comprehensive results of operations.

SIGNIFICANT ASSUMPTIONS

The discount rate was determined with reference to market interest rates of AA corporate bond yields. As per IAS19R, *Employee benefits*, the expected income on DB assets net of investment expenses is determined based on the discount rate used for determining the accrued benefit obligation.

The principal actuarial assumptions used in determining the pension benefit obligation for the Corporation's plans are as follows:

	2015		2014	
	DB Plan	**OPEB**	DB Plan	OPEB
Accrued benefit obligation as of December 31:				
Discount rate	3.75%	4.25%	4.00%	4.25%
Salary increase	2.25%	N/A	2.25%	N/A
General inflation	2.25%	2.25%	2.25%	2.25%
Mortality	New Canadian Pensioner Mortality Priv Table (CPM2014Priv), with improvement Scale B	New Canadian Pensioner Mortality Priv Table (CPM2014Priv), with improvement Scale B	New Canadian Pensioner Mortality Priv Table (CPM2014Priv), with improvement Scale B	New Canadian Pensioner Mortality Priv Table (CPM2014Priv), with improvement Scale B
Benefit cost for the period:				
Discount rate	4.00%	4.25%	4.75%	5.00%
Salary increase	2.25%	N/A	2.25%	N/A
General inflation	2.25%	2.25%	2.50%	2.50%
Mortality	New Canadian Pensioner Mortality Priv Table (CPM2014Priv), with improvement Scale B	New Canadian Pensioner Mortality Priv Table (CPM2014Priv), with improvement Scale B	New Canadian Pensioner Mortality Priv Table (CPM2014Priv), with improvement Scale B	New Canadian Pensioner Mortality Priv Table (CPM2014Priv), with improvement Scale B
Assumed health care cost trend rates at December 31:				
Initial health care cost trend rate	N/A	6.00%	N/A	6.00%
Cost trend rate declines to	N/A	4.75%	N/A	4.75%
Year that the rate reaches the rate it is assumed to stay at	N/A	2020	N/A	2020

13. EMPLOYEE FUTURE BENEFIT PLANS (continued)

SENSITIVITY ANALYSIS FOR OPEB

Assumed health and dental care cost trend rates have a significant effect on the amounts reported for the health and dental care plans. The following demonstrates the impact of a one-percentage change in these assumptions to the accrued benefit obligation at December 31, 2015:

		1% Change in Health and Dental Care Trend Rates	
	Valuation Assumptions	Increase	Decrease
Accrued benefit obligation as at December 31, 2015 at 4.25% per annum	$ 4,421	$ 1,263	$ (923)

		1% Change in Discount Rate	
	Valuation Assumptions	Increase	Decrease
Accrued benefit obligation as at December 31, 2015 at 4.25% per annum	$ 4,421	$ (907)	$ 1,245

SENSITIVITY ANALYSIS FOR DB PENSION PLAN

The discount rates have a significant effect on the amounts reported for the DB pension plan. A one-percentage change in the discount rate would have the following impact on accrued benefit obligation and related costs for 2015:

		1% Change in Discount Rate	
	Valuation Assumptions	Increase	Decrease
Accrued benefit obligation as at December 31, 2015 at 3.75% per annum	$ 4,789	$ (574)	$ 695

14. INVESTMENT INCOME

	2015	2014
Change in fair value of fixed income portfolio	$ (1,483)	$ (1,100)
Interest income from fixed income portfolio	8,921	9,224
Change in fair value of equity portfolio	(13,937)	6,335
Dividends from equity portfolio	17,943	9,045
Total investment income	$ 11,444	$ 23,504

15. INTEREST EXPENSE

	2015	2014
Interest on funds held as security (Note 12)	$ 365	$ 411
Interest on lease obligations (Note 10)	130	150
Total interest expense	$ 495	$ 561

16. CAPITAL MANAGEMENT

The Corporation's capital consists of its equity. Although there is no external regulatory requirements imposed on the Corporation's capital, management has adopted a capital management framework modeled after the framework used in the property and casualty insurance industry in Canada and modified to reflect the Corporation's circumstances including its inability to raise capital in traditional ways. This framework incorporates the business requirements for sufficient capital throughout the variations of the new home building cycle, including possible losses from a future catastrophic event. It also reflects the relatively high risk profile of the Corporation's warranty operations, including the high level of measurement uncertainty inherent in its warranty liabilities due to the long warranty period of up to seven years and to other factors explained in Note 11.

In applying the framework, the total equity of the Corporation as at December 31, 2015 and 2014 has been determined by management to be sufficient to cover possible losses from a future catastrophic event as further supported by the annual dynamic capital adequacy testing performed by the Corporation's appointed actuary during the year.

17. RELATED PARTY TRANSACTIONS

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

As at December 31, 2015, there are no collection and litigation account receivables and cash securities recognized due from related parties (2014 – Nil). Letters of credit and other guarantees lodged by related parties are recognized in the financial statements only to the extent they are expected to be drawn upon to settle known claims. Transactions between related parties are made at normal market prices.

The Corporation pays an oversight fee to the Government of Ontario for each calendar year. The fee is calculated based on the estimated number of enrolments by home purchasers in the Act during the fiscal year of the Government of Ontario (April 1 to March 31) at five dollars per enrolment. The Corporation is required to pay an amount not less than $200 and not more than $300 per annum. In 2015, the Corporation incurred a fee of $288 (2014 – $249).

KEY MANAGEMENT PERSONNEL COMPENSATION

IAS 24, *Related Party Disclosures*, defines key management personnel as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The key leadership personnel of the Corporation are members of the board of directors and the corporate management leadership team. Compensation for these leadership personnel includes the following expenses:

	2015	2014
Short-term employee benefits	$ 3,774	$ 3,694
Board of directors fees	514	464
Post-employment benefits	373	347
	$ 4,661	$ 4,505

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

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