

2020

# Annual Report

REAL ESTATE INSURANCE EXCHANGE

# REIX

REIX Real Estate Insurance Exchange  
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# WHO WE ARE & 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

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

Our goals

1. Subscribers will receive excellent service.
2. 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.
3. Claims, risk management, and administration of the program will be managed effectively.
4. Prudent investments and fund management decisions will be made to ensure the future sustainability of the organization.
5. Consider growth opportunities that enhance value to our subscribers.
6. Expand and enhance educational initiatives to our subscribers.
7. Enhance brand awareness to build a positive reputation and profile to key stakeholders.
8. Continue to strengthen organizational governance.

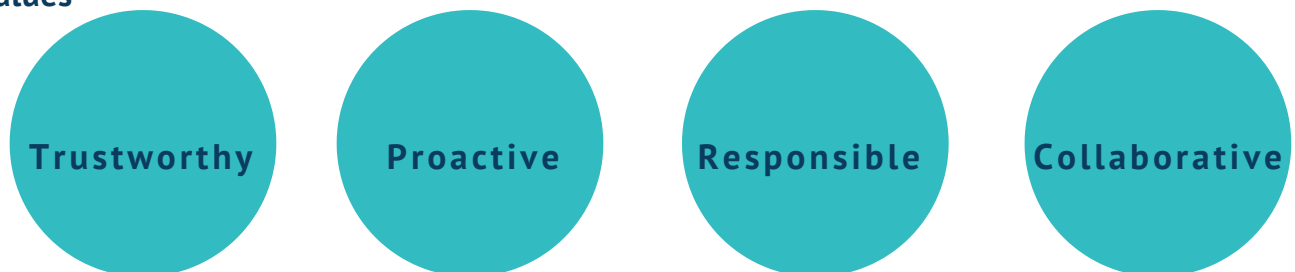
REIX is governed by an Advisory Board comprised of REIX subscribers. The Board annually appoints committees, including a Claims Committee which provides oversight of claims.

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

*To be a premiere provider of indemnity coverage.*

## REIX Values



# THE 2020 REIX ADVISORY BOARD

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

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

Kevin Hall, Standard Realty Co.

Sheldon Johnson (Chair), Liv Real Estate

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

Brad Krizan, AX Property Management LP

Stan Mills, Sun City Realty Ltd.

Dale Ripplinger, Realty Executives Diversified

Madeline Sarafinchan, Jayman Realty (Edm) Inc.

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

REIX Auditors: MNP LLP

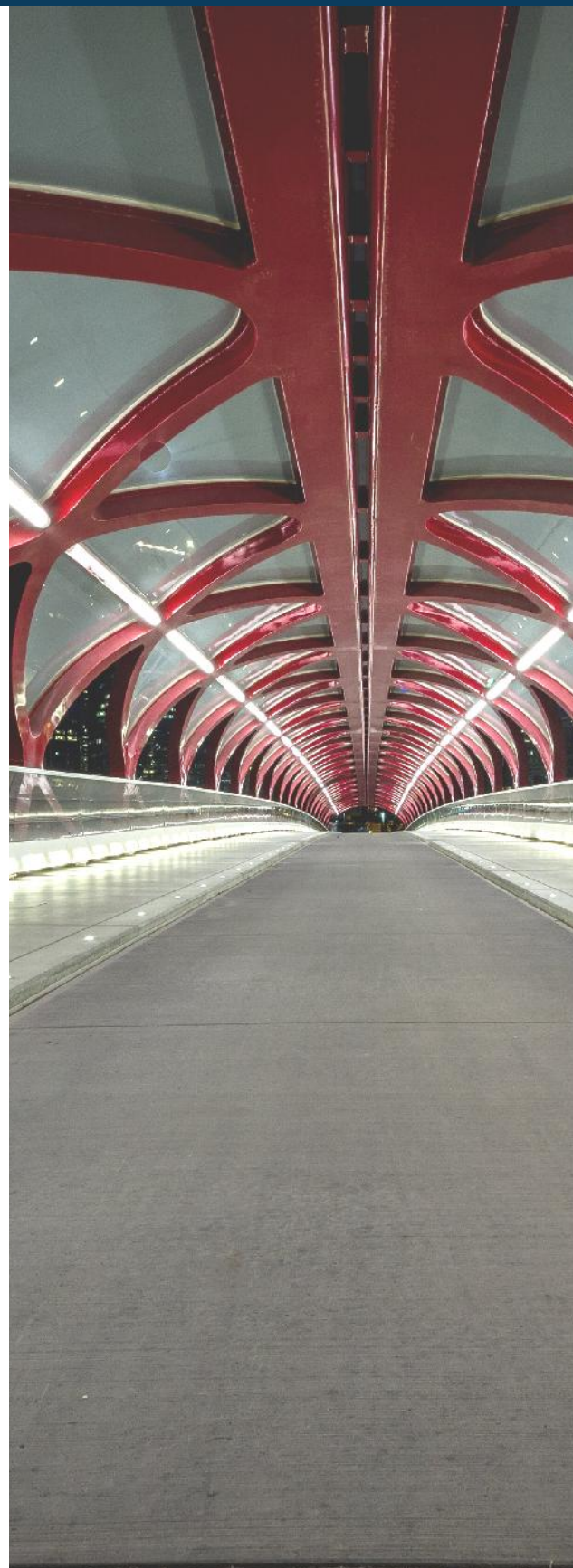
Peter Kelly, Insurance Consultant

Investment Manager: Mawer Investment Management Ltd.

Actuary: Willis Towers Watson

## Want to be part of the action?

The call for nominations to the REIX Advisory Board will be sent out in April with appointments made at the June Advisory Board meeting. We are always looking for engaged subscribers with skills or an interest in one or more areas of Board governance and leadership such as: strategic planning, fiscal oversight, risk management and loss prevention



# MESSAGE FROM THE CHAIR

## 2018-2020

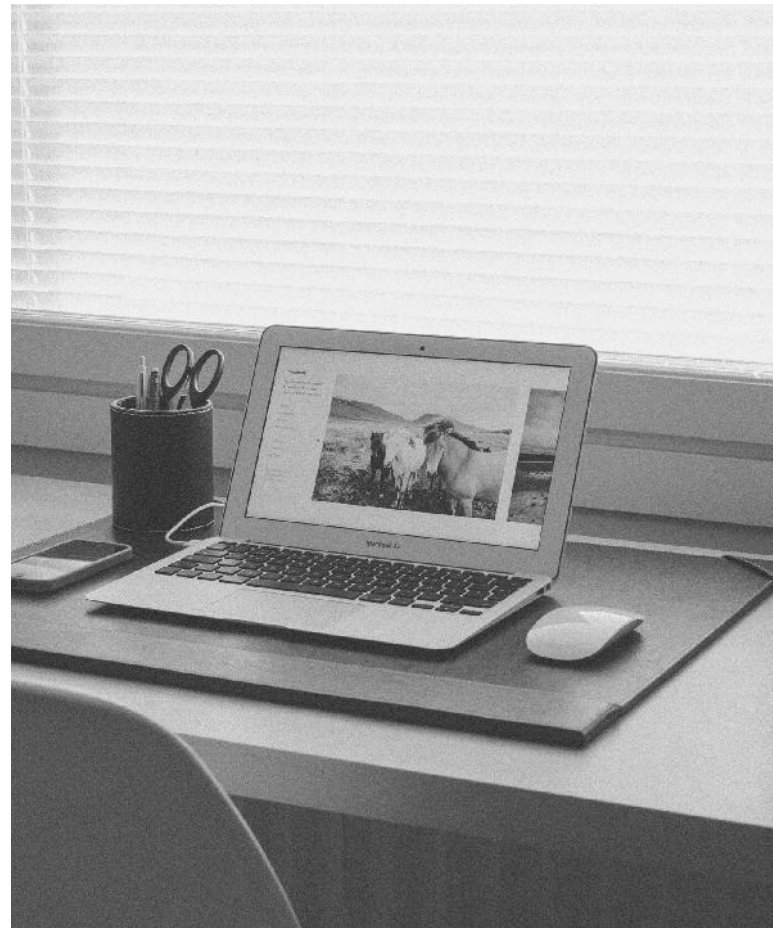
2020 was a challenging year for everyone. As an essential service, REIX adjusted to ensure the safety of staff and continued uninterrupted operations to support our subscribers.

Despite the challenges Covid-19 presented, we are pleased to report a successful year once again for REIX and our subscribers. We experienced a drop in claims over the spring and summer but ended the year at normal claims levels.

Of significance was a large increase in events over the same period last year. This is good news as it indicates that matters are resolved before becoming an actual claim. We encourage subscribers to call REIX for advice at the first sign a transaction may become a problem.

As the trend to lower file counts continues, we are able to maintain the lowest cost of errors & omissions insurance coverage in the country. The lower number in the file counts can be attributed to market conditions and to our leadership – CEO Lisa Sabo and Sr. VP of Claims and Litigation Dave de la Ronde, and their unwavering commitment to REIX and our subscribers through risk management and operational excellence.

We are delighted to achieve our vision to be a premiere provider of indemnity coverage within the real estate industry. We have maintained our level of subscribers during these tougher economic times.



Finally, as I close out my time as the Chair of the Advisory Board and take on the Past Chair role, I want to welcome Sheldon Johnston, who became REIX Advisory Board Chair in October 2020 for the 2020-2021 policy year. I also give a big thank you to 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 to guide REIX in its pursuit of excellence.

We look forward to another productive year in 2021.

**PAUL JONES**

**2018-2020 ADVISORY BOARD CHAIR**

# MESSAGE FROM THE CHAIR 2020-2022

I am excited to become REIX's Advisory Board Chair beginning in the 2020/21 policy year. REIX is a great success story and I am proud of the work that all our previous boards and the great REIX team have done on your behalf. This is a historic year for REIX as its 30th Anniversary is this October. Please stay tuned for upcoming communication regarding our 30th Anniversary celebration.

REIX's 2020/21 policy year began with a new Strategic Plan and vision for REIX. The Advisory Board established new strategic goals for REIX which include enhanced governance, an eye toward improving coverage and benefits and keeping you better informed.

REIX's actuary advises that the indicated premium per subscriber should be \$233/year. We recognize 2020 was a challenging year for many of our subscribers so the Advisory Board decided that it will not increase premiums for the 2020/21 policy year due to REIX's excellent financial position. With a premium of \$175/year for our subscribers in Alberta and Saskatchewan you 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**  
**2020-2022 ADVISORY BOARD CHAIR**





# CEO UPDATE



**We are excited to operationalize the Advisory Board's strategic vision. Our key focus is on what REIX can do to support our subscribers in their professional lives. We are very pleased that the Advisory Board decided to continue with REIX's incredibly low premium. Subsidizing the premium is one way in which the Advisory Board returns subscribers' equity to you, the subscriber.**

**We will announce additional subscriber benefits as the 2020-2021 year evolves.**

**Please stay tuned as well for our 30th Anniversary announcements!**

**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, 2020

Excerpts from the audited financial statements (000's)

	2020	2019
<b>ASSETS</b>		
<b>Invested Assets</b>		
Cash and securities	21,925	22,392
Other Assets	476	379
	<u>22,401</u>	<u>22,771</u>
<b>LIABILITIES &amp; SUBSCRIBERS' EQUITY</b>		
<b>Liabilities</b>		
Actuarial Liabilities	6777	7304
Deferred Subscribers premiums	1869	1859
Lease Liability IFRS 16	244	273
Other current liabilities	206	203
	<u>9096</u>	<u>9639</u>
<b>SUBSCRIBERS' EQUITY</b>		
Invested in property and equipment	121	25
Internally restricted - Premium Stabilization Fund *	5000	5000
Unrestricted	8184	8106
	<u>13305</u>	<u>13131</u>
	<u>22401</u>	<u>22770</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)

	2020	2019
<b>REVENUE</b>		
Revenue - net of direct costs	2596	2653
Other revenue (Gain/Loss Investments)	975	1208
	<b>3571</b>	<b>3861</b>
<b>CLAIMS AND ADJUSTING EXPENSES</b>	2376	1818
Excess of revenue over claims and adjusting expenses	<b>1195</b>	<b>2043</b>
<b>ADMINISTRATIVE EXPENSES</b>		
Amortization Expenses	18	6
Professional Fees	343	222
Management Fees and service contracts	407	354
Depreciation on Lease Liability	31	31
Interest on Lease Liability	8	9
Other Expenses	151	183
Committee	63	55
	<b>1021</b>	<b>860</b>
<b>Excess of revenue over expense and other comprehensive income</b>	<b>174</b>	<b>1183</b>



# CLAIMS UPDATE

To say this has been an unusual year, is an understatement. Having received no new claims over the summer months, we opened 62 claims in the last quarter alone! This first quarter is on par for the previous year with only 14 new claims.

We continue to focus a great deal of our efforts on dealing with events and this past quarter we dealt with 50 of them, which represented a 75% increase over the same period as last year.

Covid-19 closed the courts and virtually stalled litigation but as courts slowly reopen, we have been able to reschedule all the applications, pre-trials, and trials that we have had on hold and many are now moving forward.

At present we have 170 open files with our oldest file dating back to 2008.

Litigation is both costly and time-consuming so remember to call REIX at the first hint of an issue.

We are here to help!

DAVID DE LA RONDE  
SENIOR VICE PRESIDENT - CLAIMS & LITIGATION

Wondering what an "EVENT" is?

*Events 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 approximately 15,000 subscribers in Alberta and Saskatchewan.*

# CLAIMS HIGHLIGHTS



## 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 causes of loss are:

- Property Condition
- Defective Documentation
- Financial

## CLAIMS STATISTICS

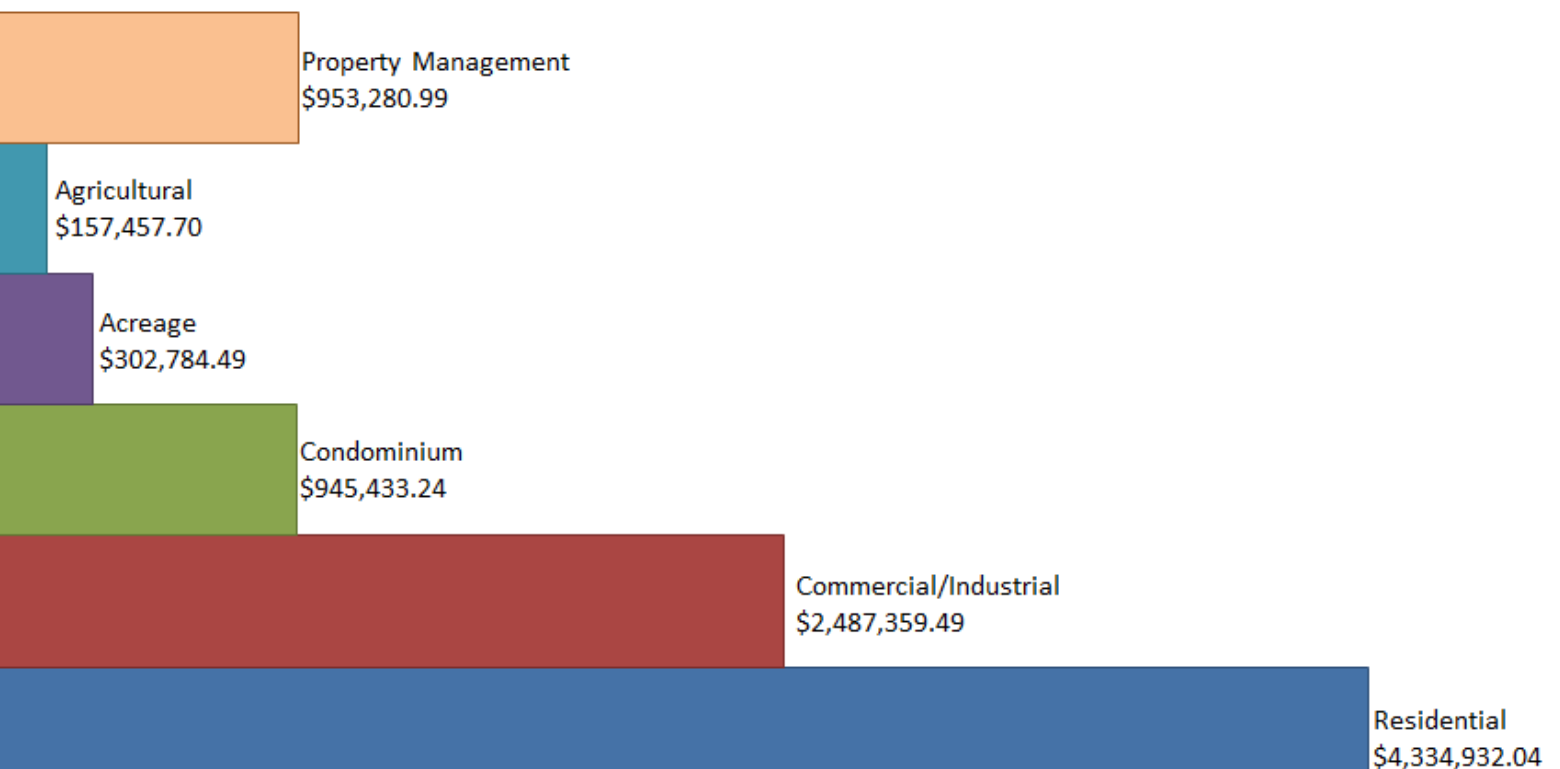
The following snapshots of what claims were received in each sector, the associated costs and volume of event types:

- i. Volume of Claims by Type of Real Estate
- ii. Cost of Claims by Type of Real Estate
- iii. Volume of Events by Type of Real Estate

## i) Volume of Claims by Type of Real Estate Claims reported Oct 1, 2015 to Sept 30, 2020 (5 policy-year period)



## ii) Costs of Claims by Type of Real Estate Claims reported Oct. 1, 2015 - Sept. 30, 2020 (5 policy-year period)



## iii. Volume of Events by Type of Real Estate Events October 1, 2016 to December 31, 2020

