

**Ministry of Government and
Consumer Services**

**Ministère des Services
gouvernementaux et des
Services aux consommateurs**



Office of the Minister

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March 18, 2008

Mr. Robert Wade, Chair
Mr. Greg Gee, CEO
Tarion Warranty Corporation
5160 Yonge Street
Toronto ON M2N 6L9

Dear Messrs. Wade and Gee:

It is with regret that I write to you as you leave the two most senior leadership positions at Tarion Warranty Corporation (Tarion). Thank you for working to improve Tarion during your respective tenures. You have provided strong leadership.

As you know, I have stressed the need for improvements to Tarion's governance, transparency and responsiveness to consumers. In view of this ongoing need for change, I am concerned that you are both leaving Tarion just as the relationship between our organizations has been strengthening. The departure of two key leaders at the same time poses potential difficulties. I am concerned that a lack of succession planning has resulted in the current situation, where both a new Chair and a new CEO will transition into these challenging roles when there is a great need for continued transformation of the organization.

As an organization with a mandate to serve the public interest, it is critical that Tarion continue to improve. The purchase of a home is one of the largest and most important decisions that one can make, and I, like you, want to ensure that consumers are afforded every protection.

Tarion has undergone measured progress during your respective tenures and has implemented several key consumer protection initiatives, including:

- doubling the amount of deposit protection for a freehold home from \$20,000 to \$40,000
- doubling the total compensation payable for warranty claims from \$150,000 to \$300,000
- creating mandatory warranty and homeowner information packages and pre-delivery inspections for new home purchasers
- improving public education and awareness of warranty provisions
- opening a new customer contact and information centre
- conducting a new homeowner satisfaction survey
- overhauling the delayed closing regulations to provide more protection to homebuyers if their home is not completed on time.

I am pleased with what we have accomplished. However, much still needs to be done in order for Tarion to meet the government's and the public's expectations of an organization with such an important public service mandate. As such, the ministry will be pursuing further homeowner protection initiatives.

This is also a time of great public scrutiny of Tarion and its business practices. As you are aware, the ministry continues to receive and monitor a record number of complaints about Tarion from various sources, including:

- Homeowners: The volume of written complaints to the ministry from homeowners regarding Tarion has grown from 41 in 2003 to 199 in 2007. In the last year alone, the ministry experienced an 86% increase in letters about Tarion.
- Ombudsman of Ontario: The *2006/2007 Annual Report of the Ombudsman of Ontario* states, "The Ombudsman received 86 complaints about new home warranty issues – double the number received in the past four years." The Ombudsman has assigned a Special Ombudsman Response Team to investigate the degree of consumer protection that new homeowners can expect to receive from the Ministry of Government and Consumer Services.
- Licence Appeals Tribunal: In 2007, the tribunal heard 217 homeowner appeals of Tarion warranty decisions, a 20% increase from 2006.
- Media: There are frequent negative stories about Tarion in the *Toronto Star* and on national television news programs, such as *Marketplace*.

The ministry has put substantial resources into working with Tarion to improve its service to homeowners. As the new CEO and Chair begin their respective roles, I will be seeking assurances that improving homeowner protection remains a priority for the board. As such, I will be asking the new board to develop and provide the following:

1. A business plan that clearly outlines the board's goals for the upcoming year and a strategic plan for the next three years
2. Quarterly performance reports that detail the number of complaints that Tarion receives in areas that include:
 - a. timeliness of claims service
 - b. complaints about Tarion staff
 - c. complaints about the warranty claims process
3. Turnaround times for inspections, repairs and closing warranty files
4. The top 10 types of warranty claims received by Tarion, for example, mould, major structural defect, delayed closing, soil
5. A conflict-of-interest protocol and code of conduct for Tarion claims staff
6. A list of governance reforms reflecting best practices for not-for-profit corporations that could be applied to the Tarion board, including, but not limited to, term limits, board size and balanced representation on the board.
7. Changes to enhance public transparency including, but not limited to, holding public annual general meetings and open houses, and increasing disclosures in the Tarion annual report.

Robert Wade
Greg Gee
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I would appreciate an opportunity for ministry staff and me to meet with the new Chair and CEO shortly after they take up their new positions. I want to ensure that we have a clear path moving forward on the initiatives that I have identified. Please share this letter with members of the board.

Again, I would like to thank you both for your good service and wish you well in your future endeavours.

Kind regards,

A handwritten signature in black ink, appearing to read 'Ted McMeekin', with a stylized flourish above the name.

Ted McMeekin
Minister of Government and Consumer Services

c: Michelle DiEmanuele
Deputy Minister, Ministry of Government and Consumer Services
Associate Secretary of the Cabinet and
Secretary of Management Board of Cabinet

Alex MacFarlane
Corporate Secretary
Tarion Warranty Corporation