

A Closer Look: Qualifying Ontario's Home Inspectors



**Home Inspector Panel Report and Recommendations to the
Minister of Consumer Services**

December 10, 2013

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TRANSMITTAL LETTER

December 10, 2013

The Honourable Tracy MacCharles
Minister of Consumer Services
6th Floor, Mowat Block
900 Bay Street
Toronto, ON
M7A 1L2

Dear Minister MacCharles

We are pleased to submit to you *A Closer Look: Qualifying Ontario's Home Inspectors*. The report outlines our recommendations to regulate the home inspector profession. We have also made recommendations to strengthen the profession and improve consumer protection, such as introducing uniform qualifications and standards to be followed by all home inspectors in Ontario and mandatory insurance coverage for inspectors.

The findings and recommendations in this report were discussed at great length and different points of view were considered. All recommendations represent the consensus of the panel.

We would also like to take this opportunity to comment on our experience over the past three months. The diversity of experience and knowledge on the panel created lively conversation and debate. But having the mandate to review home inspector qualifications in the public interest focused the discussion and made timely decision making possible. The process of reviewing new topics and revisiting previous discussions each meeting was effective and allowed us to drill down in key topics. This has been a productive and collaborative process. We appreciate this opportunity to provide this public service.

As the ministry considers implementing the panel's recommendations, we would encourage the ministry to continue to use this process of collaborative engagement on this and other policy projects.

Finally, we would like to extend our appreciation to the ministry for its leadership and staff who provided excellent guidance and support to the panel so that we could arrive at the recommendations contained in this report.

Yours truly,

Graham Clarke	Brian Horsman	Doug Kendall	Kim Smith
Doug Downey	Len Inkster	Claude Lawrenson,	TJ Smith
Tony Grewal	Patricia Jensen	Peter Marcucci,	Blaine Swan
David Hellyer	William Juranic,	Johnmark Roberts	Trevor Welby-Solomon

EXECUTIVE SUMMARY

In August 2013, the Ministry of Consumer Services asked a volunteer panel of experts to review home inspector qualifications in Ontario. This is the panel's report to the Minister.

Currently in Ontario, anyone can call themselves a home inspector. This report takes a closer look at Ontario's home inspector profession and recommends that it should be regulated. It also explains the rationale behind the need for regulation and recommends additional considerations for the government to strengthen the profession and consumer protection for home buyers and sellers when purchasing home inspection services.

A Consultation to Review Ontario's Home Inspector Qualifications

In October 2012, the Minister of Consumer Services committed to working with home inspection associations, consumer advocates, and representatives from the real estate industry and other professions on mandatory qualifications for home inspectors.

The Review Process

The ministry established a panel of experts to explore ways to accomplish the following:

- strengthen consumer protection
- improve the consistency of home inspections
- ensure a minimum standard of training
- increase the transparency of the profession

The 16-member panel included home inspectors, consumer advocates, educators and other professionals in related sectors such as real estate, law and insurance.

At the first meeting, panel members agreed to work collaboratively with the public's interest in mind to reach a consensus on qualifications for home inspectors in Ontario. This report reflects the consensus that was successfully received from the panel.

The panel developed key findings and recommendations in five areas:

- regulation of home inspectors
- technical standards for home inspectors
- professional home inspector qualifications
- consumer protection requirements
- regulatory governance for Ontario's home inspection industry

Home Inspection Industry

The demand for home inspectors in Ontario is increasing. It is estimated that approximately 50 – 70 per cent of resale homes have home inspections as part of the real estate transaction.

There are about 1,500 home inspectors working in the province. Of the 750 who responded to a recent survey:

- About 65 per cent worked full time, and about 35 per cent work part time.
- More than 85 per cent worked in small businesses, the rest work in franchises or for larger companies.
- About 95 per cent have registered with one or more of the provincial, national, and international associations for home inspectors.
- Eighty per cent have become certified through their industry associations.

But, there is no mandatory educational or technical standard for home inspectors in Ontario, and some home inspectors meet few, if any, standards.

Consumer Concerns

Homebuyers increasingly rely on home inspectors when they are buying or selling a residential property. But with no single standard of qualifications in place the consumer has no way of making an informed choice and often makes the decision based on price alone.

The effect of a home inspection that missed a leaky roof, cracked foundation or outdated electrical wiring can be costly and result in financial distress for those buying or selling homes. Some homeowners have depleted their savings while making the necessary repairs. Others have lost their homes.

Some home inspection associations and some insurance companies collect data about complaints and claims. However, there is no centralized system in place to collect, monitor and analyze complaints about home inspectors and home inspections.

While improving consumer protection is of primary concern, the home inspection industry will also benefit from operating in an environment with a more level playing field, one in which home inspectors compete based on similar standards and qualifications.

Key Findings

Regulation of Home Inspectors in Ontario

The panel found that home inspections performed by unqualified home inspectors can pose a risk to consumers. The risks are primarily financial, often arising from unexpected repair and maintenance costs. In some circumstances, the condition of homes could also constitute a safety risk to homeowners.

Technical Standards for Home Inspections

The panel found that there were several definitions and standards for home inspections in Ontario and that this situation has confused, and continues to confuse, some consumers about what is included in home inspections. This lack of clarity has resulted in disputes and, in some cases, legal action.

The panel saw the need for one clear definition and standard for home inspections that would be valid throughout the province.

Professional Qualifications for Home Inspectors

The panel heard that there were several designations which home inspector associations issue to indicate some level of qualification for home inspectors. However, the requirements to earn these designations differ from one association to another, which makes it difficult for homeowners or buyers to assess the qualifications of home inspectors. The result is that consumers have no way of knowing whether or not home inspectors are qualified to do the job.

The panel concluded that consumers and the home inspection industry would benefit from clearly defined competencies and qualifications that would be necessary to receive a license to conduct home inspections. The panel also supports a requirement for ongoing professional development so that home inspectors' knowledge remains up to date.

Consumer Protection Requirements

The panel identified several areas where consumer protection should be improved:

- information and education about home inspections so that consumers can make informed decisions.
- a code of ethics that clearly states the expected conduct of home inspectors.
- insurance requirements for home inspectors.
- a contract written in plain language that includes mandatory elements for use by all home inspectors and minimum standards for home inspection reports.
- a single avenue to register concerns or complaints about home inspectors.

Regulatory Governance for Ontario's Home Inspection Industry

Regulatory governance refers to how qualifications for home inspectors would be put into place.

The panel found that different approaches to regulation are used in other Canadian jurisdictions such as British Columbia and Alberta, and in the United States. The panel also looked at the Ontario model of a delegated administrative authority. This is an approach to regulation in which the government gives a not-for-profit authority the responsibility to administer a law that regulates a profession or business sector.

The panel concluded that a delegated administrative authority approach using a full range of regulatory functions would work best for Ontario. This approach would ensure the greatest amount of uniformity and consistency for home inspections and for appropriate consumer protection.

The panel emphasized the importance of the financial sustainability and discussed an acceptable cost range of regulation for both home inspectors and consumers. The panel acknowledged additional work was required to confirm that the cost of regulation is sustainable.

The panel also discussed ways that the industry could move to mandatory standards and qualifications so that the change would be seamless and cause no disruption to consumers.

Home Inspector Panel Recommendations

In total, panel members made 35 recommendations. These recommendations reflect the consensus of the panel based on thorough discussions and debate.

Highlights of the recommendations in the report include:

- Home inspectors should be regulated in Ontario and be called Licensed Home Inspectors.
- There should be a clear definition and standard for home inspections.
- Qualifications to become a licensed home inspector should include passing a written exam, a field test and experience requirements. Only licensed home inspectors should be allowed to conduct home inspections. Ongoing professional development should be required so home inspectors stay up to date.
- Consumer protection should be improved by:
 - increasing consumer awareness by providing information on what service is and is not provided

- providing public access to a centralized registry of licensed home inspectors
 - developing a code of ethics that outlines expected behaviour and conduct, including disclosure of referral or incentives programs to all parties
 - introducing mandatory insurance requirement for home inspectors that includes errors and omissions and commercial general liability coverage.
 - setting standards for content and quality of home inspection reports, contracts and disclosures
 - having a complaints and dispute resolution process for consumers, including the right to appeal decisions
- A delegated administrative authority, overseen by government, with a full range of regulatory functions should be created to licence and regulate home inspectors. Transition to the regulated environment should take place over 18 months with a fair and transparent process for home inspectors to become licensed.

For a complete list of the 35 recommendations, please go to the next section of this report.

Conclusion and Next Steps

The panel reached consensus on every recommendation put forward. After having a closer look, there was full agreement that the current unregulated environment for home inspectors poses risks for the consumer and that better consumer protections should be put in place.

It was agreed that a regulatory body should be created based on the delegated administrative authority model currently in use for several professions in Ontario.

The panel is submitting their report to the Minister of Consumer Services to encourage the government to introduce new qualifications for home inspectors in Ontario.

HOME INSPECTOR PANEL RECOMMENDATIONS

Regulation of Home Inspectors

1. Home inspectors should be regulated in Ontario.

Technical Standards

Definition of Home Inspection

2. There should be a clear definition of a standard home inspection set by the government.
 - a) The definition of a home inspection should establish the scope of home inspector regulation/licensing.
 - b) The definition of home inspection should include: providing an opinion on the condition of the home, be limited to residential dwellings, refer to non-destructive inspection, reference a standard of practice, require a provision of a written (which can include an electronic version) inspection report.
 - c) To the extent possible, the definition of home inspection should be consistent with:
 - i) Regulated Canadian jurisdictions (e.g., British Columbia and Alberta);
 - ii) Canadian Standards Association's A770 Home Inspection (currently under development).

Standard of Practice

3. There should be one standard of practice for home inspections.
 - a) To the extent possible, Ontario's standard should be consistent with the Canadian Standards Association's A770 Home Inspection once it is developed.
 - b) A plain-language, consumer-friendly summary of the standard of practice for home inspection should be developed by a home inspector regulatory body and made available to the public at no cost. This document would include disclosures regarding the scope of home inspections and clearly outline any limitations and exclusions of the home inspection.

Services beyond the Scope of a Standard Home Inspection

4. Home inspectors may provide additional services, beyond the standard practice of a home inspection if they are qualified or competent to perform those services. Examples of additional services include new home inspections (e.g., building code, new home warranty inspections) and home energy audits (home energy efficiency labelling and/or rating).
 - a) Any additional service to the standard practice of a home inspection must be made clear to the consumer through an addendum to a contract, which specifies that the home inspector is qualified to perform the service and scope of the additional services.
 - b) Additional services are not exclusive to home inspectors.

Professional Qualifications

Competencies

5. There should be clearly defined competencies for home inspectors in Ontario based on the National Occupational Standard – Professional Home and Property Inspector, as adopted and/or updated by the home inspector regulatory body.

Entry to Practice

6. Entry to practice requirements should include:
 - a) Passing a proctored written examination that accurately assesses the knowledge and skills of a home inspector;
 - b) Passing a field test;
 - c) Meeting established experience requirements.
7. There should be multiple pathways to achieving the experience requirements, which should be established by the home inspector regulatory body.
8. There should be no mandatory education requirement to become a home inspector, however applicants may choose to complete formal education.
9. There should be a criminal background check completed for all home inspectors. The home inspector regulatory body would make decisions on whether the results should disqualify a home inspector from practicing. For licence renewal, home inspectors should be required to report any change in their record.

Use of Title

10. There should be one title "Licensed Home Inspector".
11. Only licensed home inspectors should be allowed to conduct home inspections as set out in the definition and standard of practice.
12. All licensed home inspectors should display their licensed home inspector designation and license number prominently. In addition, licensed home inspectors who have additional designations (e.g., from their associations) which are recognized by the home inspector regulatory body may use them for marketing and advertising purposes.

Professional Development

13. Professional development should be required to maintain a home inspector licence.
 - a) The home inspector regulatory body should establish guidelines for professional development, but should not approve specific courses or activities.
 - b) There should be a variety of professional development topics/courses/activities. Some should be mandatory and others would be optional.
 - c) Courses and activities may include:
 - i) Mandatory knowledge related to home inspector legislation and regulations;
 - ii) General topics related to the home inspector profession which home inspectors can self-select from.
 - d) Professional development credits should be awarded to licensed home inspectors who provide mentorship and test inspection oversight for new home inspectors.
14. Home inspectors should be required to demonstrate to the home inspector regulatory body that they have fulfilled their professional development requirements.
15. Professional development could be delivered by a variety of sources, including those delivered by associations, community colleges, private sector training providers and others. Courses can be provided in a variety of ways such in the classroom, online, or at conferences.
16. Completing a minimum number of home inspections annually, should not be a requirement for maintaining a license.

Consumer Protection Requirements

Informed Consumer Purchasing Decisions

17. Consumers should have access to information and education that promotes consumer awareness and creates clear expectations about what is provided in home inspection services.
 - a) The home inspector regulatory body, industry associations, and other interested stakeholders should share the responsibilities for educating consumers on what to expect from a home inspection and role of the home inspector.

18. The home inspector regulatory body should create a publicly-available centralized registry of licensed home inspectors to enhance consumer choice and information.
 - a) The home inspector regulatory body should publish final discipline decisions on its public registry.
 - b) There should not be a government rating system for home inspectors.

19. All home inspection referral programs or incentives must be clearly disclosed to all parties. The home inspector regulatory body should issue guidelines on disclosure requirements.

Code of Ethics

20. Licensed home inspectors should be subject to a regulated code of ethics that outlines expected behaviour and conduct for home inspectors.
 - a) It should be the responsibility of the government to create the code of ethics and the home inspector regulatory body to enforce it.

21. The requirement to disclose referral programs or incentives (in recommendation 19) should be included in the code of ethics.

Financial Protections

22. Home inspectors must have mandatory insurance including errors and omissions and commercial general liability coverage. If insurance is unavailable, the government would need to re-examine this requirement with a view to finding an alternative means to provide equivalent financial protection for consumers.

23. Mandatory insurance minimum requirements should be established by government.

24. Government should examine the need for insurance coverage or other protections to carry over for a reasonable period of time after a home inspector retires or exits from the profession to protect both the inspector and consumer.
25. Establishing an industry compensation fund is not recommended.

Standardization of Contracts and Disclosure

26. The government should establish a core set of requirements and disclosures for home inspection contracts to ensure a minimum level of consumer protection.
 - a) Businesses or associations can create their own contracts as long as they include the core requirements and disclosures.
 - b) Contracts should be in plain language.
 - c) Contracts should contain privacy provisions that the home inspector shall not provide information about the client to other service providers without the consent of the client.

Minimum Standards for Reports

27. There should be a written home inspection report or an electronic equivalent. The government should set minimum standards regarding the content and quality of the report.
 - a) The report must be written or provided electronically. It may be provided in other formats in addition to the written report, but the written report should include all material findings.
 - b) The report should address the conditions and features of the home required by the standard of practice.
 - c) The report should make recommendations to obtain expert opinions regarding items beyond the scope of the home inspection.
 - d) The report must be provided to the consumer on or before the date set out in the home inspector contact.

Complaint Handling and Dispute Resolution/Redress

28. The home inspector regulatory body should develop a process to manage consumer complaints about standard of practice and code of ethics violations when the consumer cannot resolve their concerns with the home inspector or home inspection company.
 - a) The home inspector regulatory body's discipline committee should include peer and non-industry representatives to ensure a fair and transparent process.
 - b) There should be a range of measures and powers for the home inspector regulatory body to address complaints, including revocation of the licence.
 - c) There should be communication protocols established between the home inspector regulatory body and associations to ensure they are aware of disciplinary issues related to their members.

29. Complaints about a home inspector providing additional services should be evaluated by the home inspector regulatory body to determine if there is a code of ethics violation. Complaints should also be forwarded to any other relevant certification or regulatory body (if applicable).
30. There should be a right to appeal decisions on complaints and discipline with a clear appeal process.

Home Inspection Regulatory Governance

Regulatory Approach

31. A delegated administrative authority should be established to regulate home inspectors. The government of Ontario would remain responsible for development of legislation and regulations, implementing the delegated administrative authority, and its oversight.
32. As government considers regulation/licensing of home inspectors, additional cost analysis should be completed to confirm that the cost of regulation is sustainable. Consideration should be given to costs to home inspectors and businesses, as well as consumers.
33. Approaches to reduce regulatory costs should be considered, for example, partnering with an existing delegated administrative authority to benefit from sharing services and existing infrastructure.

Regulatory Functions

34. A range of regulatory functions should be incorporated in the regulatory approach used for home inspectors in Ontario, including: governance; administration; establishment of entry to practice standards; licensing/registration; public registry of members; enforcement of restrictions on use of title; establishment of professional development requirements; ensuring registrants have required insurance; establishment of efficient, effective and fair complaints handling processes; and establishment of an efficient, effective, fair and transparent adjudicative process for discipline hearings.
 - a) Public awareness programs should be a joint responsibility of the regulatory body, associations and other stakeholders (also mentioned in recommendation 17 a).

Transition Issues

35. The government should establish transition provision for persons currently practicing as home inspectors.

- a) There should be an 18-month notice period before licensing requirements come into effect.
- b) Home inspectors with designations from existing organizations that reflect the licensing requirements of the DAA and are approved by the DAA may become licensed without further review.
- c) A process should be put in place for submissions from organizations to demonstrate how their designations reflect the licensing requirements of the DAA.
- d) Home inspectors without an approved designation should undergo an individual assessment of their education and experience by the home inspector regulatory body who would determine if additional training, experience, examination, or test inspection is required before a license is issued.

SECTION 1: INTRODUCTION AND BACKGROUND

Purpose of the Report

In October 2012, the Minister of Consumer Services called for a consultation with home inspection associations, consumer advocates, and representatives from the real estate industry and other professions on mandatory minimum qualifications for home inspectors. The consultation was to explore ways to accomplish the following:

- enhance consumer protection
- increase the transparency of the profession
- ensure a minimum standard of training
- improve consistency in home inspections

This report provides background information on the industry and on the concerns of consumers. It describes some of the deliberations of the home inspector panel, sets out the results of this consultation, and lists the recommendations to the minister.

The Home Inspector Panel

In August, 2013, a panel of home inspectors was set up to develop an independent findings report on the qualifications of home inspectors. The panel was asked to provide its advice and recommendations to the government on how to approach the issue.

This panel was used to develop recommendations to make the process inclusive, accessible, and democratic. It recognized that government was one key change agent, but not the only one. The process was designed to access expertise that resides with stakeholders to identify issues, develop solutions, and seek consensus on the recommendations to the government.

Terms of Reference

The terms of reference for the home inspector panel describe the role of the panel.

The panel is a group established by the Ministry of Consumer Services to develop an independent findings and recommendations report on home inspector qualifications for the government. The report will be used by the ministry as the basis for broader consultation

with the public and industry stakeholders and to inform future government decision-making.

The guiding principles to develop the findings and recommendations report were the following:

- be reflective of stakeholder expertise and advice
- be understandable to the general public
- contain enough detail and rationale to provide a window into the panel's deliberations
- anticipate what would be acceptable to the public and government

The full terms of reference of the home inspector panel are included in Appendix 1.

Home Inspector Panel Composition

The panel was composed of a range of stakeholders including home inspectors, consumer advocates, educators, and other professionals in related sectors such as real estate, law, and insurance.

The panelists were selected based on an interview process that evaluated their professional experience, knowledge, availability, commitment to a panel process, and commitment to make public interest and consumer protection needs a key priority. Efforts were also made to ensure balanced representation of industry, consumer, and regional and related sector points of view.

Members of the Home Inspector Panel	
Graham Clarke, engineer/home inspector	Doug Kendall, home inspector/business owner
Doug Downey, real estate lawyer	Claude Lawrenson, educator
Tony Grewal, home inspector/business owner	Peter Marcucci, consumer advocate
Brian Horsman, consumer advocate	Johnmark Roberts, real estate broker of record
David Hellyer, engineer/home inspector	Kim Smith, insurance broker
Len Inkster, home inspector/business owner	TJ Smith, home inspector/business owner
Patricia Jensen, consumer advocate	Blaine Swan, home inspector/business owner
William Juranic, educator	Trevor Welby-Solomon, inspection and construction technology, educator



Front Row: Graham Clarke, William Juranic, David Hellyer, Patricia Jensen, Brian Horsman, Doug Downey

Back Row: Doug Kendall, Tony Grewal, Len Inkster, Kim Smith, TJ Smith, Peter Marcucci, Claude Lawrenson, Johnmark Roberts, Blaine Swan

Absent: Trevor Welby-Solomon

Home Inspector Panel Process

This report provides the independent recommendations of the panel to government. The government has committed itself to further public consultation based on this report. The panel's report also provides insight on how the panel reached its decisions and recommendations, which the government might use to contribute to further policy development related to home inspections.

The panel met seven times from August, 2013 to November 2013. Panel members devoted a considerable amount of time to the panel. Each meeting was 5.5 hours long, for a total of 38.5 hours. In addition, panel members prepared for

At its first meeting, the panel agreed that its process would be based on this overriding principle.

“The expert panel will work collaboratively and in the public interest to reach a consensus on the qualifications for home inspectors in Ontario. This consensus will be reflected in the final report of the expert panel.”

the meetings, reviewed meeting notes, and provided supplementary information that would contribute to the development of the report.

Based on preliminary work done by the Ministry of Consumer Services, the main discussions were divided into four areas or pillars — technical, professional, consumer protection, and governance.

These were the topics discussed at each of the seven meetings.

Meeting Information	Topics for Discussion
# 1—Inaugural meeting/Technical Pillar August 22, 2013	<ul style="list-style-type: none"> • Role and processes for panel • Study on home inspectors/inspections in Ontario—study questions • Technical pillar– definition/scope of home inspection and standards of practice for home inspectors
# 2—Professional Pillar September 5, 2013	<ul style="list-style-type: none"> • Competencies, education, and experience requirements for home inspectors • Title • Professional development/continuing education
# 3—Governance Pillar September 19, 2013	<ul style="list-style-type: none"> • Need for regulation/licensing • Regulatory/licensing functions • Regulatory/licensing approach
# 4—Consumer Protection Pillar October 3, 2013	<ul style="list-style-type: none"> • Informed consumer decision-making • Code of ethics • Financial protections for consumers • Standardization of contracts and disclosure • Minimum standards for reports • Complaint-handling and dispute resolution/redress
#5—Report Outline October 17, 2013	<ul style="list-style-type: none"> • Report table of contents • Review of recommendations and rationale
# 6—Draft Report October 31, 2013	<ul style="list-style-type: none"> • Review draft report
# 7—Final Report November 14, 2013	<ul style="list-style-type: none"> • Review final report
# 8—Final Report Sign-off December 6, 2013	<ul style="list-style-type: none"> • Teleconference to review final version of report for approval by panel members

Following a separate discussion on topics under each of the four pillars, the panel reviewed all the proposed recommendations together to ensure their overall completeness and consistency. The recommendations in this report reflect the consensus of the panel members.

The panel process, development of materials, and discussions were facilitated by SEG Management Consultants Inc. SEG also drafted the report on behalf of the panel.

Materials and meeting summaries for each of the four pillars are available upon request.

Background to the Report

The State of the Home Inspection Industry in Ontario Today

An Overview of the Home Inspection Industry

There are approximately 1,500 home inspectors in Ontario. Of these, 750 responded to a survey designed to gather information on the home inspection industry in Ontario. The following information is based on the results of the survey.

- Home inspection services are provided across the province, with the greatest percentage conducted in Toronto, and the smallest percentage conducted in the north.
- About 65 per cent of the home inspectors worked full time, and about 35 per cent of the home inspectors worked part time.
- More than 85 per cent worked in small businesses with the remaining 15 per cent working in franchises or large organizations.
- About 95 per cent of the home inspectors had registered with one of the provincial, national, or international associations for home inspectors.
- About 80 per cent had become certified through their association, and more than 75 per cent of the home inspectors had a college or university education.

Complaints and Claims in the Home Inspection Industry

There is currently no single complaint system in place for complaints against home inspectors. However, the ministry and home inspector associations receive complaints about home inspectors, which provide some insight into the extent of consumers' concerns.

Over the past five years, the ministry has received 97 inquiries/complaints about home inspectors. Although, the number of complaints is small, the effect on the homeowners making the complaints can be significant. For example, repair costs can be high resulting in financial distress for homeowners. Sometimes consumers lose their homes or run through their savings to make the necessary repairs.

Home inspector associations also receive about 40 to 60 complaints a year about home inspectors. The nature of these complaints varies from complaints about inappropriate use of designations to those about incompetence. Associations often receive requests for compensation even though they do not provide financial settlements. Associations also receive complaints about non-members, which these organizations are not able to address.

Another source of information is insurance claims. Currently there are three or four insurance carriers that cover home inspectors in Ontario. It is estimated that 75 per cent of the home inspectors in Ontario carry insurance. This suggests that there are over 1,000 home inspectors who carry errors and omissions and commercial general liability insurance. Information from one insurer indicates that the number of complaints per year has risen significantly since 2008. The most frequent claims include the following:

- roof — leaks, weathered
- electrical — knob and tube, insufficient amperage
- structural — roof, decks, renovations, new builds
- foundations — cracks, seepage
- rotting beams
- poor quality renovation
- grading — too low, uneven grading causing water issues
- water intrusion — poor grading, no downspouts, cracks in structure/foundation
- asbestos — attic, wrapped around pipes in basement, roof
- mould — basements, attics, kitchens, bathrooms, closets, renovations all stemming from prior water issues
- heating/air conditioning — condition and age of the furnace or air conditioner

Further, claims relating to mental and physical health issues, allergies, stress, and headaches are becoming more frequent.

Home Inspection Associations in Ontario

Several associations exist in Ontario to represent the interests of home inspectors. Most home inspectors working into Ontario belong to one or more associations. Associations usually provide members with a designation if they meet a series of specified education, knowledge, and experience requirements.

The different associations have some common characteristics. They have relatively similar standards of practice and codes of ethics. For the most part, these associations' standards of practice and codes of ethics have been based on standards and codes created by the American Society of Home Inspectors, which is based in the United States.

But there are also differences. The associations have different requirements for experience, education, and testing to qualify for their certificates or designations. The designations and certifications that the associations grant to qualified members are different too. Also some associations require their members to have insurance coverage, and others do not.

Below is a list of some of the more active associations in the province and the designation or certification that qualified members are entitled to use.

Association/Certification Body	Certification/Designation
Ontario Association of Home Inspectors (OAH)	Registered Home Inspector (RHI)
Professional Home and Property Inspectors of Canada (PHPIC)	Professional Home & Property Inspector (PHPI)
Canadian Association of Home & Property Inspectors (CAHPI)	National Certificate Holder (NCH)
American Society of Home Inspectors	ASHI Certified Inspector (ACI)

Association/Certification Body	Certification/Designation
(Ontario Chapter) (ASHI)	
International Association of Certified Home Inspectors (InterNACHI)	Certified Professional Inspector
Ontario Association of Certified Home Inspectors (OntarioACHI)	Canadian Certified Home Inspector
Canadian National Association of Certified Home Inspectors (CanNACHI)	Certified Master Home Inspector (CMHI)
National Home Inspector Certification Council (NHICC)	Certified National Home Inspector (CNHI)
Certified Master Inspection Board	Certified Master Inspector (CMI)

Regulation in Other Jurisdictions

Two Canadian provinces, Alberta and British Columbia, and 39 American states have put in place mandatory licensing requirements for home inspectors.

Consumers Issues and Concerns

Consumer Issues and Concerns

The panel discussed a range of consumer issues relating to home inspections. For example, consumers might not have adequate education about home inspections and might have misconceptions about what to expect from a home inspection. In addition, some consumers might be confused about how to choose a home inspector because the qualifications to be a home inspector are not clear.

Home inspectors in Ontario provide residential home inspection services for consumers to help inform their decisions about buying or selling a home. For the most part, home inspectors are knowledgeable and have become qualified or certified through industry associations. Many carry appropriate insurance coverage and conduct inspections in keeping with industry-recognized standards. But there are some who are not sufficiently knowledgeable and have not become qualified or certified through industry associations. They do not carry appropriate insurance coverage or conduct inspections in keeping with industry-recognized standards.

When Do Consumers Seek a Residential Home Inspection?

Typically a consumer hires a home inspector when buying or selling a residential property. Some of the common scenarios include:

- A homebuyer seeks a home inspection prior to making an offer on a property.
- A homebuyer makes an offer to buy a home subject to a condition that a home inspection is conducted.

- A home seller orders a home inspection prior to listing the home for sale to encourage potential buyers to make offers without conditions.
- A real estate agent contracts with a home inspector on behalf of the buyer or seller client.

Why Do Consumers Seek a Residential Home Inspection?

Consumers who seek a home inspection on a residential property want a professional to provide them with knowledgeable opinions about its condition so they can make an informed decision about buying or selling it.

Consumers often rely heavily on the opinions of their home inspectors. The information in a home inspection report can affect a consumer's decisions to buy or sell.

Some of the outcomes of a home inspection could include the following:

- A buyer decides to buy or not to buy a property based on the findings.
- The inspection identifies hazardous systems or situations that must be rectified by the buyer or seller.
- An informed view on the condition of a property might affect its buying or selling price.
- The inspection and the report results in a better understanding of the systems and components of a home and an awareness of potential repair and maintenance or safety-related concerns and priorities.

Home Inspection Identifies Significant Problem

A home inspection was completed on a three-bedroom bungalow with a masonry block foundation. Results of an earlier inspection indicated water leaks through the basement wall. The seller provided evidence of external waterproofing of the property. Another inspection confirmed that the waterproofing had been done, but it also showed that another crack ran along the length of the basement wall. The home inspector referred the matter to a structural engineer who confirmed the findings. The buyer concluded that the cost of the repairs would create financial difficulties and chose not to buy the home.

The stories in the text boxes show how a home inspection report can affect the decision of a potential home buyer.

What is the Consumer Protection Problem?

Today, there are a number of individuals providing home inspections who are not qualified. There is no requirement to belong to an organization that holds members to an appropriate standard. If home inspectors are unqualified, they might not report on the condition of a home adequately, potentially resulting in financial loss or in health and safety risks to consumers. Since homebuyers often rely on the opinions in home inspection reports, the quality of these opinions can have a significant impact on what is often the biggest purchase consumers make in their lifetimes.

If a consumer relies on the opinion of an unqualified and uninsured home inspector, then he or she might have no avenue for complaint except the courts, which can be time consuming and expensive. If an inspector is uninsured, there may be little or no chance of recovering the financial losses, even with a successful judgment against a home inspector.

When the government of British Columbia examined the need for mandatory qualifications for home inspectors, its report highlighted a few of the main consumer protection challenges.

- The homeowner has few ways to judge the qualifications of the home inspector or whether the standards are appropriate.
- The homeowner might not know whether the inspector has adequate insurance.
- The consumer has little recourse other than the courts when things go wrong, and the costs of using the courts can be considerable.

Basic Consumer Rights

Consumer protection advocates and some government policy makers look to areas in the marketplace where consumers are placed at a disadvantage when entering into contracts with businesses to buy goods and services.

In Ontario, the Consumer Protection Act, 2002 provides a general set of protections for consumers of goods or services against unfair business practices, among other things. The province also provides for sector-specific regulation and licensing of different businesses and individuals. For example, the Ministry of Consumer Services is responsible for the regulation of real estate sales, travel services sales, motor vehicle sales, and others.

Consumer advocates often look to organizations such as Consumers International (a world federation of consumer groups) that have developed sets of basic consumer rights and responsibilities. The panel referred to the basic rights and responsibilities developed by Consumers International to provide a framework for assessing the need for additional consumer protection. The panel considered each consumer right and identified how it would apply to minimum qualifications for home inspectors.

Consumers International Right	Description	Home Inspection Context
The right to be informed	To be given the facts needed to make an informed choice, and to be protected against dishonest or misleading advertising and labelling.	Consumers want to make an informed decision when hiring a home inspector, who, in turn, often helps them to make an informed decision about buying a home.
The right to safety	To be protected against products, production processes and services, which are hazardous to health or life.	Consumers want a home that is safe to live in, and they need to know what costs may be necessary to the

Consumers International Right	Description	Home Inspection Context
		house they are considering purchasing.
The right to choose	To be able to select from a range of products and services, offered at competitive prices with an assurance of satisfactory quality.	Consumers should be able to compare and assess services from competitors and have the assurance of satisfactory quality.
The right to be heard	To have consumer interests represented in the making and execution of government policy, and in the development of products and services.	Consumer interests regarding home inspection services should be considered when making policy recommendations and in the development of home inspection services and reports.
The right to redress	To receive a fair settlement of just claims, including compensation for misrepresentation, shoddy goods, or unsatisfactory services.	Consumers should have the right to settle just claims if home inspectors misrepresent or provide unsatisfactory services.
The right to consumer education	To acquire knowledge and skills needed to make informed, confident choices about goods and services, while being aware of basic consumer rights and responsibilities and how to act on them.	Consumers should have access to tools and information to make informed, confident decisions about the services home inspectors offer and the information they provide about the homes they inspect.

The panel also acknowledged that consumer responsibilities must complement consumer rights. Consumers International consumer responsibilities include critical awareness, involvement or action, and social responsibility.

To sum up, the panel identified four basic consumer needs.

- Consumers need uniform standards, quality, and consistency in home inspections.
- They need to know that their home inspectors are qualified to conduct home inspections and to provide opinions that accurately reflect the condition of their homes at that time.
- They require basic consumer protections, such as clear standards and contracts, a code of ethics, an avenue for complaints or redress, and reasonable financial protections.
- They need to know that there is oversight of the industry to ensure that only qualified home inspectors using approved standards provide home inspection services.

Home Inspection Industry Issues and Concerns

Although the main focus of the report is consumer protection, the panel also identified a number of concerns of the industry stemming from its current lack of common standards.

Fragmentation - No Level Playing Field

The home inspection industry in Ontario is relatively fragmented with many associations, organizations, franchises, and companies developing their own standards, codes of conduct, qualifications, and certifications. This fragmentation not only creates issues for consumers, but it also creates issues for the home inspection industry. There is no level playing field in which home inspectors compete based on similar standards and qualifications.

Consumers often choose their home inspector based on price. They may not be aware that the quality of all home inspectors or inspections is not the same. The reputation of the industry is affected by the varying levels of services that are offered and often coloured by the impression created by home inspectors with lower standards.

Lack of Consumer Understanding About the Industry

As well, qualified home inspectors encounter consumers who do not understand what information and assurance a home inspection can provide. In many cases, a home inspection involves inspecting a seller's property on behalf of a potential buyer. Since the property is still owned by the seller, a home inspector cannot look behind walls, ceilings, and other concealed parts of the home because this may damage it. Home inspection contracts and standards specify these and other limitations, but often consumers are not fully aware of them.

Need a Balanced Approach

While support for regulation and licensing is growing, industry members are also conscious of the need to balance provisions to protect consumers against the potential costs that come with government regulation. These costs can include licensing fees, training requirements, and insurance costs and can ultimately affect the price of home inspections.

Industry members on the panel, however, recognized that the range of associations, qualifications, and certifications made it difficult for consumers to come to informed decisions when choosing qualified home inspectors.

Summary of the Six Key Concerns

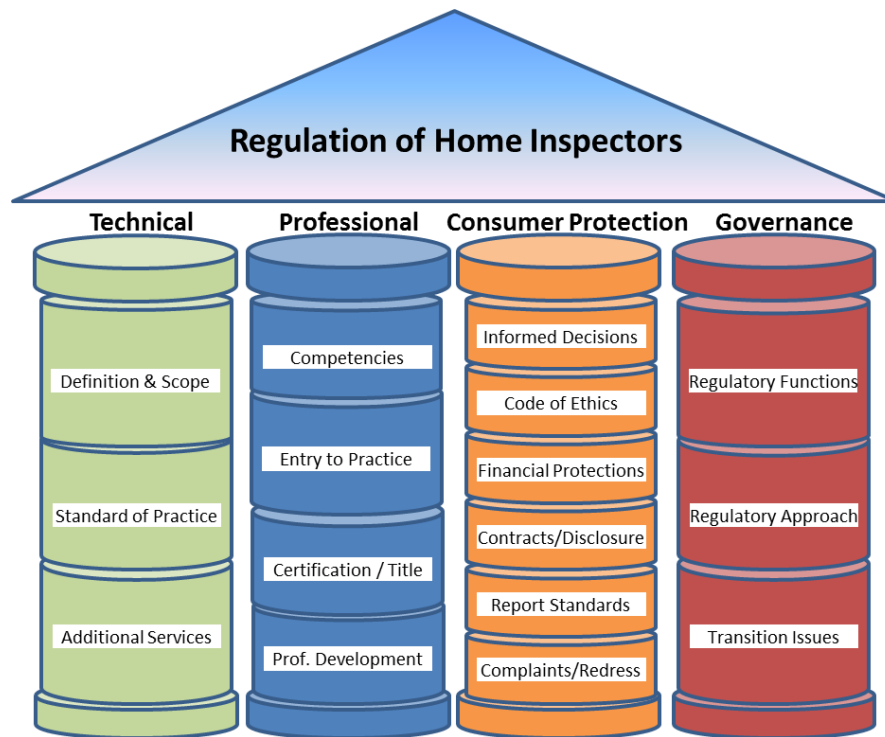
To sum up, the panel identified six key issues about qualifications and regulation that concerned members of the home inspection industry.

- There is a need for one standard of practice that sets clear expectations for both home inspectors and consumers.
- There needs to be uniform qualifications to become a home inspector with clear pathways to meet experience and knowledge requirements.
- There must be a level playing field based on one standard for contracts and reports, consistent insurance requirements, and a strong code of ethics.
- A fair, effective and transparent complaints and discipline process is required.
- Effective regulation and consumer protection is needed while being mindful of how the cost of regulation could affect home inspectors and consumers.
- There must be a smooth transition to regulation, which ensures that existing home inspectors with appropriate qualifications can become licensed.

SECTION 2: THE HOME INSPECTOR PANEL'S ISSUES AND CONCLUSIONS

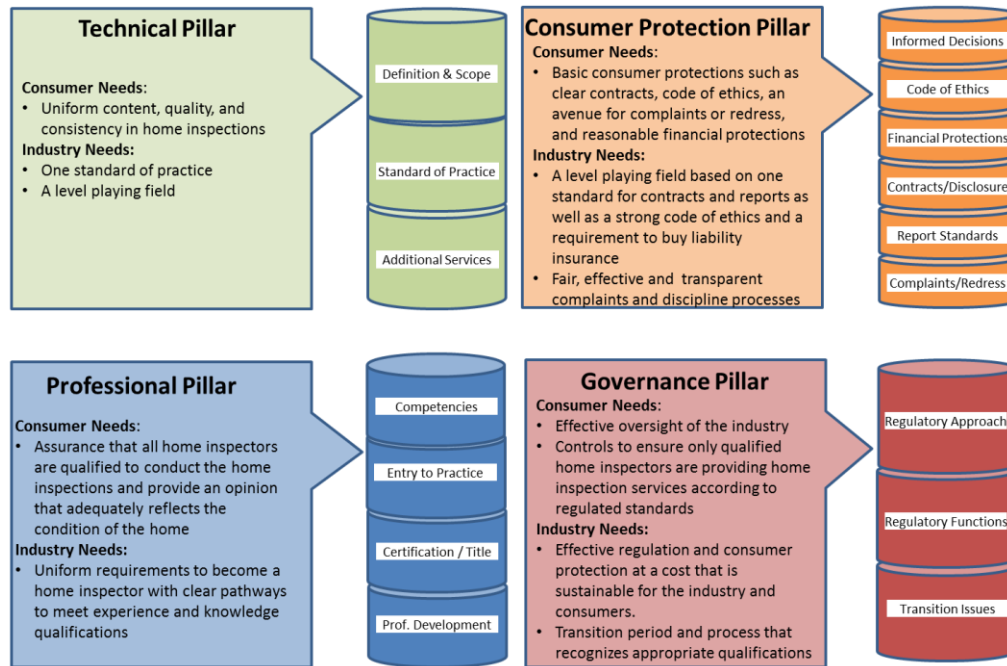
Section 2 at a Glance

The report describes the issues and conclusions reached with respect to qualifications for home inspectors.



Each of the pillars addresses specific issues that the panel identified as being of concern to consumers and home inspectors.

The diagram below illustrates the relationship between the key issues that were identified in Section 1 of the report and each pillar that is discussed in Section 2.



How to Read Section 2

This section is divided into six chapters.

The first chapter provides an overview of the panel's discussion and conclusion about the need for regulation:

1. Regulation of Home Inspectors in Ontario

The next four chapters set out the discussion and conclusions of the panel based on the four pillars:

2. Technical Standards for Home Inspectors

3. Professional Home Inspector Qualifications

4. Consumer Protection Requirements

5. Regulatory Governance for Ontario's Home Inspection Industry

The final chapter summarizes the conclusions of the panel and describes next steps:

6. Conclusion and Next Steps

Chapter 1: Regulation of Home Inspectors in Ontario

Introduction

Regulation involves setting mandatory standards and qualifications for a profession. This is sometimes called licensing. When a profession is regulated, only those people who meet the mandatory standards and have the necessary qualifications are licensed to practice the profession.

The need for regulation flows primarily from understanding the consumer issues related to home inspections. The decision to regulate proceeds from the ability of regulations to address those issues. Any decision to regulate must also take into account the effect that regulation would have on the home inspection industry. In other words, a decision to regulate must take into account both the need for regulation to protect consumers and whether or not it is feasible to regulate the industry.

This chapter of the report addresses the following:

- criteria for assessing the need for and feasibility of regulation
- need for regulation
- feasibility of regulation

Criteria for Assessing Need for and Feasibility of Regulation

In order to decide if home inspectors should be regulated, the panel agreed on criteria to use when considering the need for and feasibility of regulation. (see text box)

Need for Regulation

As noted earlier in the report, the purpose of a home inspection is to provide a potential homebuyer or home seller with information about the condition of a home so that the parties to a sale can make informed decisions. The over-arching risk is that a homebuyer makes a purchasing decision based on inadequate or incorrect information because the home inspection does not reflect the condition of the home. This risk arises when there are unqualified home inspectors

Criteria on Need for Regulation

- Need for consumer protection

Criteria on Feasibility of Regulation

- Ability to define the scope of the profession to be regulated
- Improved service outcomes
- Impact on home inspection industry
- Economic impact/impact on supply
- Ability of the profession to address the public interest
- Support of the profession for regulation
- Consumer/client support
- Impact on related sectors

performing services for consumers in the Ontario marketplace or because the consumer does not adequately understand the scope and limitations of a home inspection. If a consumer makes a purchasing decision based on inadequate or incorrect information, it can result in financial, health and safety risks.

Financial Risk to Consumers

Financial risks to consumers arise when they decide to buy a property based on incorrect or incomplete information. Financial risks to consumers, such as unexpected costs and losses, can only be recovered through legal action. Court action can be expensive and time-consuming to consumers and can involve the need to hire lawyers and expert witnesses. This can make court options difficult to pursue.

Many home inspectors protect themselves by obtaining appropriate errors and omissions insurance. If a consumer successfully sues a home inspector, the settlement would likely be covered by the insurance. If a home inspector is uninsured, court judgments can potentially bankrupt an inspector or result in the consumer having little chance of being compensated for the losses.

Consumers can also be affected by a lack of information and transparency when entering into an agreement with a home inspector. For example, there is a potential for conflict of interest when there are undisclosed relationships between a home inspector and others with an interest in the real estate transaction. The quality of advice provided could be affected by the relationships.

Home inspectors who voluntarily choose to be members of one of the many professional associations are often already required to carry appropriate insurance. Further, they usually have to abide by codes of ethics and meet certain requirements and standards to earn their associations' qualifications and certificates.

Since such professional memberships are voluntary, there is no mechanism in place to prevent unqualified individuals who represent themselves as home inspectors from practicing in Ontario.

Home inspection associations can end the membership of unqualified or unprofessional members and can revoke the designations that were rightfully awarded by that association. But, this does not prevent the person from continuing to practice and from using other designations that have not been revoked. In addition, there is no single or adequate process for a consumer to lay a complaint against the unethical or incompetent conduct of a person providing home inspection services.

Health and Safety Risk to Consumers

The scope of a standard home inspection does not include the examination of all potential health and safety risks in a home. For example, a standard home inspection does not include asbestos, air quality, or mould, all of which could pose a health and safety risk to consumers. Investigation of these issues would be an ancillary service provided by a home inspector or another qualified person. The standard of care would require a home inspector to report on any

suspected health risks not within the standard home inspection and to recommend a further investigation by a qualified professional.

However, there are several potential risks to health and safety that fall within the scope of a standard home inspection. These include faulty wiring, unsafe decks, fall and trip hazards, and other unsafe conditions.

If home inspectors do not identify health and safety risks to potential homeowners, the homeowner will probably not make the necessary repairs. In addition, making a decision to buy a home without information that should have been included in a home inspection report can cause stress and other related health problems.

Home Inspection Identifies Safety Issue

During ductwork cleaning prior to an inspection, the duct cleaners had mistakenly drilled into the exhaust vent of the furnace. The hole had not been repaired allowing the exhaust fumes directly into the basement where the cold air return was located. Burned and unburned gasses and carbon monoxide were entering the home. Undetected this was a life-safety hazard.

Feasibility of Regulation

In addition to discussing the risk to consumers, the panel also discussed the feasibility of regulating the home inspection industry using the criteria stated earlier in this chapter.

Ability to Define the Scope of the Regulation

For regulation to be feasible, it must be possible to define the skills and competencies necessary to deliver the service. Also, it must be possible to define a scope of practice. The panel agreed that, in the case of home inspectors, it is possible to clearly define the home inspection profession and the scope of activities that would be regulated.

There is a substantial body of knowledge, and associations, community colleges, and the private sector are delivering courses. A National Occupation Standard for Professional Home and Property Inspectors has been developed that defines the tasks and competencies of home inspectors. These can be used to define the home inspection profession in Ontario, which would be the subject of regulation.

The Effect of Regulation

One set of qualifications would create a more fair and level playing field for home inspectors. Regulation would also have a positive effect on labour mobility as well as on collaboration within the sector.

The economic effect of regulation and its effect on the number of home inspectors would depend largely on its costs. Regulation would likely have a neutral or somewhat beneficial impact on insurance costs. But overall costs from registration fees and compliance with

standards of practice would probably go up for inspectors. These new costs would likely be passed on to consumers.

The panel acknowledged that there would be costs associated with regulation and agreed to support these costs in principle. However, the panel recommended that government do a more detailed cost analysis and try to find cost savings, where possible, to ensure that the cost of regulation is sustainable and does not outweigh the benefits.

Fees and other costs associated with regulation/licensing need to be realistic and must consider the effect that new costs may have on the costs of services offered to consumers. Some part-time inspectors and others might leave the industry because of the licensing fees.

The effect of regulating home inspectors on related sectors such as real estate agents and new home builders, and regulators such as the Real Estate Council of Ontario, the Electrical Safety Authority, and the Tarion Warranty Corporation, which administers the Ontario New Home Warranty Plan Act, is likely to be positive. Uniform rules for home inspectors will probably make it easier to work across sectors.

Support for Regulation

Panel members expressed an overall willingness to go ahead with regulation to improve consumer protection and to provide a level playing field of qualified practitioners. Despite differences in the current association roles and oversight of member qualifications and complaint issues, the panel members expressed a common desire to strengthen protections for consumers and to take action against non-conforming practitioners.

The panel also agreed that consumers were likely to support mandatory qualifications for home inspectors. However, consumers could become concerned if regulation resulted in significant increases in the cost of home inspection services. Government might want to consider developing incentives, such as tax credits, to encourage homebuyers to use home inspections.

Additional consultation will also provide greater insight into consumer support for regulation. The panel agreed that the government would need to further assess costs associated with regulating the home inspection sector.

Panel Recommendation on Regulation of Home Inspectors in Ontario

1. Home inspectors should be regulated in Ontario.

Chapter 2: Technical Standards for Home Inspectors

Introduction

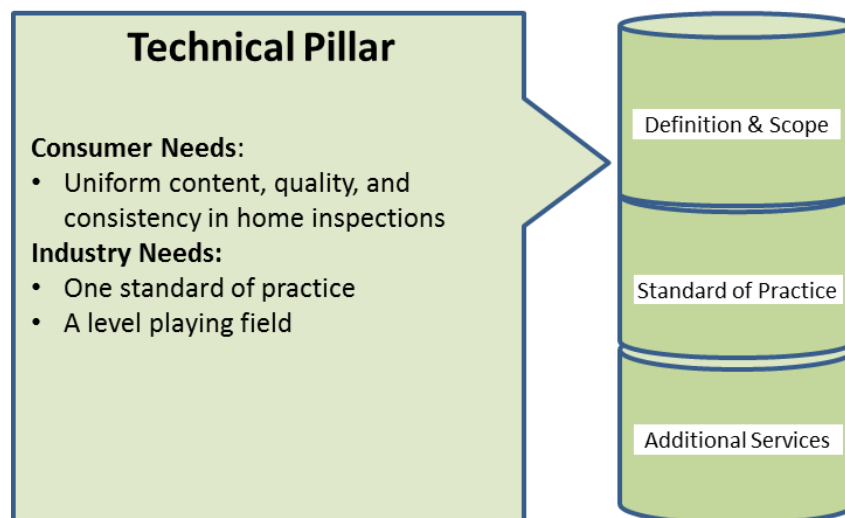
One of the major issues for consumers is that they may not fully understand what a home inspection entails. They may not know what is included in a home inspection and what is not. As a result, consumers may expect home inspectors to identify issues with the home that are not part of the standard home inspection.

Currently, there are many definitions and standards for a home inspection in use, which can confuse the consumer. For the industry, the lack of clarity about what is included and excluded in a home inspection can lead to disputes about a home inspection.

The definition of a home inspection and the scope of practice for home inspectors are an important part of any potential framework to regulate home inspectors. Together, they define the scope of activities that would be covered by regulation and the scope of a licence that would be part of any regulatory regime.

This chapter of the report addresses the following:

- definition/scope of home inspection
- standard of practice for home inspectors
- services outside the definition of standard home inspection



Definition/Scope of Home Inspection

The panel reviewed several definitions of a home inspection. Based on the descriptions in laws from Alberta and British Columbia as well as the 39 American states that regulate home inspections, the panel suggests that a definition of home inspection include these five points.

- A home inspection covers readily accessible features of a residential dwelling and any attached structures.
- It is non-invasive and non-destructive to avoid damage to the home.
- It examines specified systems and components of the residential dwelling that are described in a standard of practice for home inspectors, including controls normally operated by the owner.
- A home inspection includes an opinion on the condition of the home contained in a written inspection report that is provided to the client.
- It is performed for a fee.

A high-level description of what is in the scope and out of the scope of a home inspection is shown in the following table.

Home Inspection	
In Scope	Out of Scope
<ul style="list-style-type: none"> • Residential dwellings, including attached carport, garage, or other structures 	<ul style="list-style-type: none"> • Other structures on the property
<ul style="list-style-type: none"> • Residential condominiums 	<ul style="list-style-type: none"> • Common areas and common systems in a condominium
<ul style="list-style-type: none"> • New home inspections that fall within the definition/scope of a home inspection 	<ul style="list-style-type: none"> • New home inspections for purposes of compliance with building code or Tarion warranty requirements

Current definitions of a home inspection are similar, and the panel members generally agree on the definition of a home inspection. Further, the panel suggested that it would be preferable to develop a definition for Ontario that is consistent with the definitions in other jurisdictions and with any definition in the Canadian Standards Association (CSA) standard A770 on home inspections. The CSA is currently developing a standard of practice for home inspectors to promote consistency across the country and to support labour mobility.

Panel Recommendation on Definition of Home Inspection

2. There should be a clear definition of a standard home inspection set by the government.
 - a) The definition of a home inspection should establish the scope of home inspector regulation/licensing.
 - b) The definition of home inspection should include: providing an opinion on the condition of the home, be limited to residential dwellings, refer to non-destructive inspection, reference a standard of practice, require a provision of a written (which can include an electronic version) inspection report.
 - c) To the extent possible, the definition of home inspection should be consistent with:
 - i) Regulated Canadian jurisdictions (e.g., British Columbia and Alberta)
 - ii) Canadian Standards Association's A770 Home Inspection (currently under development).

Standard of Practice

Definition of a Standard of Practice

A standard of practice is an acceptable level of performance established by a profession.

Standard of Practice

The panel discussed and reviewed home inspector laws and other related regulations and practices from jurisdictions across Canada and the United States. The panel learned that most standards of practice included a definition for home inspection and also described components and systems of a home that should be included in a typical home inspection. The standards of practice also described those activities and services that were excluded from a home inspection.

A standard of practice serves the following key purposes:

- It describes the professional responsibilities of the regulated home inspector.
- It sets what consumers can expect from a home inspection performed by a home inspector.
- It explains the limitations to ensure a safe work environment for inspectors.
- It establishes the basis for the written report.
- It sets the basis for education and training.
- It provides the basis for uniform consumer protection.

A review of the standards of practice of several Canadian industry associations and laws in British Columbia and Alberta indicates that there are many elements that are common to these standards of practice.

Based on this review, the panel recommends that the following elements be included in the standard of practice for home inspectors in Ontario.

Contracts and Reports

The standard of practice should include the need for a contract that specifies the purpose and scope of the home inspection.

The standard should include the need for a written report that documents the findings of the inspection.

Systems and Components and the Inspector's Responsibilities

The standard should list the systems and components that an inspector would include in a home inspection.

The components would include the following:

- roofing
- exterior
- structure, basement, foundation
- insulation, ventilation, and attic
- fireplaces
- interior, doors, and windows

The systems would include the following:

- electrical systems
- heating systems
- cooling systems and air conditioning systems
- plumbing systems

Limitations of an Inspection

The standard should describe what an inspector is required to do and not required to do with each system. The general limitations could include the following:

- inspections are not technically exhaustive
- inspections will not identify concealed conditions or latent defects
- inspections are applicable to buildings with four or fewer dwelling units and their attached garages and carports (this size limitation is not always included)
- inspections will not deal with aesthetic concerns
- inspectors will not offer guarantee or warranties.

General Exclusions

The standard should describe what is generally excluded from a home inspection.

In general, the conditions of systems or a system's components that are not readily accessible would be excluded. Other exclusions include the following:

- remaining life of a system or component
- strength, adequacy, efficiency of a system or components
- causes of conditions or deficiencies of a system
- future condition of systems

Additional exclusions include these:

- methods, materials, or the costs of corrections
- suitability of property for specialized use
- market value of property
- advisability of buying the property
- quality of the air
- presence of birds, flora, fauna, mould, mildew, or asbestos
- presence of hazardous materials or hazardous waste

The standard should also state that inspectors are not required to move rugs, furniture, or floor or wall coverings. They do not have to uncover a system or component or enter an area that is not safe or is not readily accessible.

Finally, the standard should state that inspectors are not required to research the history of the building.

Development of a Standard of Practice for Ontario

The panel discussed how a standard of practice for the home inspection industry in Ontario should be developed. Panel members were aware that the Canadian Standards Association (CSA) is currently developing a standard of practice for home inspectors. The CSA hopes to create one standard of practice for home inspectors to replace the myriad of standards that are in use across the country.

Adoption of the CSA's national standards is voluntary so a jurisdiction, such as Ontario or British Columbia, is not compelled to adopt them. The panel agreed that one standard for home inspectors across Canada would be preferable for many reasons. Such a standard would create clarity for consumers, improve mobility of labour and reduce the duplication of effort in the development of training and examinations. However, the panel could not recommend that Ontario adopt the CSA's standard as it has not been written yet.

The primary audience for a CSA standard of practice would typically be home inspectors since it would be detailed and technical. Also, the CSA usually charges money for its standards.

When it is developed, the CSA's standard would probably need to be written in plain language for the consumer. The plain language version could form part of the home inspection contract with the consumer to provide a more easily-understandable explanation of what services are in and out of scope of a home inspection.

The Canadian Standard Association

The Canadian Standards Association (CSA) develops standards by bringing together a technical committee whose members represent a balanced matrix of stakeholders with a range of perspectives.

The CSA has also set up a Regulatory Advisory Committee to provide input and advice from the point of view of regulators. Alberta and British Columbia, among other provinces, participate in the association's Regulatory Advisory Committee. The panel recommends that the ministry join the CSA's Regulatory Advisory Committee to provide input into its process.

Panel Recommendation on Standard of Practice

3. There should be one standard of practice for home inspections.
 - a) To the extent possible, Ontario's standard should be consistent with the Canadian Standards Association's A770 Home Inspection once it is developed.
 - b) A plain-language, consumer-friendly summary of the standard of practice for home inspection should be developed by a home inspector regulatory body and made available to the public at no cost. This document would include disclosures regarding the scope of home inspections and clearly outline any limitations and exclusions of the home inspection.

Services outside the Definition of Standard Home Inspection

Additional Services

Many home inspectors provide services that fall outside the definition and scope of a standard home inspection. These include the following services.

- energy audit
- mould inspection
- lead
- asbestos
- air quality
- radon
- Wood Energy Technology Transfer (WETT)
- pools/spas
- stucco/External Insulation Finishing System (EIFS)
- water quality
- thermal imaging
- log homes
- methamphetamine
- gas
- fire code
- sewer line
- septic
- Wood Destroying Organisms (WDO)/insects
- fire extinguishers
- chimneys
- grow operations
- home elevator inspections
- other structures on the property

The panel agreed that home inspectors could continue to provide services that are not part of the scope of practice of a home inspector. However, the inspectors had to be qualified to provide them.

The panel also recommended that any additional services provided by a home inspector should be included as an addendum to the home inspection contract. The addendum should clearly describe the additional services to be provided, the costs associated with the additional services, and the qualifications of the home inspector to perform these services. Further, home inspectors should recommend additional investigation by a qualified professional if they identify potential problems, which fall outside of the scope of a home inspection and they are not qualified to address them.

New Home Inspections

Potential buyers of new homes might choose to have a home inspection of a new home for several reasons including learning what questions to ask during a pre-delivery inspection or a warranty inspection and learning about the systems in the new home and how to operate and maintain them.

Some new home inspections require additional knowledge and experience beyond the standard home inspection. These include inspections for compliance with the building code or other codes or for purposes of the Tarion warranty program (Tarion administers the Ontario New Home Warranty Plan Act and Regulations). Therefore it is necessary to make a distinction between a standard home inspection and specialized new home inspections.

Standard Home Inspections

- A standard home inspection should be guided by a home inspection standard of practice and should only be completed by a licensed home inspector.
- If a home inspection is carried out by a licensed home inspector on a new home, it should be done within the scope of a home inspection and reflect the home inspector standard of practice.
- The consumer must understand clearly the scope and limitations of the home inspection, and the reason a standard home inspection is being conducted.

Specialized New Home Inspections

- A specialized new home inspection requires specific knowledge of Tarion's Construction Performance Guidelines and knowledge of the Ontario Building Code for pre-delivery inspections. This knowledge goes beyond the knowledge required for standard home inspections.
- Licensed home inspectors could complete specialized new home inspections if they are qualified to do so. A home inspection license would not set qualifications for specialized home inspections because they would fall outside of the definition of a standard home inspection.
- Conducting specialized new home inspections would not be exclusive to licensed home inspectors. Others with the appropriate knowledge, expertise, and training could conduct these inspections as well.

The following table, which is based on the above, outlines the different types of new home inspections and whether or not only a qualified home inspector could perform these inspections.

	Inspection	Home Inspector Licence Required	Standard of Practice
Past new home warranty period	Standard home inspection	Yes	Home inspection standard of practice
Within new home warranty period	Standard home inspection	Yes	Home inspection standard of practice + Notify consumer of new home warranty period Any specialized home inspection service should be treated separately
	Specialized new home inspection: Pre-delivery inspection	No	Knowledge of Ontario Building Code Knowledge of Tarion's Construction Performance Guidelines
	Specialized new home inspection: New home warranty inspection (30 days, one year or two years)	No	

Panel Recommendation on Services beyond the Scope of a Standard Home Inspection

4. Home inspectors may provide additional services, beyond the standard practice of a home inspection if they are qualified or competent to perform those services. Examples of additional services include new home inspections (e.g., building code, new home warranty inspections) and home energy audits (home energy efficiency labelling and/or rating).
 - a) Any additional service to the standard practice of a home inspection must be made clear to the consumer through an addendum to contract, which specifies that the home inspector is qualified to perform the service and scope of the additional services.
 - b) Additional services are not exclusive to home inspectors.

Chapter 3: Professional Home Inspector Qualifications

Introduction

Consumers want to know that the home inspectors they hire are qualified to perform the work. Currently, there are several different designations, which are issued by home inspector associations to indicate some level of qualification for home inspectors. However, the requirements to achieve these designations differ, so it is difficult for consumers to know what level of qualification these designations reflect. In addition, there are many home inspectors in Ontario who are not aligned with an association. Consumers have no way of knowing if these home inspectors are appropriately qualified.

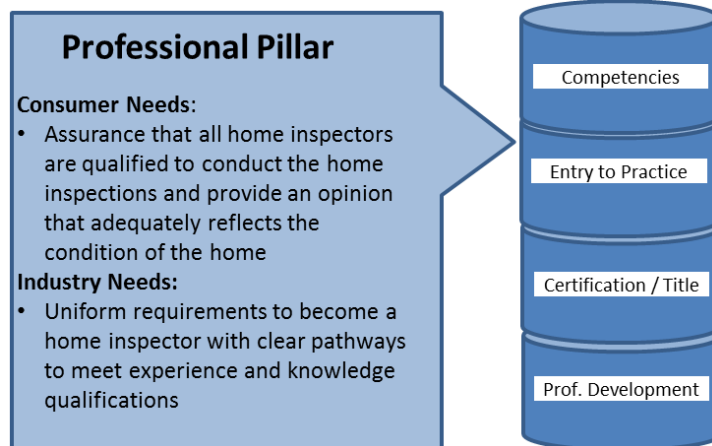
Having unqualified home inspectors in the marketplace can be harmful, not only for consumers but also for the industry. It creates a situation in which trained, qualified, and experienced home inspectors compete with those who have not invested in the training and do not have the experience.

The panel agreed that the industry needed clear qualifications for all home inspectors and clear pathways to meet these qualifications.

The professional pillar addresses the issue of qualifications for home inspectors. It also addresses ongoing professional development so that home inspectors continue to have up-to-date knowledge of building technologies and other issues that affect the industry.

This chapter addresses the following:

- competencies
- entry to practice (education and experience requirements for home inspectors)
- use of title
- professional development



Competencies

Competencies are the skills, knowledge, and abilities that are required to perform the duties of a particular profession. Clearly defined competencies are important because they are the basis from which qualifications are developed. Examinations and other approaches to demonstrate qualifications are based on these competencies.

Competencies are often described in an occupational standard, which forms the basis of the educational and other skill development requirements for the profession. While the various standards of practice describe what is included in the home inspection, an occupational standard describes the skills, knowledge and abilities of the home inspector.

In Canada, the National Occupational Standard for Professional Home and Property Inspectors is scheduled for a five-year review this year. The National Occupational Standard states

Occupational standards can be used for a variety of purposes, including: acting as the basis for training; curriculum development; accreditation of training programs; recruitment; performance improvement; career development; and the certification of practitioners.

The panel agreed that this National Occupational Standard should be used as the basis to identify professional competencies for home inspectors. A lot of effort and money has been invested in the development of the National Occupational Standard for Professional Home and Property Inspectors and it provides a good description of the competencies required. The panel felt that it made sense to build on this previous work and to use it as the basis for developing common competencies. The panel suggests that the current version of the National Occupational Standard should be used as the basis for developing home inspector competencies.

As the national standard is updated periodically, competency requirements for home inspectors should be revised as well.

Panel Recommendation on Competencies

5. There should be clearly defined competencies for home inspectors in Ontario based on the National Occupational Standard – Professional Home and Property Inspector, as adopted and/or updated by the home inspector regulatory body.

Entry to Practice

Entry to practice defines the requirements to become qualified for a profession. For home inspectors, the panel suggested that entry to practice (competency assessment) should have three components:

- written examination
- field test
- experience requirement

A license for home inspectors should be granted only after all these entry to practice requirements have been met.

Written Exam

The panel agreed that to practice in Ontario all home inspectors should be required to pass a proctored examination, which accurately assesses their knowledge and skills. (A proctored examination is one that is supervised by an impartial individual.) The test should be rigorous, credible, and carefully aligned with the competency and knowledge requirements set out in the National Occupational Standard and with other requirements set out by the regulatory body. The score to pass the examinations should be high enough that the required knowledge and competencies are clearly demonstrated.

Field Test

A field test requirement typically involves performing a number of inspections under the oversight of a qualified home inspector and an assessment of the quality of the inspection report. The panel felt that a field test was essential to show that the knowledge demonstrated through an exam could be applied in the field. In addition, a field test could demonstrate other important skills such as the ability to communicate with the client and to write and explain a home inspection report. One important aspect of the field test should be a review of the inspection report to demonstrate that the new home inspector is able to prepare a written report which meets the minimum standard.

The panel agreed that a field test should be part of the requirements to practice as a home inspector in Ontario. A qualified home inspector should administer the test according to guidelines developed by the regulatory body.

Experience

The panel agreed that practical home inspection experience should be a requirement to be eligible to practice in Ontario. Experience requirements ensure that home inspectors have experienced a range of the issues often encountered during home inspections and that they know how to handle them.

Experience is typically gained through mentorship by qualified home inspectors. One concern with requiring mentorship for new inspectors is that it is difficult for new inspectors to find a mentor. The competitive nature of the industry means that some home inspectors are reluctant to mentor others who may, in turn, become their competition. This problem is not unique to this sector, but the panel felt that it should be noted as a potential barrier to the successful implementation of any future experience requirements.

The panel recommended that all qualified home inspectors should be encouraged to provide mentorship (if asked) to help new home inspectors meet the experience requirement for entry to practice. One incentive to encourage established home inspectors to offer mentorship opportunities could be to award continuing education credits for mentorship.

Educational Requirements

The panel agreed that people learn in different ways and can gain the knowledge to become competent home inspectors in a number of settings, a variety of backgrounds, and with different types of experience. For many home inspectors, home inspection is not a first career and they bring knowledge and experience from previous careers to their new career as a home inspector.

The panel suggested that specific mandatory educational requirements to become a licensed home inspector should not be required. The panel recognized that there are multiple pathways for home inspectors to meet the licensing requirements and did not want to create artificial barriers to becoming a home inspector.

For these reasons, the panel decided that a rigorous entry to practice process based on an examination, field test, and experience should be the basis on which home inspectors achieve the right to conduct home inspections.

Criminal Background Check

The demonstration of good character should also be required for entry to practice. This should include a satisfactory criminal background check since home inspectors perform their work in individuals' homes and often have unlimited access to their properties. It would be the responsibility of the regulatory body to assess the results of criminal background checks and to determine if the person is eligible to become a home inspector.

Panel Recommendations on Entry to Practice

6. Entry to practice requirements should include:
 - a) Passing a proctored written examination that accurately assesses the knowledge and skills of a home inspector;
 - b) Passing a field test;
 - c) Meeting established experience requirements.
7. There should be multiple pathways to achieving the experience requirements, which should be established by the home inspector regulatory body.
8. There should be no mandatory education requirement to become a home inspector, however applicants may choose to complete formal education.
9. There should be a criminal background check completed for all home inspectors. The home inspector regulatory body would make decisions on whether the results should disqualify a home inspector from practicing. For licence renewal, home inspectors should be required to report any change in their record.

Use of Title

The panel strongly agreed that there should be one title for home inspectors who are licensed to conduct home inspections. The suggested title was Licensed Home Inspector. This title would be easily recognizable and understandable to consumers. Only licensed home inspectors would be allowed to perform home inspections.

A single title for licensed home inspectors would remove confusion in the marketplace about who was qualified and licensed to perform home inspections. The title would provide confidence to consumers that the home inspector has completed the exam and other entry to practice requirements and is appropriately licensed and qualified to undertake a home inspection.

Licensed home inspectors who have attained designations from associations and other related entities could continue to use them as an indication of achieving additional expertise. However, anyone who was not a licensed home inspector should not

Examples of Specialty Designations

Thermal/Infrared	Indoor air
WETT	quality
Mould	Septic
Asbestos	Energy Loss
	Pools/spas

use any designation containing the words home inspector. Such a designation would suggest that they were licensed or qualified to carry out home inspections.

Specialty designations that indicate the home inspector was qualified to perform additional services could also be used. This could be useful to consumers who wanted to buy these additional services and wanted to be assured that the home inspector was qualified to provide them.

Panel Recommendations on Use of Title

10. There should be one title "Licensed Home Inspector".
11. Only licensed home inspectors should be allowed to conduct home inspections as set out in the definition and standard of practice.
12. All licensed home inspectors should display their licensed home inspector designation and license number prominently. In addition licensed home inspectors who have additional designations (e.g., from their associations) which are recognized by the home inspector regulatory body may use them for marketing and advertising purposes.

Professional Development

Professional development is the requirement for continuing education and other activities that are necessary to be competent and current with what is new in the industry. The home inspection industry changes over time, as do building components, systems, and regulations. The panel felt that ongoing professional development for home inspectors was important to address the need to remain current with changing laws and building technologies.

The panel agreed that the home inspector regulatory body should determine the requirements for professional development, perhaps through a specified number of periodic professional development credits. Home inspectors should be required to report on their professional development activities to demonstrate that they have met the requirement.

The home inspector regulatory body should develop guidelines on what constitutes appropriate professional development. It would be too cumbersome for the home inspector regulatory body to approve or accredit professional opportunities. Instead, it should review the information submitted by home inspectors on their professional development activities to ensure that they have met the guidelines for acceptable professional development.

Professional Development Credits — Online, In-class, In the Field

As home inspectors should understand any changes to laws and regulations that relate to their work, mandatory professional development could be required in some cases. Otherwise, home inspectors should be able to choose the professional development activities that best address

the issues that they encounter in their work as long as the course, projects, and pursuits fall within the regulatory body's guidelines.

Professional development credits could be attained through online or in-class courses as well as by attending conferences and through home study. Credits could also be earned by mentoring new home inspectors.

Professional development opportunities could come from a variety of sources, and home inspectors could choose from a wide range of available opportunities to address their particular development needs.

One ongoing role for associations could be the provision of professional development opportunities.

Licensed home inspectors should not be required to perform a minimum number of hours of home inspection each year in order to maintain their license to practice as long as all professional development and insurance requirements have been met.

Panel Recommendations on Professional Development

13. Professional development should be required to maintain a home inspector licence.
 - a) The home inspector regulatory body should establish guidelines for professional development, but should not approve specific courses or activities.
 - b) There should be a variety of professional development topics/courses/activities. Some should be mandatory and others would be optional.
 - c) Courses and activities may include:
 - iii) Mandatory knowledge related to home inspector legislation and regulations;
 - iv) General topics related to the home inspector profession which home inspectors can self-select from.
 - d) Professional development credits should be awarded to licensed home inspectors who provide mentorship and test inspection oversight for new home inspectors.
14. Home inspectors should be required to demonstrate to the home inspector regulatory body that they have fulfilled their professional development requirements.
15. Professional development could be delivered by a variety of sources, including those delivered by associations, community colleges, private sector training providers and others. Courses can be provided in a variety of ways such in the classroom, online, or at conferences.
16. Completing a minimum number of home inspections annually, should not be a requirement for maintaining a license.

Chapter 4: Consumer Protection Requirements

Introduction

This chapter of the report addresses specific consumer protection requirements that should form part of any law or regulation. Effective measures to protect consumers will also benefit the industry.

Six consumer protection issues are discussed in this chapter:

- informed consumer decision-making
- code of ethics
- financial protections for consumers
- standardization of contracts and disclosure
- minimum standards for reports
- complaint-handling and dispute resolution/redress

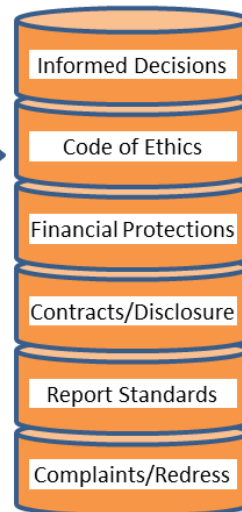
Consumer Protection Pillar

Consumer Needs:

- Basic consumer protections such as clear contracts, code of ethics, an avenue for complaints or redress, and reasonable financial protections

Industry Needs:

- A level playing field based on one standard for contracts and reports as well as a strong code of ethics and a requirement to buy liability insurance
- Fair, effective and transparent complaints and discipline processes



Informed Consumer Purchasing Decisions

Public Education

Consumer education is essential to improving consumer protection. Both consumers and home inspectors would benefit from a common understanding of what was included and excluded from a home inspection. One common standard of practice would make that clear.

The panel suggested that consumer education material and a consumer-friendly summary of the standard of practice would help inform consumer decisions and give consumers a clearer picture of the services provided. Consumer education material could also include questions consumers should ask prospective home inspection firms, the pros and cons of referrals from real estate agents, and other information that promoted informed decision-making.

As consumers could look in many places for information on home inspections, the responsibility for providing accurate and accessible information should be shared by any future regulatory body, the home inspector associations, and others. Consumer education and awareness would be strengthened if accurate and accessible consumer information was available through a variety of sources.

Public Registry

A public registry of home inspectors would provide consumers and other members of the public with basic information about the home inspectors who were licensed to practice in the province. This registry should include a search feature, which would allow consumers to find qualified inspectors in their regions. This registry could be an important source of information for a consumer to confirm that a home inspector is licensed.

The registry should also identify any disciplinary actions that have been taken with respect to a home inspector.

Only final decisions on disciplinary matters should be published so that the reputation of a home inspector would not be affected while complaints were being investigated or disciplinary matters were under review.

The registry should not include a rating system for home inspectors. It would be difficult to assess and provide accurate and fair information beyond whether a home inspector has attained and maintained the requirements for a license.

Disclosure Related to Referrals

Referrals are another source of information for consumers. It is common practice for homeowners and homebuyers to receive referrals to home inspectors from family, friends, real estate agents, legal professionals, and others.

Consumers often rely on and trust their real estate agents and should have the right to allow their agents to recommend and even to arrange home inspections. However, to make informed decisions about which home inspectors to hire, it is important to know if there have been any referral fees or incentives.

Home inspectors sometimes make referrals to other contractors. Some home inspectors will provide a consumer with a list of qualified contractors, others make a referral to a specific contractor. For consumers to make informed decisions about referrals, they need to know if incentives or referral fees were involved and about the relationship between the home inspectors and the contractors.

The panel discussed the issue of referrals, both referrals by others to home inspectors and referrals by home inspectors to other service providers. The panel felt that it was not appropriate to put limitations on who could make referrals to home inspectors or to what service providers, home inspectors could refer their clients.

However, the panel felt that any fees paid or received as a result of a referral or referral program should be disclosed to consumers due to the high potential for conflicts of interest.

The panel also agreed that the home inspector regulatory body should develop guidelines on disclosure requirements related to referrals and referral programs.

Panel Recommendations on Informed Consumer Purchasing Decisions

17. Consumers should have access to information and education that promotes consumer awareness and creates clear expectations about what is provided in home inspection services.
 - a) The home inspector regulatory body, industry associations, and other interested stakeholders should share the responsibilities for educating consumers on what to expect from a home inspection and role of the home inspector.
18. The home inspector regulatory body should create a publicly-available centralized registry of licensed home inspectors to enhance consumer choice and information
 - a) The home inspector regulatory body should publish final discipline decisions on its public registry
 - b) There should not be a government rating system for home inspectors.
19. All home inspection referral programs or incentives must be clearly disclosed to all parties. The home inspector regulatory body should issue guidelines on disclosure requirements.

Code of Ethics

A code of ethics is a written set of guidelines, which describes the expected behaviour of professionals under a common set of values and ethical standards. Consumers should have a clear understanding of expected behaviour and conduct of home inspectors. Home inspectors need a clear guide to acceptable behaviour and conduct. Existing codes of ethics are similar and can provide the basis for developing the code of ethics for licensed home inspectors.

The panel reviewed several codes of ethics for home inspectors and identified the key elements to be included in a code of ethics.

Under professional duties, a home inspector would be required to do the following:

- abide by code of ethics and standard of practice
- act lawfully
- act in the interest of the client
- carry on practice in good faith and honesty and integrity
- respect client confidentiality
- treat clients with respect and not discriminate

Under duties to client, the code of ethics could require home inspectors to conduct themselves as follows:

- disclose third party payments
- provide unbiased advice, independent from personal interests
- demonstrate reasonable knowledge, skill, judgment, and competence in providing services
- perform only services (including supplementary services) you are qualified to perform
- refer only when it is in the client's interest and disclose any referral fees

The panel felt that the code of ethics for home inspectors should be developed by government, with the help of consumers and members of the industry and be implemented by the regulatory body.

Some associations might want to publish their own codes of ethics and include additional clauses that do not conflict with the mandatory code of ethics. These additional clauses might refer to the responsibility of members to the association or to a higher standard, such a banning referral fees. This approach should be allowed and could provide ways for home inspector associations and members to differentiate their services.

Panel Recommendations on Code of Ethics

20. Licensed home inspectors should be subject to a regulated code of ethics that outlines expected behaviour and conduct for home inspectors.
 - a) It should be the responsibility of the government to create the code of ethics and the home inspector regulatory body to enforce it
21. The requirement to disclose referral programs or incentives (in recommendation 9) should be included in the code of ethics.

Financial Protections

Financial protections should be in place to provide an avenue of redress for consumers if they suffer financial loss as a result of a home inspection. For example, a home inspection might fail to identify conditions in the home that might have affected a consumer's decision to buy the house.

Home inspectors also need financial protection, both to cover consumer losses and to cover costs of defending against complaints, some of which may be without merit.

There are two types of insurance that home inspectors should carry: errors and omissions and commercial general liability.

Errors and omissions insurance covers financial losses that can arise when a professional is offering an opinion or advice. Claims are made if there is a loss that results from the advice provided.

Commercial general liability works much like automobile or home insurance. This insurance covers cases where an inspector may cause damage to the home of a third party. Since an inspector inspects a third party's home, damages that might occur to the property as a result of an inspection would be covered by this type of insurance. A foot through the roof is an example of such damage.

Policies that include both types of coverage currently range from \$3,000 - \$5,000 per year depending on the carrier and level of coverage. The cost of insurance can also vary based on association membership, years of experience, and other factors. These rates may change in the future.

Errors and Omissions Insurance Protects both Client and Home Inspector

An inspector does not identify serious deterioration in the roof structure of a house. His client buys the property and subsequently finds this serious problem. The inspector is insured and the insurance pays for the repairs. The inspector pays the deductible.

Home inspectors also buy insurance as protection against legal costs incurred when defending themselves against claims and against financial losses if claims are successful.

Insurance also protects the consumer because it will pay damages if a claim is successful.

The panel agreed that errors and omissions insurance and commercial general liability insurance should be mandatory for all home inspectors in the province. The panel discussed the per occurrence and aggregate coverage that should be required but did not reach conclusion on this issue. The minimum requirement for each occurrence and the cumulative coverage requires additional consideration.

For the purpose of comparison, the requirement in Alberta is \$1 million per occurrence and \$2 million aggregate. In British Columbia, the requirement is \$1 million limit/aggregate coverage.

In addition, the panel agreed that home inspectors should be required to carry insurance for a period of time after they retire in order to protect themselves and consumers if new claims arise against home inspectors in this post-retirement period. The panel members did not arrive at a recommendation on the length of time that such run-off insurance should be required.

The panel also discussed whether an industry compensation fund should be established. The panel is recommending against such a fund because it felt that mandatory insurance provides adequate protection for both home inspectors and consumers. In addition, the cost of administering such a fund is significant and would be unsustainable for a small profession such as home inspectors.

Panel Recommendations on Financial Protections

22. Home inspectors must have mandatory insurance including errors and omissions and commercial general liability coverage. If insurance is unavailable, the government would need to re-examine this requirement with a view to finding an alternative means to provide equivalent financial protection for consumers.
23. Mandatory insurance minimums requirements should be established by government.
24. Government should examine the need for insurance coverage or other protections to carry over for a reasonable period of time after a home inspector retires or exits from the profession to protect both the inspector and consumer.
25. Establishing an industry compensation fund is not recommended.

Standardization of Contracts and Disclosure

A standard contract would create clarity for consumers and might help with court decisions. However businesses need to have flexibility to include contract terms that meet their business needs.

The approach used in the real estate sector could be used as a model to apply to home inspectors. The Ontario Real Estate Association has created and regularly updates a standard contract known as an Agreement of Purchase and Sale. Over time, this contract has effectively become the *de facto* contract used in the industry.

In some jurisdictions, there are certain clauses that are illegal in home inspection contracts, such as clauses that restrict the liability of a business. Other jurisdictions require that such clauses are initialled by consumers to make sure that they understand what rights are being waived.

The panel felt that contracts should be written in plain language so that consumers could understand what they were reading and signing. There should be some mandatory components to a contract but businesses should be able to customize contracts to their business needs as long as they did not contradict the mandatory clauses.

The panel also felt that lawyers should vet contracts and that they should protect the consumer's right to privacy by stating that personal information would be shared only with their consent.

Panel Recommendation on Standardization of Contracts and Disclosure

26. The government should establish a core set of requirements and disclosures for home inspection contracts to ensure a minimum level of consumer protection.
 - a) Businesses or associations can create their own contracts as long as they include the core requirements and disclosures.
 - b) Contracts should be in plain language.
 - c) Contract should contain privacy provisions that the home inspector shall not provide information about the client to other service providers without the consent of the client.

Minimum Standards for Reports

A report is the primary way that the findings of a home inspection are formally communicated to the client. Consumers often rely on home inspection reports when making decisions about buying homes. If the consumer has taken the steps to buy a home inspection, it is likely that they have serious interest in purchasing the property to be inspected.

The level of detail used to explain findings, use of photographs and other materials can vary among home inspectors and home inspection firms.

Alberta's home inspection regulation require home inspection reports to be in writing, to be legible, and to be provided on or before the date set out in the contract for the home inspection. Further, the reports must address the condition of the features and components of the dwelling and make recommendations on any identified deficiencies for each of the features and components. In addition, the report must make recommendations to obtain expert opinions.

The panel agreed that minimum standards for quality of reports should be part of the standard of practice for home inspectors.

The panel felt that as the Canadian Standards Association was discussing standards for home inspectors, including standards for their reports, that these issues could be addressed there. The regulatory authority could then review and adopt or adapt the association's requirements and provisions for reports.

Most reports are provided in English. The board felt that the home inspection industry should not have to provide reports in multiple languages, even though some members of ethnic communities might have difficulty understanding home inspection reports. However, the board suggested that the regulatory authority should consider providing consumer education material in multiple languages to assist consumers whose first language was not English.

Typically, a home inspection report does not differ if it is done for a seller or for a buyer. A good home inspector does the same job regardless of the client. However, reports may emphasize different things depending on the questions asked by a homeowner. Also sellers sometimes encourage more invasive inspections given that it is their property.

In addition to a written or electronic report, home inspectors often explain the findings of their reports in meetings with their clients, answering their questions and clarifying points in the reports. This is often an important step in the process of inspecting homes.

The panel felt that discussions on the findings should never replace written or electronic reports and recommended that all findings be provided in writing.

Panel Recommendation on Minimum Standards for Reports

27. There should be a written home inspection report or an electronic equivalent. The government should set minimum standards regarding the content and quality of the report.
- a) The report must be written or provided electronically. It may be provided in other formats in addition to the written report, but the written report should include all material findings.
 - b) The report should address the conditions and features of the home required by the standard of practice.
 - c) The report should make recommendations to obtain expert opinions regarding items beyond the scope of the home inspection.
 - d) The report must be provided to the consumer on or before the date set out in the home inspector contact.

Complaint Handling and Dispute Resolution/Redress

One of the most visible functions of regulatory and licensing bodies is managing complaints from the public about licensed individuals. Complaints can include concerns about compliance with standards of practice or concerns regarding ethics, such as inappropriate referrals and conflicts of interest. A robust and fair complaints process is important to protect both consumers and home inspectors.

The panel agreed that the regulatory body should develop a clear process for handling complaints and dispute resolution so that consumers have a clear path to follow for complaints.

Creating robust processes could also help to reduce the number of complaints going to the court system – an option that could be expensive for consumers and home inspectors. However, financial settlements would remain an issue for the courts.

Discipline Committee

Validated complaints in other regulated sectors are often referred to a compliance and discipline committee.

The panel felt that a discipline committee for the home inspection industry should have a range of disciplinary options available to it to address complaints, up to and including cancellation of the home inspector's license. Other options could include temporary suspension, a requirement for additional training, and a period of oversight by a qualified inspector.

Complaints and discipline committees usually consist of a mix of industry members and consumer representatives including home inspectors who understand the business as well as others who bring consumer and others views to the matter. Often careful attention is paid to ensuring that peers who hear discipline matters are selected from different geographic regions

to help ensure that discipline decisions are not perceived to be influenced by competitive concerns.

The panel felt that there should be an appeal process available to both consumers and home inspectors who want to appeal the decision of the complaints and/or discipline committees.

Some complaints about home inspectors might be about additional services outside the scope of a standard home inspection. If the home inspector was not qualified to provide the additional services, this would be a violation of the code of ethics and would be subject to review by the regulatory body. Complaints regarding the provision of additional services could also be referred to the appropriate certification body.

The panel agreed a process should also be put in place to advise associations of complaints about their members or disciplinary actions that their members were involved in. This would allow the associations to take appropriate action if required.

Consumers increasingly want the ability to research the track record and disciplinary history of prospective businesses and individuals before making a purchasing decision.

The board felt that the decisions of a discipline panel should be published, but not complaints in general. This way only substantiated complaints would be public information.

Panel Recommendations on Complaint Handling and Dispute Resolution/Redress

28. The home inspector regulatory body should develop a process to manage consumer complaints about standard of practice and code of ethics violations when the consumer cannot resolve their concerns with the home inspector or home inspection company.
 - a) The home inspector regulatory body's discipline committee should include peer and non-industry representatives to ensure a fair and transparent process.
 - b) There should be a range of measures and powers for the home inspector regulatory body to address complaints, including revocation of the licence..
 - c) There should be communication protocols established between the home inspector regulatory body and associations to ensure they are aware of disciplinary issues related to their members.
29. Complaints about a home inspector providing additional services, should be evaluated by the home inspector regulatory body to determine if there is a code of ethics violation. Complaints should also be forwarded to any other relevant certification or regulatory body (if applicable).
30. There should be a right to appeal decisions on complaints and discipline with a clear appeal process.

Chapter 5: Regulatory Governance for Ontario's Home Inspection Industry

Introduction

Regulatory governance refers to how protection for consumers and qualifications and standards for home inspectors would be put into place.

Many of the measures discussed in the report so far speak to the concerns of consumers and the industry.

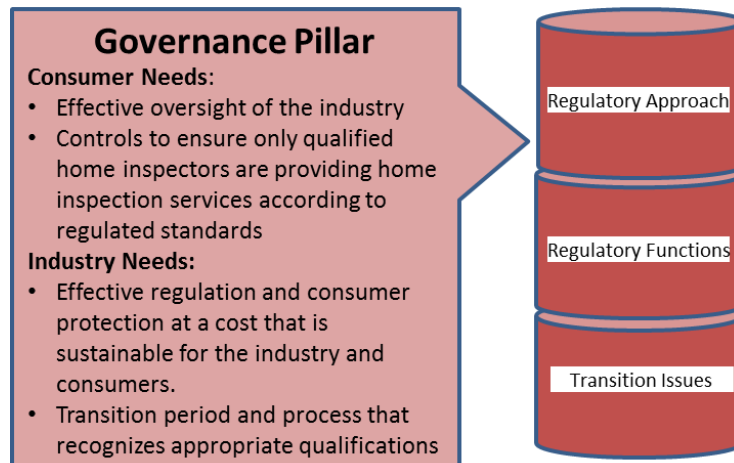
Consumers want to have confidence that there is oversight of the industry and that only qualified home inspectors provide home inspections in compliance with regulated standards. Consumers also want to know that consumer protection requirements and processes are in place.

Consumers know that the cost of regulation is usually passed on to them. They want those costs to be reasonable and to know that the benefits of regulation outweigh the costs.

The industry wants regulation to create a level playing field where qualified home inspectors can compete in a fair marketplace. They also want to ensure that the benefits of effective regulation and consumer protection are balanced with the need to keep the cost of regulation manageable for home inspectors and consumers. Home inspectors want any transition to regulation to recognize the experienced and qualified inspectors practicing today.

This chapter of the report focuses on the three topics:

- the approach to regulatory governance
- the regulatory functions to be performed
- transition to the regulated environment



Regulatory Approach

Regulatory Models

The panel reviewed what other jurisdictions have in place. It examined the approaches in British Columbia, Alberta and the 39 American states that regulate home inspectors. It also studied Ontario's delegated administrative authority model since several other sector regulators under the oversight of the ministry operate under this governance model.

The panel considered three regulatory governance approaches.

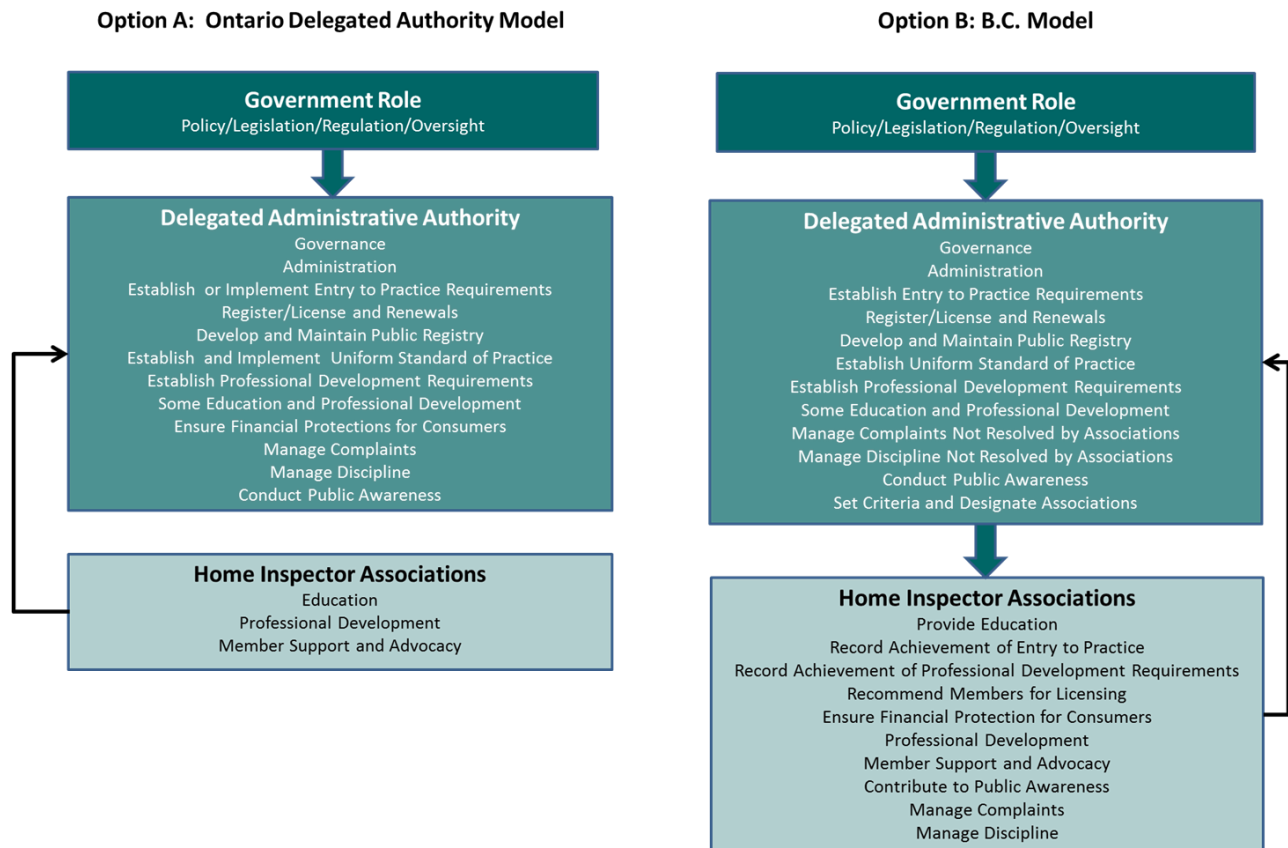
- Direct government regulation — In this case, the government provides regulatory functions itself. In Alberta, the provincial government directly regulates home inspectors through Service Alberta. This model is also common in the United States.
- Ontario's delegated administrative authority model — In this instance, the government delegates authority to a not-for-profit authority, and it administers the laws that regulate the sector.
- British Columbia's regulatory model — In British Columbia, Consumer Protection BC, a not-for-profit authority, licenses and oversees home inspectors who belong to approved associations. These associations deliver some of the regulatory functions and services.

Over the past several years, the Ontario government has chosen the delegated administrative authority approach over direct government delivery of regulation.

Consequently, the panel decided to examine only Ontario's delegated administrative authority model and British Columbia's model more closely.

Both the Ontario delegated administrative authority model and the British Columbia model for regulating home inspectors use not-for-profit authorities. The operations are funded from licensing fees and related services. The biggest difference between the two models is the role that home inspector associations play.

The following diagram illustrates how the regulatory functions are assigned in the two models.



The British Columbia model has been adapted in the above diagram. In B.C. there is no one common standard of practice or code of ethics. Different associations can have different standards of practice and codes of ethics as long as they meet the criteria set by the government. Ontario's home inspector panel has decided to use a common standard of practice and code of ethics, among other things. The B.C. model was re-worked.

In Ontario, the details on the governance of the delegated administrative authority model are described in law and administrative agreements. The governance needs and sector laws could be adapted and designed to meet the specific needs of consumers and the home inspection industry.

The panel assessed the Ontario and British Columbia models against the following agreed upon criteria for evaluating regulatory models.

Criteria	Assessment
Effect on consumers/ consumer protection	<ul style="list-style-type: none"> • Delegated administrative authority model provides greater consumer protection <ul style="list-style-type: none"> ○ One definition of home inspection ○ One standard of practice ○ One code of ethics ○ One process for complaints and discipline
Effect on home inspectors	<ul style="list-style-type: none"> • Ontario's model of a delegated administrative authority has a positive effect on home inspectors by creating a level playing field. All home inspectors would be required to meet the same licensing requirements. • In the B.C. model, there is a set of criteria that associations must meet to be designated. There are also multiple approaches to certification, standard of practice and code of ethics.
Effect on government	<ul style="list-style-type: none"> • Role of government is essentially the same in both models: development of policy, laws, regulation, and oversight
Time to put into place	<ul style="list-style-type: none"> • The time to implement is likely similar. The B.C. model might be slightly faster if a new administrative authority does not need to be set up and associations continue to provide some of the regulatory services.
Ability to enforce and maintain standards	<ul style="list-style-type: none"> • Consistent enforcement is more likely in Ontario's model of a delegated administrative authority because there is one organization providing regulatory services rather than several associations.
Effect on the quality and consistency of service	<ul style="list-style-type: none"> • Ontario's model has one standard of practice and, therefore, has a greater potential to promote consistency of service

Based on this analysis, the panel decided that Ontario's delegated administrative authority approach is the most appropriate for home inspectors in Ontario.

Cost of Regulation and Financial Sustainability

The delegated administrative authority model is a self-funding model and must be sustainable by the industry and/or the profession. In this model, the cost of regulation is directly covered by the practitioners in the industry through a licensing fee.

Therefore, it is essential that the profession is able to support the cost of regulation on an ongoing basis and that the price consumers pay for a home inspection does not rise to the point that they are not able to afford the service.

How sustainable a regulatory approach is must be assessed in terms of all the costs associated with regulation. These include the annual licensing fees and the cost of mandatory insurance.

In addition, the effect of these costs to the industry on the price of home inspections should be considered. Finally, it is important to take into account whether or not the cost of licensing would create barriers for new home inspectors wanting to enter the profession.

Estimated Costs

While it is difficult to determine the exact cost of regulation before policies, laws, and regulations have been developed, it is estimated that the cost to administer the agreed on regulatory functions could be in the range of approximately \$500 to \$1,000 a year for each home inspector.

The panel agreed that this licensing fee is likely affordable for most home inspectors. The potential increase in price of a home inspection to cover the cost of the licensing fee is estimated to be one per cent to five per cent.

In addition to covering the cost of the annual licensing fee, all home inspectors would be required to carry errors and omissions insurance and commercial general liability insurance. The total current cost of carrying those two types of insurance is about \$3,000 - \$5,000 a year depending on the carrier and the level of coverage.

The panel recommended a rigorous analysis of the cost before a decision is made. This will help to ensure that the proposed regulatory approach is financially sustainable and can be supported by the industry and consumers.

Efforts should be made to examine ways to ensure high standards and regulatory capacity while reducing all costs that outweigh regulatory benefits.

One governance option that may reduce costs and enhance sustainability is to consider opportunities to partner with another delegated administrative authority to benefit from sharing service and infrastructure costs.

Panel Recommendations on Regulatory Approach

31. A delegated administrative authority should be established to regulate home inspectors. The government of Ontario would remain responsible for development of legislation and regulations, implementing the delegated administrative authority, and its oversight.
32. As government considers regulation/licensing of home inspectors, additional cost analysis should be completed to confirm that the cost of regulation is sustainable. Consideration should be given to costs to home inspectors and businesses, as well as consumers.
33. Approaches to reduce regulatory costs should be considered. For example, partnering with an existing delegated administrative authority to benefit from sharing services and existing infrastructure.

Regulatory Functions

There are many functions typically performed in regulatory organizations. It was agreed that a future regulatory authority for home inspectors should perform the common functions and roles described in the chart below. The chart also provides a brief description of each function.

Regulatory Function	Description
Governance	<ul style="list-style-type: none"> • Have a board, appropriate committees, policies, and oversight aligned with a clear mandate
Administration	<ul style="list-style-type: none"> • Have appropriate people, processes, and technologies to carry out the regulatory mandate
Entry to practice standards	<ul style="list-style-type: none"> • Develop, communicate, and implement entry to practice requirements and guidance
Licensing/registration	<ul style="list-style-type: none"> • Carry out efficient and effective licensing application, review, renewal, and related functions.
Public registry of members	<ul style="list-style-type: none"> • Set up and maintain a public registry of qualified home inspectors
Restrictions on use of title	<ul style="list-style-type: none"> • Determine consumer protection requirements and criteria for the use of home inspection titles and designations, and enforce restrictions on use of title
Standard of practice	<ul style="list-style-type: none"> • Create or adopt standards of practice for home inspections, including the disclosure of standards to consumers
Professional development	<ul style="list-style-type: none"> • Determine requirements for ongoing professional development of home inspectors
Insurance	<ul style="list-style-type: none"> • Require and monitor compliance with insurance requirements
Complaints process	<ul style="list-style-type: none"> • Develop a complaints process that enables valid complaints to be dealt with effectively and efficiently
Discipline	<ul style="list-style-type: none"> • Set up a discipline committee with fair and balanced representation to ensure appropriate consequences for non-compliance with standards • Establish appropriate adjudicative and appeal processes
Public awareness	<ul style="list-style-type: none"> • Develop information and education to promote informed consumer purchasing decisions

Public awareness activities should be a joint responsibility of the regulatory body, industry associations, and others to ensure that consumers and home inspectors have information about the risks and requirements surrounding home inspections.

Panel Recommendation on Regulatory Functions

34. A range of regulatory functions should be incorporated in the regulatory approach used for home inspectors in Ontario, including: governance; administration; establishment of entry to practice standards; licensing/registration; public registry of members; enforcement of restrictions on use of title; establishment of professional development requirements; ensuring registrants have required insurance; establishment of efficient, effective and fair complaints handling processes; and establishment of an efficient, effective, fair and transparent adjudicative process for discipline hearings.

- a) Public awareness programs should be a joint responsibility of the regulatory body, associations and other stakeholders (also mentioned in recommendation 17(a)).

Transition Issues

The panel discussed ways that the industry could move to mandatory standards and qualifications so that the change would be seamless and cause no disruption to consumers.

The panel proposed the following principles to help guide the transition process.

- The transition should be seamless. There should be no disruption to the access to the services being provided to consumers.
- Home inspectors who are, or who recently have been, providing quality services in a competent and ethical manner should be allowed to continue to provide services.
- The transition process should be straightforward, clear, and understandable.
- Current home inspectors should have enough time to become licensed and to meet any new requirements, such as mandatory insurance and criminal checks.
- Individuals who are in the process of attaining the education, experience, or exam requirements that are roughly equivalent to the requirements to become licensed by the new regulator should be permitted to complete that process and become licensed.

Using these principles, the panel recommended this approach to transition over a period of 18 months.

- Home inspectors with designations that reflect the licensing requirements of the new regulatory body and are approved by the regulatory body should become licensed without further review.
- The new regulatory body should assess the education and experience of home inspectors whose designations are not approved by the regulatory body or do not meet its licensing

requirements. The regulatory body can then decide if additional training, experience, examination, or testing is required before a licence is issued.

Panel Recommendation on Transition Issues

35. The government should establish transition provision for persons currently practicing as home inspectors.
- a) There should be an 18 month notice period before licensing requirements come into effect.
 - b) Home inspectors with designations from existing organizations that reflect the licensing requirements of the DAA and are approved by the DAA may become licensed without further review.
 - c) A process should be put in place for submissions from organizations to demonstrate how their designations reflect the licensing requirements of the DAA.
 - d) Home inspectors without an approved designation should undergo an individual assessment of their education and experience by the home inspector regulatory body who would determine if additional training, experience, examination, or test inspection is required before a license is issued.

Chapter 6: Conclusion and Next Steps

The panel reached consensus on every recommendation put forward. There was full agreement that after having a closer look at the current unregulated environment for home inspectors, there are risks for the consumer and that better consumer protections should be put in place.

It was agreed that a regulatory body should be created based on the delegated administrative authority model currently in use for several professions in Ontario.

The panel is submitting its report to the Minister of Consumer Services to help inform the government's future decision regarding introducing new qualifications for home inspectors in Ontario.

APPENDIX 1: HOME INSPECTOR PANEL TERMS OF REFERENCE

Terms of Reference

Home Inspector Panel

The panel is a group established by the Ministry of Consumer Services to develop an independent findings and recommendations report on home inspector qualifications for the government.

The report will be used by the ministry as the basis for broader consultation with the public and industry stakeholders and to inform future government decision-making. Panel meetings will be facilitated by SEG Management Consultants, which will prepare the report on behalf of the panel.

Home Inspector Panel Composition

Panel members are selected by the ministry with the support of SEG. Members are drawn from a range of backgrounds, expertise, and interests. Panel members bring a variety of professional experience, technical expertise, and consumer protection backgrounds.

These include home inspectors, consumers, and related sectors such as real estate and insurance.

Panel Member Responsibilities

- Attend panel meetings
- Work cooperatively with the meeting facilitator
- Review materials that may be distributed in advance of panel meetings
- Engage and participate in panel discussions
- Strive for consensus on recommendations to government
- Present their perspective in the interest of the public interest and not of any association
- Maintain a respectful environment where all are welcome to share their views
- Contribute to the development of a findings and recommendations report that will be written by SEG.
 - Draft findings report: November 1, 2013
 - Final findings report: November 15, 2013

SEG's Responsibilities

- Develop the panel work plan, for the panel's approval

- Prepare meeting agendas and materials
- Facilitate panel meeting discussions and take notes
- Engage the stakeholder resource pool to support panel discussions, as required
- Draft a findings report, including recommendations to government, based on panel discussions and for the panel's approval

Home Inspector Panel Proceedings

Guiding principles to develop the findings and recommendations report:

- be reflective of stakeholder expertise and advice
- be understandable to the general public
- contain enough detail and rationale to provide a window into the panel's deliberations
- anticipate what would be acceptable to the public and government

SEG will prepare meeting agendas based on input from panel members. Pre-meeting packages including background materials supplied by panel members, SEG, the ministry, or other sources will be distributed in advance of each panel meeting. SEG will inform panel members of any pre-meeting requirements such as research and readings.

The panel may also seek additional support to assist with the panel's deliberations from an informal pool of stakeholders from the home inspection and related sectors.

Public Service and Confidentiality

Participation as a member of the panel requires a commitment to the broader public interest. Panel members are expected to provide impartial advice for the benefit of all Ontarians, rather than necessarily advocating on behalf of any specific interest.

Panel members agree to share information and collaborate, while respecting each other's opinions, upholding the privacy of the discussions, and representing the views and interests of the people of Ontario.

The names of all panel members will be included in the report and posted on the ministry's website to ensure public transparency.

Meetings will be conducted under the Chatham House Rule.

- **When a meeting, or part thereof, is held under the Chatham House Rule, participants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor that of any other participant, may be revealed.**

Logistics

There will be about seven panel meetings, held approximately every two weeks, beginning in August 2013 and ending in November 2013.

Meetings will be held in the GTA and will occur during regular business hours. Alternative arrangements such as teleconference facilities will be made for members unable to travel.

Meetings are anticipated to be four to six hours long, subject to discussion topics/meeting agendas.

The ministry and SEG will book and coordinate meeting dates, times, and locations and provide any advance and/or meeting day materials.

Lunch will be provided during panel meetings.

Panel members will be responsible for their own travel costs and for any other expenses incurred to attend and participate in the panel meetings. Please contact Ben Valido, Project Manager at 416-325-6025 or ben.valido@ontario.ca for any special accommodation needs such as dietary, accessibility, or financial need.