

2021 Annual Report

REIX



WHO WE ARE & WHAT WE DO

The Real Estate Insurance Exchange (REIX) is a non-profit organization founded in 1991 to provide mandatory professional liability insurance coverage to all real estate industry licensees trading in real estate in Alberta and Saskatchewan. We are governed by an Advisory Board, which annually appoints committees, including a Claims Committee. The board is comprised of REIX subscribers.

Errors and 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.

Our Mission

REIX is dedicated to providing high value to our subscribers through exceptional claims, risk and financial management.

Our Goals

- Subscribers will receive excellent service.
- Valid claims will be settled fairly, reasonably and as quickly as possible in the best interest of the subscribers and the consumers that they serve.
- Claims, risk management and administration of the program will be managed effectively.
- Prudent investments and fund management decisions will be made to ensure the future sustainability of the organization.
- Consider growth opportunities that enhance value to our subscribers.
- Expand and enhance educational initiatives to our subscribers.
- Enhance brand awareness to build a positive reputation and profile to key stakeholders.
- Continue to strengthen organizational governance.

Our Vision

To be a premiere provider of indemnity coverage.

Our Values



THE REIX ADVISORY BOARD

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

Bill Briggs, (RECA Rep.), Re/Max Estate - Central Branch

Jennifer Gilbert, Coldwell Banker City Side Realty

Nathan Hong, Charles Real Estate

Sheldon Johnson (Chair), Liv Real Estate

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

Brad Krizan, AX Property Management LP

Vern McClelland, RE/MAX of Lloydminster

Stan Mills, Sun City Realty Ltd.

Dale Ripplinger, Realty Executives Diversified

Jaison Thomas, CIR Realty Inc.

REIX Auditors: MNP LLP

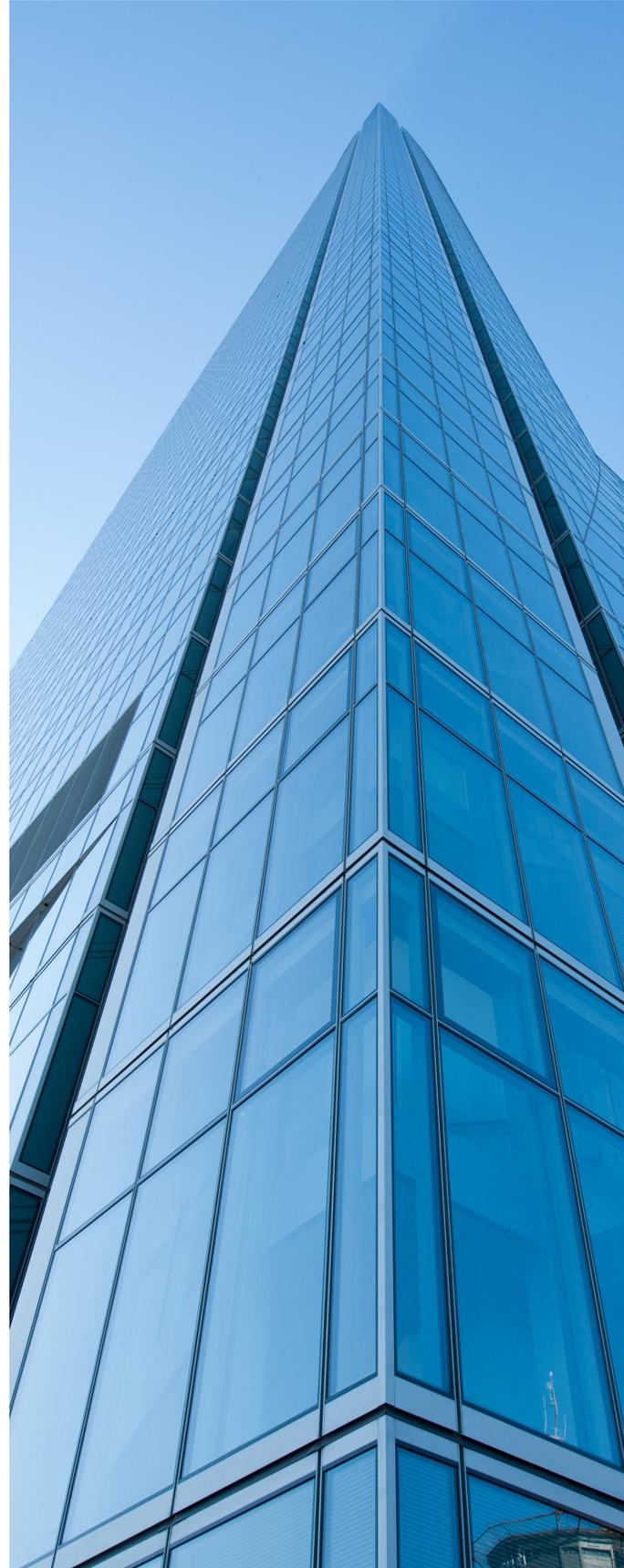
Insurance Consultant: Peter Kelly

Investment Manager: Mawer Investment Management Ltd.

Actuary: Willis Towers Watson

Want to be part of the action?

The REIX Advisory Board call for nominations goes out every April with appointments made at the June Advisory Board meeting. We're always looking for engaged subscribers with skills or interest in one or more areas of board governance and leadership: strategic planning, fiscal oversight, risk management and loss prevention.



MESSAGE FROM THE CHAIR



As REIX's Advisory Board Chair for 2021, I am proud to have been a part of guiding REIX through another successful year. I extend a personal thank you to my fellow Advisory Board members and the REIX staff for their hard work and dedication to making REIX an industry leader it is. I leave confident that the organization and board are going in the right direction.

REIX's 2021 policy year began with a new Strategic Plan and vision for REIX. The Advisory Board established new strategic goals, which include enhanced governance, an eye towards improving coverage and benefits, and keeping you better informed.

As part of our continued strategy of looking for ways to give back to our subscribers, the Advisory Board implemented a policy of waiving the deductible on claims for subscribers who have been claims free and licensed for five years.

This policy will remain in place for the 2022 policy year. We're working on other creative ways to add value to our subscribers and will communicate when we have more information.

A note about REIX's premium: although REIX's actuary advises that the indicated premium per subscriber should be \$229/year, the Advisory Board once again decided that it will not increase premiums for the 2022 policy year due to REIX's excellent financial position. REIX's premium will remain at the incredibly low amount of \$175/year for our subscribers.

Our subscribers are the envy of the country when it comes to Errors and Omissions insurance/indemnity coverage. We wish you and yours continued health and success.

SHELDON JOHNSTON
ADVISORY BOARD CHAIR

CEO UPDATE



One of REIX's strategic goals is to continuously look for ways to give back to our subscribers. In the spirit of giving back and to celebrate REIX's milestone anniversary, the Advisory Board made the decision to waive the deductible on claims for all subscribers who were licensed and claims free for the past five years.

We have continued to drive the Advisory Board's strategic vision forward, with our key focus on what REIX can do to support our subscribers in their professional lives. Our primary focus has been keeping subscribers informed through ongoing, regular communication.

Additionally, we have expanded our risk management work by creating the Risk Management Support Program (RMSP). You will find added resources and valuable information on our updated website, including a new section dedicated to the RMSP.

A major new initiative in risk management included both launching our RMSP and our new Broker Series, which is designed specifically for brokers to assist them in providing valuable information and loss prevention education to their agents.

Further, we are very pleased that the Advisory Board decided to continue with REIX's incredibly low premium of \$175/year. Subsidizing the premium is one way in which the Advisory Board returns subscribers' equity back to you, the subscribers.

We are working on additional subscriber benefits as the 2022 year evolves. Please stay tuned to REIX for more exciting announcements this year!

2021 has been an engaging and productive year for REIX!

In September, we celebrated REIX's 30th Anniversary with a one-of-a kind virtual event, which was both fun and educational. REIX was created by subscribers coming together to solve the challenges of finding insurance in the commercial marketplace, and it's been an amazing success story ever since.

Our success is a result of two key elements. One is the strong fiscal management and oversight by the Advisory Board, which always makes decisions in the best interests of subscribers.

A second key element that makes REIX such a success is our subscribers' good practices. By paying attention to REIX's risk management advice and calling us at the first sign of a problem, you keep our claims volume down. Good claims results impact the bottom line and helps us keep premiums low!

LISA SABO
CHIEF EXECUTIVE OFFICER

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

Comparative as at Dec 31, 2021

Excerpts from the audited financial statements (000's)

	2021	2020
ASSETS		
Invested Assets		
Cash and securities	22,386	21,925
Other Assets	490	476
	<u>22,876</u>	<u>22,401</u>
LIABILITIES & SUBSCRIBERS' EQUITY		
Liabilities		
Actuarial Liabilities	5228	6777
Deferred Subscribers premiums	2010	1869
Lease Liability IFRS 16	213	244
Other current liabilities	230	206
	<u>7681</u>	<u>9096</u>
SUBSCRIBERS' EQUITY		
Invested in property and equipment	99	121
Internally restricted - Premium Stabilization Fund*	4000	4000
Unrestricted	11097	9184
	<u>15196</u>	<u>13305</u>
	<u><u>22877</u></u>	<u><u>22401</u></u>

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

REIX FINANCIALS

Statement of Operations and Other Comprehensive Income

Comparative as at Dec 31, 2020

Excerpts from the audited financial statements (000's)

	2021	2020
REVENUE		
Revenue - net of direct costs	2751	2596
Other revenue (Gain/Loss Investments)	633	975
	<u>3384</u>	<u>3571</u>
 CLAIMS AND ADJUSTING EXPENSES	 <u>473</u>	 <u>2376</u>
Excess of revenue over claims and adjusting expenses	<u>2911</u>	<u>1195</u>
 ADMINISTRATIVE EXPENSES		
Amortization Expenses	40	18
Professional Fees	281	343
Management Fees and service contracts	425	407
Depreciation on Lease Liability	31	31
Interest on Lease Liability	8	8
Other Expenses	201	151
Committee	35	63
	<u>1021</u>	<u>1021</u>
 Excess of revenue over expense and other comprehensive income	 <u>1890</u>	 <u>174</u>

CLAIMS UPDATE

The 2021 policy year has been a record year for REIX, all around. With only 53 new claims opened, this makes the 2021 policy year the lowest in REIX's 30-year history. Further, REIX continued to work hard to close a total of 79 files in 2021.

An important part of the claim life cycle is the time spent at court for pre-trial conferences and trials. Pre-trial conferences are where all the parties of an action meet with a judge to discuss the facts of the case, to hear the issue from each parties' perspective and to determine if there are opportunities to settle the matter. If the parties are not interested in settling at this meeting, a trial date is set by the judge.

While Covid-19 has resulted in a large delay with the courts, and the time frame to schedule pre-trial conferences and trials is still very long, things are still progressing, just at a slower pace.

Other than claims, another important part of what REIX does is risk prevention, especially when it comes to events that are reported to us. Events are issues that come up with our subscribers that could end up being potential claims. Once the event is reported, we offer advice and guidance to help them take the right steps to try and avoid a claim (lawsuit) against them.

We continue to focus a great deal of our efforts on dealing with events and successfully addressed 176 this past year, REIX's highest number ever. At the policy year end, we had 147 open files, with our oldest file dating back to 2008. This file count is also a historic low for REIX.

Litigation is both costly and time-consuming, so remember to call REIX at the first hint of an issue. We're here to help!

DAVID DE LA RONDE
SR. VICE PRESIDENT
CLAIMS & LITIGATION

Dealing with "Events"

Events are issues that have arisen but have not yet led to a lawsuit. Contact REIX with any transactional issues, as we are often able to resolve the problem before any litigation is commenced. This is just one part of the risk management tools and services we offer to our approximately 15,000 subscribers across Alberta and Saskatchewan.

CLAIMS HIGHLIGHTS



CAUSE OF CLAIMS

We collect cause information through approximately 40 causes, which fall 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 causes of loss are:

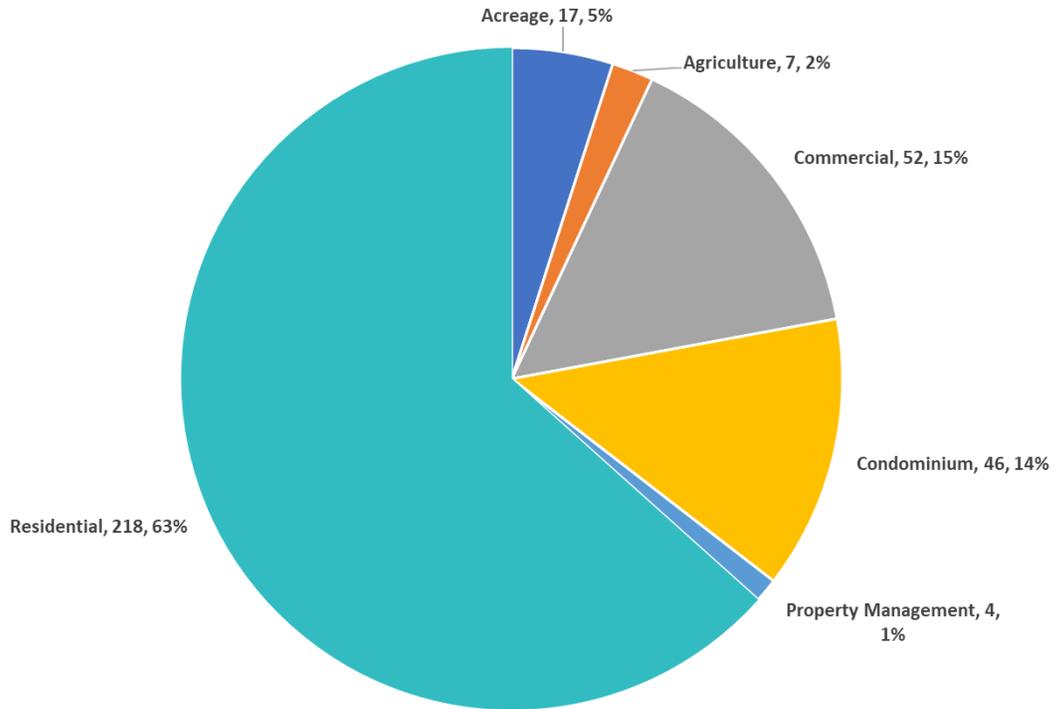
1. Property Condition
2. Defective Documentation
3. Financial

CLAIMS STATISTICS

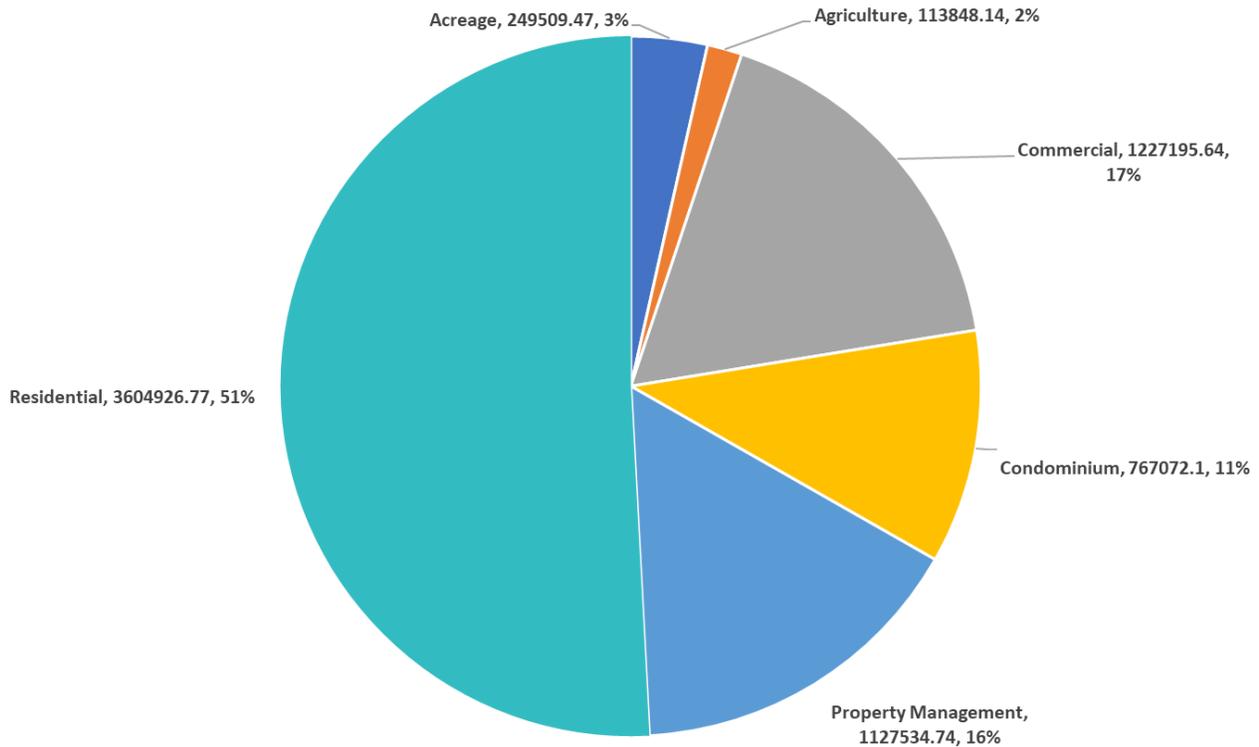
The snapshots on the following pages represent claims that were received in each sector, the associated costs, and volume of claim and event types:

- Distribution of Claims by Type of Real Estate
- Cost of Claims by Type of Real Estate
- Volume of Claims by Type of Real Estate
- Volume of Events by Type of Real Estate

Distribution of Claims by Type of Real Estate 2016 – 2020 Policy Years

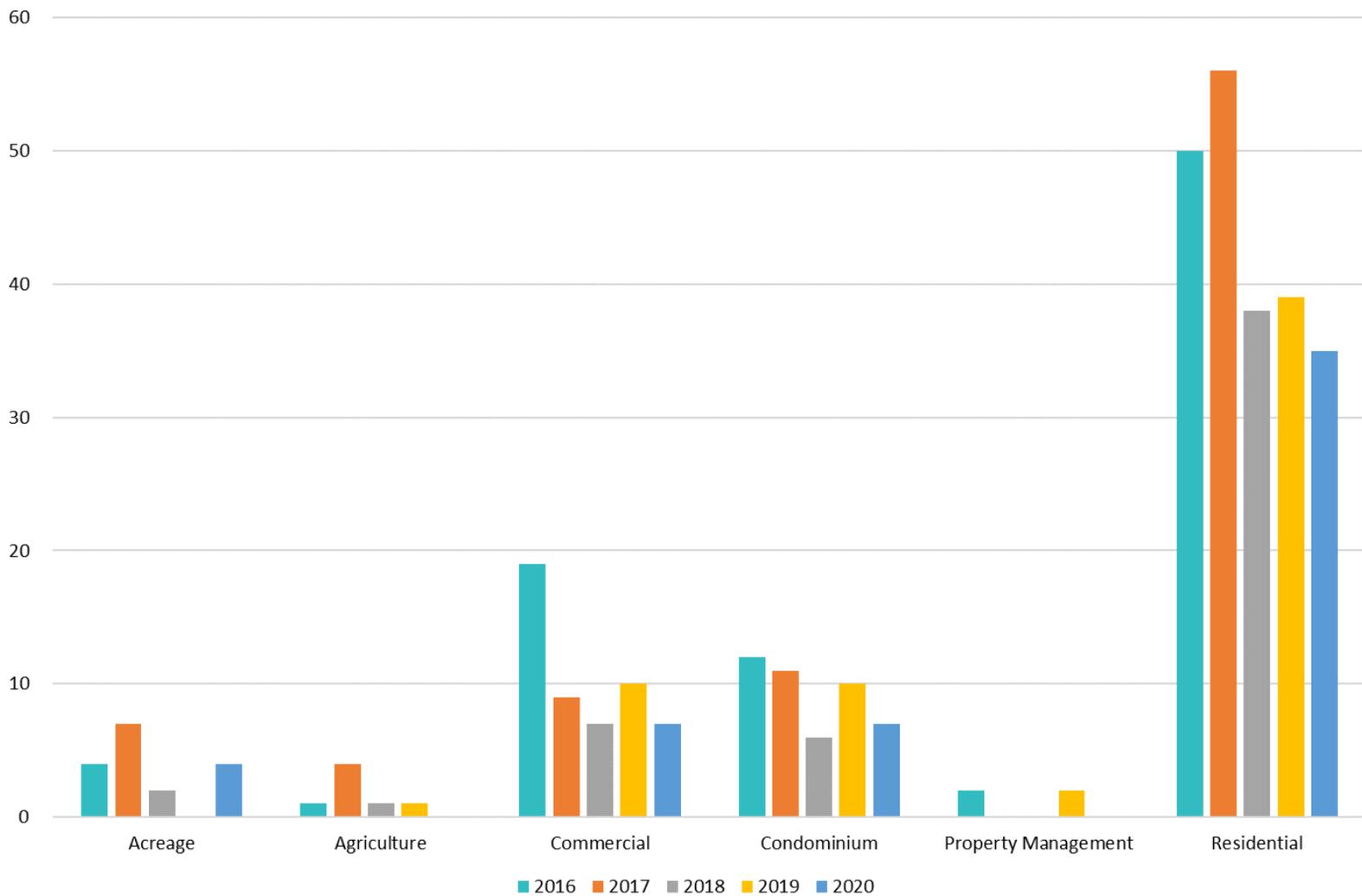


Cost of Claims by Type of Real Estate Incurred Indemnity and Expense 2016 – 2020 Policy Years



SNAPSHOTS

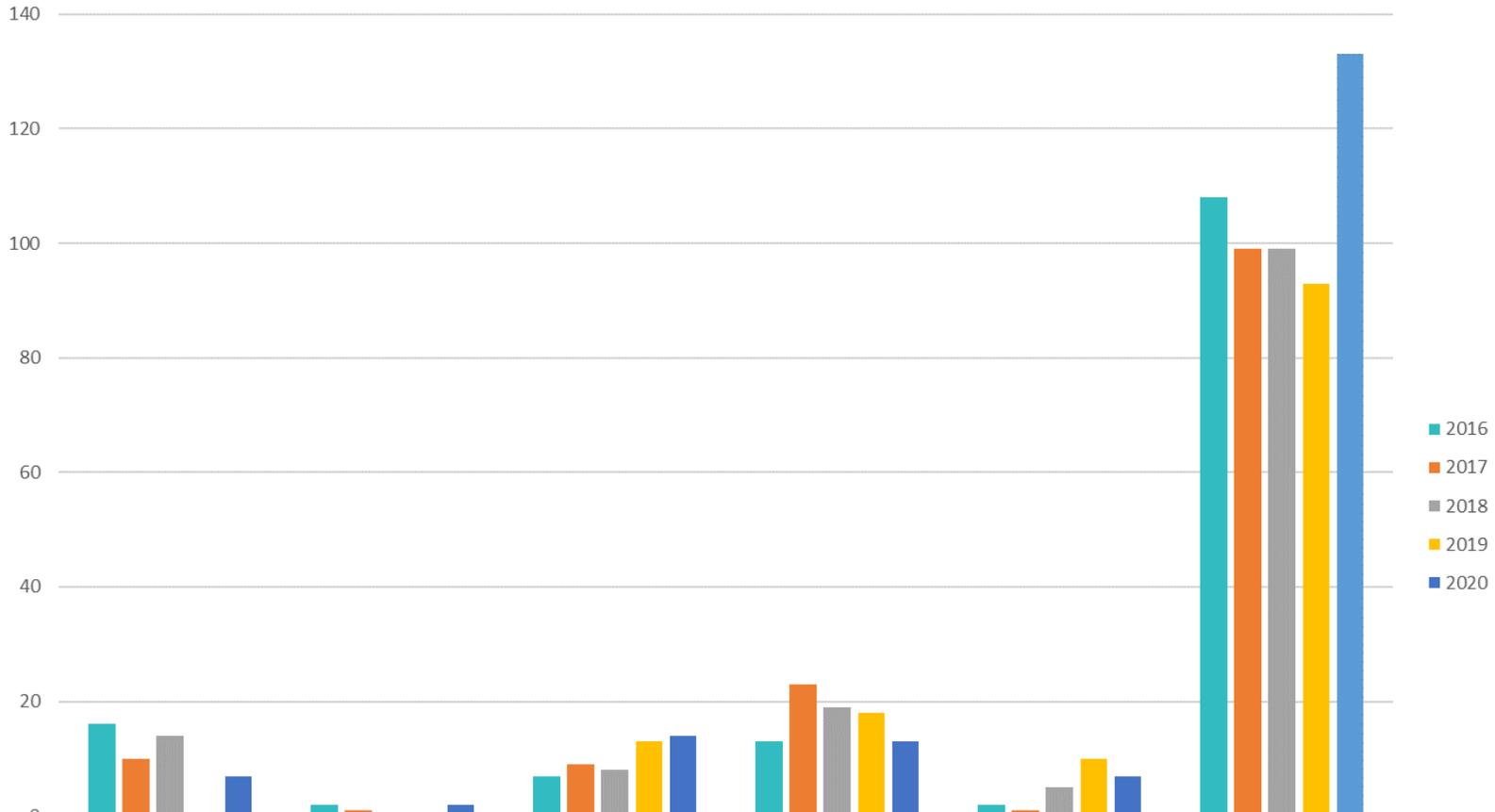
Volume of Claims by Type of Real Estate
2016 – 2020 Policy Years



CLAIMS

<u>Area of Real Estate</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	
Acreage	4	7	2	0	4	17
Agriculture	1	4	1	1	0	7
Commercial	19	9	7	10	7	52
Condominium	12	11	6	10	7	46
Property Management	2	0	0	2	0	4
Residential	50	56	38	39	35	218
TOTAL	88	87	54	62	53	

Volume of Events by Type of Real Estate 2016 – 2020 Policy Years



	Acreage	Agricultural	Commercial	Condominium	Property Mgmt	Residential
2016	16	2	7	13	2	108
2017	10	1	9	23	1	99
2018	14	0	8	19	5	99
2019	0	0	13	18	10	93
2020	7	2	14	13	7	133

REIX

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