



ANNUAL REPORT 2019

REIX Real Estate Insurance Exchange

#205, 4954 Richard Road SW Calgary, AB T3E 6L1

403.228.2667 www.reix.ca

WHO WE ARE AND WHAT WE DO

The Real Estate Insurance Exchange (REIX) was founded in 1991 and provides mandatory professional liability insurance coverage to all real estate industry licensees trading in real estate in Alberta and Saskatchewan - our subscribers!

Our mission is to provide financial protection to our subscribers and ultimately the public they serve by administering a cost-effective and efficient mandatory Errors & Omissions insurance program. Our goal is to provide superior service to our subscribers and to keep the claims costs to a minimum by focusing on loss prevention and risk management.

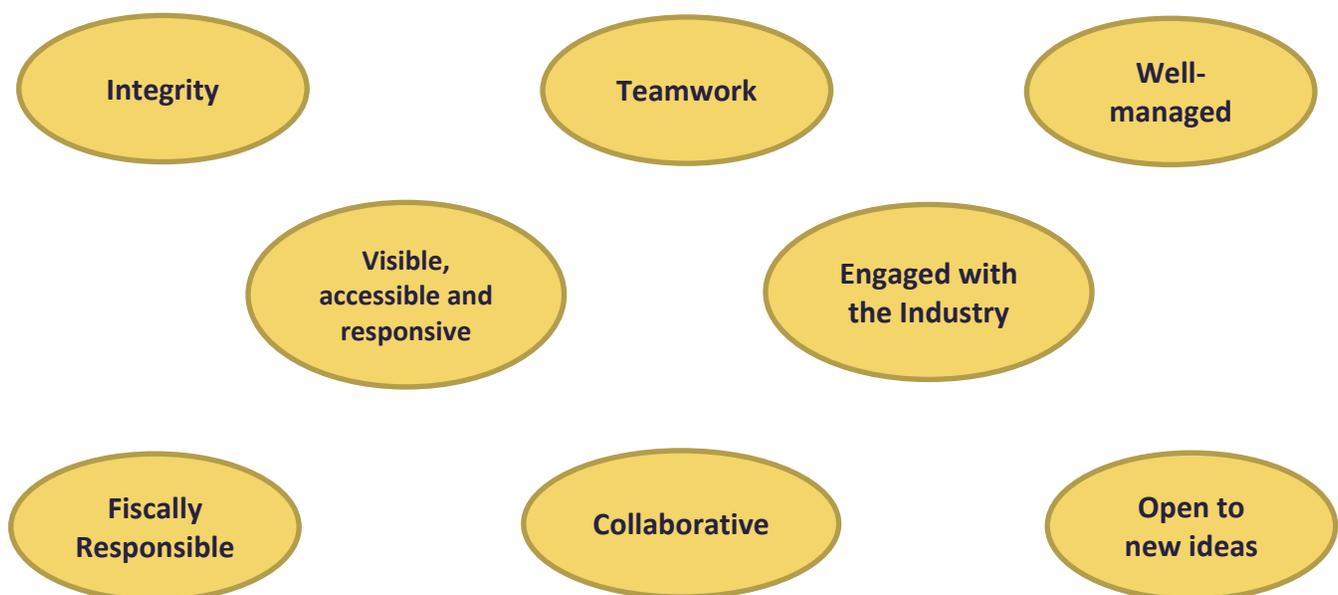
REIX is administered by an Advisory Board comprised of REIX subscribers. The Board annually appoints committees, including a Claims Committee which provides oversight of claims.

Errors & Omissions insurance enhances the professional image of the industry, protects licensees from financial losses due to claims relating to a transaction and allows the industry to control its own destiny through risk management, claims resolution and loss information. REIX is a strong proponent of risk management and works proactively with subscribers to reduce claims.

REIX Vision

Subscribers will receive excellent service. Valid claims will be settled fairly, reasonably and as quickly as possible. Costs of both claims and administration of the program will be managed effectively to ensure premiums are reasonable.

REIX Values



THE 2019 REIX ADVISORY BOARD

Your Advisory Board meets three times a year and committees work year-round to ensure proper oversight of the insurance program with the best value for subscribers.



Paul Jones (Chair), Re/Max Real Estate Central Alberta

Jackie Townshend (Claims Committee Chair), Royal LePage Community Realty

Russ Austin, CIR Realty

Bill Briggs, Re/Max Real Estate - Central Branch

Kevin Hall, Dream Office Management Group

Sheldon Johnson, Liv Real Estate

Dale Ripplinger, Realty Executives Diversified

Madeline Sarafinchan, Jayman Realty (Edm) Inc.

Diane Scott, Royal LePage Solutions

REIX Auditors: MNP LLP

Investment Manager: Mawer Investment Management Ltd.

Actuary: Baron Insurance Services

Want to be a part of the action? The call for nominations to the REIX Advisory Board was sent out in April with appointments made at the June Advisory Board meeting. We are always looking for engaged subscribers with skills or interest in one or more areas of Board governance and leadership such as: strategic planning, fiscal oversight, risk management, and regulatory policies and compliance.

CHAIR'S STATEMENT

Once again, we are pleased to report a successful year for REIX and our subscribers. We continue to see less open file counts to date and the rewards are evident, resulting in the lowest cost of errors & omissions insurance coverage in the country. The lower number in the file count can be attributed to market conditions and to our leadership - CEO Lisa Sabo and VP of Claims Dave de la Ronde, and their relentless commitment to REIX and our subscribers.

We are delighted to maintain our flagship status as an insurance provider within the real estate industry and we have maintained our level of subscribers during these tougher economic times.

Though the file count is down, events have been on par and this year at REIX concluded with many changes and I can say without hesitation that 2019 has been a busy and productive year at REIX.

Additional staffing at REIX included Andrea Gibson, Claims & Litigation Advisor, and Aaron Ling, Administrative & Governance Specialist. Both of whom have been a great addition to our team and integral in the implementation of the new Governance Committee and continuation of the new Steering Committee, chaired by Bill Briggs.

REIX has streamlined the work of the Claims Committee and continues to look at all avenues of business to enhance our position for our subscribers.

We continue to see a slower and declining real estate market, keeping in mind that when the market upturns, we will be ready to tackle the results.

Undoubtedly one of the biggest changes for REIX in our last policy year was the hiring of our new CEO, Lisa Sabo. Through the extensive work by the Succession Committee, it has proven that their diligence has paid off. This has been a constructive and productive year for all at REIX under Lisa's leadership and we are pleased with the direction we are headed.

Finally, I give a big thank you to our the Advisory Board, Claims Committee, our various other committees and to our consultants for their continued support and the wealth of experience they bring to the table that has helped REIX in its pursuit of excellence. We look forward to another productive year in 2020.

PAUL JONES

2018/2019 ADVISORY BOARD CHAIR

CEO UPDATE

It was a busy year full of change for the industry. One thing that has remained stable is the REIX premium. This is due to two main factors: good claims results and positive returns on our investments. Good claims results are due in large part to our subscribers being focused on risk management and knowing to call us *before* a claim happens. Calling us early can help prevent a claim and costly, stressful litigation.

We're dedicated to serving our subscribers and have worked hard over the past year to update and refresh our website. You will find articles, podcasts and more to help you avoid costly mistakes as you serve your own clients. We welcome your feedback and encourage you to visit our website, www.reix.ca - the password is insurance.

LISA SABO

CHIEF EXECUTIVE OFFICER



CLAIMS UPDATE

At a total of 54 new claims files, this has been nothing short of an astounding year. We view this as an anomaly however and would expect new claims to return to more historic levels this policy year.

There was no decrease in the number of events (issues that have not sued yet) that we handled - 145 - and in fact the number was up from the previous year. Their severity (potential cost) was up as well.

We anticipate an excellent year for recoveries (monies we recover from plaintiffs for costs and such) and have the expectation that we will push well over the \$1,000,000 mark.

We currently have 185 open files dating back to the 2008 policy year. Litigation is both costly and time-consuming so remember to engage REIX at the first hint of an issue. We are here to help!

DAVID DE LA RONDE

SENIOR VICE PRESIDENT – CLAIMS & LITIGATION

REIX FINANCIALS

REIX remains in a strong financial position, in large part due to prudent fiscal management by the Board and staff. We saw a healthy year for both investments and recoveries which has allowed us to continue to offer low premiums.

Statement of Financial Position

Excerpts from the audited financial statements (000's)

	<u>31-Dec-19</u>	<u>31-Dec-18</u>
ASSETS		
Invested Assets		
Cash and securities	\$ 22,392	\$ 21,638
Other Assets	379	122
	<u>22,771</u>	<u>21,760</u>
LIABILITIES & SUBSCRIBERS' EQUITY		
Liabilities		
Actuarial Liabilities	\$ 7304	\$ 7715
Deferred Subscribers premiums	1859	1892
Lease Liability IFRS 16	273	
Other current liabilities	203	167
	<u>9639</u>	<u>9774</u>
Subscribers' Equity		
Invested in property and equipment	25	25
Internally restricted - Premium Stabilization Fund *	5000	5000
Unrestricted	8106	6962
	<u>13131</u>	<u>11987</u>
	<u>\$ 22770</u>	<u>\$ 21761</u>

* The "Premium Stabilization Fund" was created as a reserve...to protect and stabilize subscribers' premiums from adverse fluctuations in the insurance market.

Statement of Operations and Other Comprehensive Income

Excerpts from the audited financial statements (000's)

	<u>31-Dec-19</u>	<u>31-Dec-18</u>
Revenue		
Revenue - net of direct costs	\$ 2653	\$ 3753
Other revenue (Gain/Loss Investments)	1208	-56
	<u>3861</u>	<u>3697</u>
Claims and Adjusting Expenses		
	1818	2330
Excess of revenue over claims and adjusting expenses	<u>2043</u>	<u>1367</u>
Administrative Expenses		
Amortization Expenses	6	6
Professional Fees	222	166
Management Fees and service contracts	354	335
Depreciation on Lease Liability	31	
Interest on Lease Liability	9	
Other Expenses	183	221
Committee	55	59
	<u>860</u>	<u>787</u>
Excess of revenue over expense and other comprehensive income	<u>\$ 1183</u>	<u>\$ 580</u>

CLAIMS STATISTICS

Further to the Claims Update, the below statistics represent an overview of the 2018 policy year which closed September 30, 2019.

The Performance Dashboard highlights the key elements of claims statistics:

CATEGORY	POLICY YEAR END 2018	P1 2018	P2 2018	P3 2018
Total number of open files	185	199	196	185
Number of open files current policy year	54	22	38	54
Events reported current policy year	145	42	87	145
Severity – claims with reserves over \$25,000	18	24	24	18
Total Incurred Losses	\$1,269,237	\$536,500	\$929,749	\$1,269,237
Recoveries	\$84,510	\$41,000	\$64,940	\$84,510



Wondering what an Event is? Event's are issues which have arisen but have not yet sued. Contact REIX with any transactional issues, we are often able to resolve the problem before any litigation is commenced. This is just part of the risk management tools and services we offer to our many subscribers.

CAUSE OF CLAIMS

We collect cause information through approximately 40 “causes”. We roll the list of 40 into the following categories:

Non-Disclosure: stigmatized property, water well, heating, multiple offers, prior act

Land Use: subdivision, easement, zoning, RPR, environmental

Property Condition: flooding, foundation, septic system, sewer, roof, age of home

Defective Documentation: incomplete sale, lease agreement, chattels, land description, square footage, lot size, access prior to closing, parking arrangements

Financial: deposits, loss of income, mortgage, property value, taxes, condo fees

Nature of breach: breach of fiduciary duty/contract/duty of care/PM duties

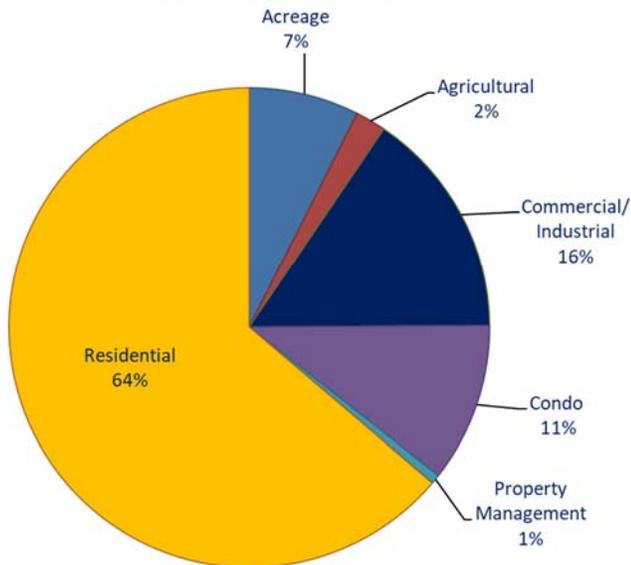
Top three categories of loss are:

- Property Condition
- Defective Documentation
- Financial

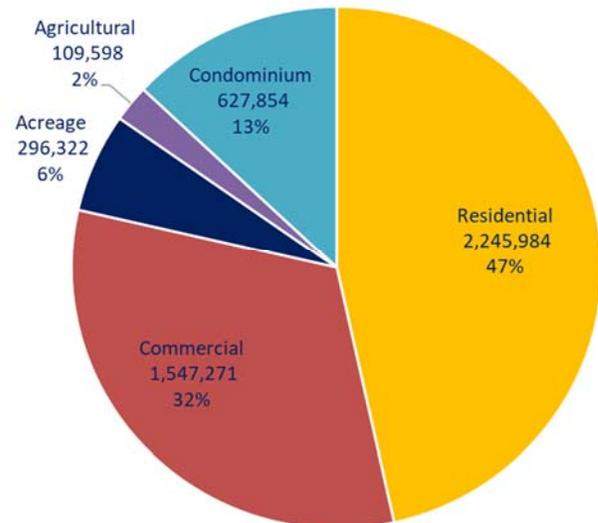
COST & DISTRIBUTION BY TYPE OF REAL ESTATE

A snapshot of what claims were received in each sector and the associated costs:

**Distribution of Claims by Type of Real Estate
2014 - 2018 (5 year period)**



**Cost of Claims by Type of Real Estate
Incurred Indemnity and Expense 2014-2018 (5 year period)**



To report a new claim or discuss an issue, please contact us:

REIX Real Estate Insurance Exchange

#205, 4954 Richard Road SW Calgary, AB T3E 6L1

403.228.2667 www.reix.ca