Financial Services
Commission
of Ontario

Ontario

ANNUAL REPORT •

FINANCIAL SERVICES COMMISSION OF ONTARIO

Working with stakeholders to support a strong financial services sector.

2009 - 2010

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Message from the Chair

John M. Solursh
Chair
Financial Services Commission of Ontario
Financial Services Tribunal

It is a pleasure to present the 12th annual report of the Financial Services Commission of Ontario (FSCO), which covers the year ending March 31, 2010. The following pages describe how FSCO has fulfilled its mandate to protect the public interest and enhance public confidence in the regulated sectors – insurance, pension plans, credit unions and caisses populaires, loan and trust companies, mortgage brokerages and administrators and co-operative corporations.

The prospects for the Ontario economy, and the financial services industry within it, were less uncertain as the year ended than when it began. While Ontario was hit hard by the recession, there were clear signs that the economy was stabilizing and recovery was taking shape. The financial and economic crisis that emerged in fall 2008 generated broad economic pressures that had a negative impact on financial sectors such as insurance, pension plans and lending institutions. By year end, financial markets had become more stable and sales of financial products and services were starting to rebound. Despite the positive trends, however, the world economy remained fragile, representing a threat to Ontario's ongoing recovery.

During the turbulent economic conditions of the past 18 months, FSCO has remained vigilant and flexible, intensifying financial oversight where necessary and putting a stronger focus on the protection of consumers and pension plan members. At the same time, FSCO has maintained its core regulatory activities to achieve the vision of being a progressive and fair regulator working with stakeholders to support a strong financial services industry.

Risk-Based Oversight

FSCO's risk-based approach to regulation proved a solid foundation for responding to the financial and economic crisis. FSCO took action to identify and then manage issues posing the highest risk of harm to the public.

During 2009-2010, on-site examinations or desk reviews of all Ontario-incorporated insurers were conducted to ensure that obligations to policyholders could be met. FSCO kept a closer watch on the performance of eight insurance companies by monitoring monthly indicators and meeting frequently with management and in some cases board members to resolve concerns. To protect the pension promise, FSCO performed on-site examinations of 30 pension plans – more than double the previous year's total.

Modernizing the Regulatory Framework

Ontario continues to modernize its regulatory framework to reflect global market standards and create a climate that is attractive to business while protecting consumers and investors. In line with government priorities, FSCO focused efforts in 2009-2010 on reforming auto insurance, strengthening the pension system and implementing the new regulatory regime in the mortgage brokering sector.

In 2008-2009, FSCO conducted the first five-year review of Ontario's automobile insurance legislation and regulations, as mandated by statute. In November 2009, the Minister of Finance announced a package of auto insurance reforms based largely on recommendations from the review that will take effect September 1, 2010. FSCO worked with stakeholders to implement the reform package through a steering committee and a series of working groups on key activities such as developing new rate filing guidelines and planning consumer information initiatives.

During the year, FSCO continued to provide input to the Ministry of Finance on pension reforms to respond to immediate challenges and begin to modernize the pension system for the longer term. In June 2009, the government approved regulatory changes to provide defined benefit pension plans with temporary solvency funding relief. One hundred forty pension plans have taken advantage of these measures, freeing resources for operations. Later, in December 2009, the government introduced amendments to the *Pension Benefits Act*, the most significant pension reform package in Ontario in more than 20 years. The measure builds on the recommendations in the final report of the Expert Commission on Pensions.

The mortgage brokering sector continued to transition to the new regulatory system created by the *Mortgage Brokerages, Lenders and Administrators Act, 2006*, proclaimed in force July 1, 2008. While keeping up efforts to educate mortgage broker stakeholders and consumers about the Act and regulations, FSCO closely monitored compliance with the new requirements. The legislation provides FSCO with a new enforcement tool, administrative monetary penalties, which have been imposed where mortgage brokerages failed to obtain errors and omissions insurance or file annual information returns.

Coordinated National Approach

FSCO promotes a coordinated national approach to financial services regulatory issues through ongoing collaboration with other regulators. For example, in June 2009, the Canadian Association of Pension Supervisory Authorities, with FSCO as a member, released the final version of the proposed Agreement Respecting

Multi-Jurisdictional Pension Plans. Once adopted, the proposed agreement will provide clear rules for the administration and regulation of pension plans with members in more than one jurisdiction, whether federal or provincial. In March 2010, the Ontario government introduced legislative amendments that will enable the Minister of Finance to sign the new agreement.

Continuous Improvement

Continuous improvement in service to the industry and the public remains a priority at FSCO.

During the year, FSCO worked with automobile insurance stakeholders to make the rate filing approval process more efficient, effective and transparent. Updates were made to ARCTICS, FSCO's web-based filing system, which was used for more than 80 per cent of filings in 2009-2010 and will become mandatory as of 2011.

FSCO's dispute resolution services represent a cornerstone of Ontario's no-fault automobile insurance system. The volume of mediation applications rose 29 per cent in 2009-2010, surpassing 22,000. Mediation continues to deliver results for the parties, with a full or partial settlement achieved in 68 per cent of cases, up from 64 per cent the previous year.

FSCO has embarked on a multi-year project on improving pension regulatory services to enhance communication with pension stakeholders and increase stakeholder involvement in FSCO's pension activities. Highlights during 2009-2010 included the integration of pension stakeholders into FSCO's annual planning process, and creation of an advisory committee representing pension plan administrators.

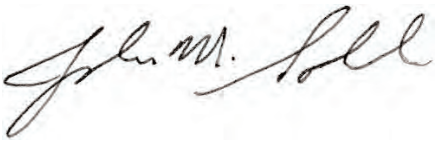
Consumer information is fundamental to FSCO's consumer protection role. In 2009-2010, a Financial Literacy Portal was launched on FSCO's website, creating a single window to a host of educational resources that can help consumers become better money managers.

A Culture of Dialogue

Since its inception 12 years ago, FSCO has fostered and benefited from a culture of partnership and dialogue with a wide array of stakeholders, from consumers and pension plan members to financial service providers and other regulators. Keeping lines of communication open helps FSCO gain a thorough understanding of the regulated sectors and the issues they face. In 2009-2010, these relationships deepened as FSCO worked with stakeholders to meet the challenges brought on by the global financial and economic crisis.

We would like to take this opportunity to thank the many stakeholder representatives who took part in projects or consulted with FSCO during the year. Their input and advice have been essential to the achievement of FSCO's objectives. We also salute FSCO's employees, whose expertise and dedication to public service are FSCO's most valuable assets.

FSCO is firmly committed to fulfilling its mandate to protect the public interest and enhance public confidence in the regulated sectors. We look forward to working with our many stakeholders to support a strong financial services industry that makes a vital contribution to Ontario's economy and quality of life.



Chair
Financial Services Commission of Ontario
Financial Services Tribunal

Philip Howell
Chief Executive Officer and
Superintendent of Financial Services
Financial Services Commission of Ontario

Philip Howell
Chief Executive Officer and
Superintendent of Financial Services
Financial Services Commission of Ontario

FSCO's Mandate, Governance and Resources

An agency of the Ministry of Finance, the Financial Services Commission of Ontario (FSCO) regulates insurance, pension plans, loan and trust companies, credit unions, caisses populaires, mortgage brokerages and administrators, and co-operative corporations in Ontario. FSCO was established by the *Financial Services Commission of Ontario Act, 1997* (FSCO Act).

FSCO has a mandate to provide regulatory services that protect the public interest and enhance public confidence in the regulated sectors. As an organization, it is committed to being a progressive and fair regulator, working with stakeholders to support a strong financial services industry.

FSCO has a three-part structure, comprised of the Commission, the Superintendent of Financial Services and staff, and the Financial Services Tribunal.

COMMISSION PURPOSES AND MEMBERS

As provided by the FSCO Act, the Commission includes five members: the Chair and two Vice-Chairs appointed by the Lieutenant Governor in Council under the FSCO Act; the Director of Arbitrations in the automobile insurance dispute resolution system, appointed by the Lieutenant Governor in Council under the *Insurance Act*; and the Superintendent of Financial Services appointed under the *Public Service of Ontario Act, 2006*. The Superintendent is also FSCO's Chief Executive Officer (CEO).

According to the FSCO Act, the purposes of the Commission are to:

- provide regulatory services that protect the public interest and enhance public confidence in the regulated sectors
- make recommendations to the Minister of Finance on matters affecting the regulated sectors and
- provide the resources necessary for the proper functioning of the Financial Services Tribunal.

The members of the Commission during 2009-2010 were:

- John M. Solursh (Chair)
- Anne Corbett (Vice-Chair)
- Florence Holden (Vice-Chair)
- Asfaw Seife (Director of Arbitrations) – *until May 3, 2009*
- Tom Golfetto (Director of Arbitrations) – *appointed May 4, 2009*
- Bob Christie (Superintendent of Financial Services and CEO) – *until August 18, 2009*
- Philip Howell (Superintendent of Financial Services and CEO) – *appointed August 19, 2009*

Superintendent and Staff

Under the FSCO Act, the powers and duties of the Superintendent of Financial Services are to:

- generally supervise the regulated sectors
- administer and enforce the FSCO Act and other legislation governing the regulated sectors and
- be responsible for FSCO's financial and administrative affairs.

FSCO Staff Committees

Committee	Functions
Executive Committee	Provides strategic leadership and direction to the organization and makes recommendations and decisions on organizational matters including financial and human resource issues.
Corporate Management Committee	Leads and participates in strategic initiatives established by the Executive Committee; develops solutions to address policy and other matters identified by the Executive Committee; and coordinates and assists the Executive Committee in organizational priority setting, resourcing and operational planning.
Corporate Policy Coordination	Coordinates policy issues across sectors, leads policy development items through the conceptual stages, and coordinates the flow of corporate policy items to the CEO.
Auto Insurance Policy	Examines auto insurance policy issues and makes recommendations to the CEO.
Licensing and Market Conduct Policy	Reviews and discusses policy issues concerning licensing and market conduct and makes recommendations to the CEO.
Pension Policy	Discusses issues involving pension policy and makes recommendations to the CEO.
Compliance Coordination	Shares information between FSCO's program areas and coordinates regulatory efforts concerning market conduct in the financial services industry.
Audit	Oversees the quality of FSCO's internal controls to ensure compliance with policies and procedures; ensures FSCO has implemented appropriate systems of internal control over financial reporting.
Local Employee Relations	Fosters ongoing, effective and productive communication between FSCO and the Ontario Public Service Employees Union (OPSEU).
Health and Safety	Promotes a healthy and safe work environment at FSCO in accordance with the government's Occupational Health and Safety Directive.
Business Continuity	Assists with the development and maintenance of FSCO's business continuity plan and ensures that FSCO's staff and assets are protected in emergencies.

The FSCO Act provides for the appointment under the *Public Service of Ontario Act, 2006* of employees necessary for the proper conduct of the Commission's affairs. The Superintendent may delegate any of his powers or duties to an employee of FSCO.

Financial Services Tribunal

The Financial Services Tribunal (FST) is an adjudicative body that holds hearings about decisions proposed or made by the Superintendent of Financial Services under legislation governing the regulated sectors. The Chair and Vice-Chairs of the Commission are also the Chair and Vice-Chairs of the FST. A report on the FST's activities in 2009-2010 appears later in this document.

How FSCO is Governed

A Memorandum of Understanding (MOU) entered into by the Minister of Finance, FSCO's Chair and the Superintendent of Financial Services/CEO reflects the accountability framework between the Minister and FSCO. The MOU also establishes governance and accountability mechanisms and clarifies roles, relationships and mutual expectations.

The Commission meets quarterly and reviews and approves key planning, strategic and accountability documents including FSCO's:

- Agency Business Plan
- operational plan
- budget
- Results-Based Plan
- Statement of Priorities
- annual report.

Commission members are also invited to attend FSCO's Audit Committee meetings.

FSCO has established a series of internal staff committees on various policy and operational issues. The committees make a key contribution to FSCO's day-to-day activities. In November 2009, the former Senior Management Committee was replaced by the Executive Committee and the Corporate Management Committee.

Reporting Requirements

Financial Accountability

As an agency, FSCO is granted an annual spending authority through the government planning process, based on organizational needs and government priorities. FSCO files quarterly reports with the government on its spending. The Office of the Auditor General of Ontario audits FSCO's annual financial statements, which appear later in this report.

Statement of Priorities

No later than June 30 each year, FSCO is required by the FSCO Act to deliver a Statement of Priorities to the Minister of Finance and publish it in *The Ontario Gazette*. The Statement of Priorities sets out FSCO's strategic priorities and initiatives for the current fiscal year, together with a summary of the reasons for their adoption. The Statement also includes a report-back to stakeholders on key results from the previous year. Each spring, FSCO posts the draft Statement of Priorities on its website and invites interested persons to make written submissions on the proposed directions.

As expressed in the June 2009 Statement, FSCO's strategic priorities for 2009-2010 were:

- Conduct FSCO's activities in accordance with risk-based principles
- Continuous improvement in the delivery of services
- Foster a coordinated approach to regulatory issues.

Annual Report

Also under the FSCO Act, FSCO must file an annual report with the Minister of Finance each year. This is FSCO's 12th annual report.

Extensive Stakeholder Engagement

FSCO engages a wide variety of stakeholder groups to keep abreast of changing marketplace realities, develop effective responses to issues and challenges and shape policies to guide the administration of the statutes in its mandate. Stakeholders range from consumers and pension plan beneficiaries, to financial services providers and pension plan administrators, to dispute resolution practitioners, people involved in automobile accidents and the rehabilitation community.

FSCO consults on specific areas and issues through advisory committees and ad hoc groups. Examples of ongoing links include the Consumer Advisory Committee, the Co-operative Sector Liaison Committee, six pension advisory committees, and a committee involving the Registered Insurance Brokers of Ontario. In addition, each year FSCO engages stakeholders in a planning process to develop the annual Statement of Priorities.

Human and Fiscal Resources

FSCO has 450 permanent staff. The total does not include Information and Information Technology (I&IT) staff who provide services to FSCO but are part of the Central Agencies Cluster in the government I&IT organization.

In 2009-2010, FSCO's expenditures totalled $55.4 million, a 2 per cent increase from the previous year. The spending increase was attributable to FSCO's initiative to improve pension regulatory services, information technology investments and financial obligations under collective agreements.

FSCO is committed to prudent financial management and complied with the government-wide spending restraint measures implemented during the year.

Recovering FSCO's Costs

The majority of FSCO's costs are recovered from the regulated sectors through a combination of assessments and fees. Under the FSCO Act, the Lieutenant Governor in Council may assess all entities that form part of a regulated sector with respect to expenditures incurred by the Ministry of Finance, the Commission and the Tribunal. Subject to the Minister's approval, FSCO also establishes fees for some of the regulatory services it provides.

The Regulated Sectors in Profile

Together, the financial services sectors regulated by FSCO represent a large, stable and dynamic industry that underpins Ontario's economy and quality of life. The industry drives economic growth by channelling savings to investment. It is a major employer. And it sustains the financial strength of businesses and other organizations as well as financial security of individuals and families.

The economic downturn that began in fall 2008 affected virtually all industries, including the financial services sectors. Though conditions eased during 2009-2010, much uncertainty remained. FSCO's response to the continuing challenges is described in the **FSCO at Work** section of this annual report.

INSURANCE

Insurance is a $38 billion a year business in Ontario. Though recovering from the financial crisis in 2009, the industry recorded a total premium volume increase of 6 per cent from the previous year. Slightly more than 50 per cent of all premiums went to life insurance companies, reflecting nearly 8 per cent growth. The business of property and casualty (including automobile) insurers grew by only 4 per cent. Capital levels held up well in most cases. While the industry overall earned a profit in 2009, this result masks a wide variation among companies.

As of March 31, 2010, 365 insurance companies held licences to operate in Ontario. Also licensed were 43,359 insurance agents – including 6,547 general insurance agents, 36,258 life insurance agents and 554 accident and sickness insurance agents – as well as 4,290 corporate insurance agencies and 1,458 insurance adjusters.

Insurance Companies Licensed in Ontario

Business Type	As of March 31, 2010 #	As of March 31, 2009 #
Life	85	93
Property & Casualty	212	219
Other	68	72
Total	365	384

Direct Insurance Premium Volume in Ontario

Business Type	2009 $ Billion	2008 $ Billion
Life	19.5	18.1
Property & Casualty	18.3	17.6
Other	0.45	0.38
Total	38.3	36.1

DEPOSIT INSTITUTIONS, MORTGAGE BROKERAGES, CO-OPERATIVE CORPORATIONS

As of March 31, 2010, Ontario's 187 credit unions and caisses populaires held total assets of $29.7 billion. The trend toward amalgamation continued, with the total assets of credit unions and caisses populaires increasing in 2009-2010 while their number decreased. Total membership remained about 1.6 million.

Pursuant to regulations under the *Credit Unions and Caisses Populaires Act, 1994*, credit unions and caisses populaires are required to maintain adequate regulatory capital, that is, capital equal to at least 5 per cent of total assets. This requirement is based on standards developed by the Bank for International Settlements. On March 31, 2010, regulatory capital in support of deposits represented 7.34 per cent of system assets, an increase from 7.12 per cent on the same date in 2009 and 7.19 per cent in 2008.

As of March 31, 2010, 56 loan and trust companies were registered to operate in Ontario, down from 57 a year earlier. All were federally incorporated, which is a requirement for registration.

Also at year end, Ontario had 1,353 licensed mortgage brokerages, with 2,788 brokers and 8,165 agents. The number of mortgage brokerages was virtually unchanged from 1,351 a year earlier. Eighty-three mortgage administrators were licensed in the province, up from 68 the year before. According to annual information returns, mortgage brokerages arranged more than 220,000 mortgages with a total value of more than $58 billion during the period from January 1 to December 31, 2009.

A co-operative is a corporation that carries on an enterprise on a co-operative basis as defined under the *Co-operative Corporations Act*. There were 1,633 co-operative corporations in Ontario as of March 31, 2010, up from 1,605 a year earlier. Thirty-two new co-operatives incorporated during 2009-2010 – 17 in services, five in housing development and one in each of housing, marketing and farming – as well as one consumer, four worker and two nursery/daycare co-operatives.

Ontario Credit Unions and Caisses Populaires

Measure	As of March 31, 2010	As of March 31, 2009
All Institutions		
Number	187	194
Assets	$29.7 billion	$28.2 billion
Membership	1,630,762	1,664,662
Institutions with Assets over $50 Million		
Number	94	94
Assets	$28.3 billion	$26.7 billion
Membership	1,479,139	1,498,682

Mortgage Brokerage Activities in Ontario*

Mortgages Arranged	2009 Number	2009 Value
Residential	216,727	$46.6 billion
Commercial	3,556	$11.5 billion
Total	220,283	$58.1 billion

** Based on annual information returns (AIR). About 80 per cent of mortgage brokerages filed an AIR.*

PENSION PLANS

Employment pension plans represent an important source of income for retirees and a significant way to save for retirement. As the second-largest source of investment capital in Canada after the chartered banks, pension plans contribute to economic growth. Moreover, a strong pension system helps attract and retain highly skilled workers, making Ontario employers more competitive.

Pension plans fall into one or more of the following categories:

- **Defined benefit plans** provide a pre-determined level of benefits during retirement.
- **Defined contribution plans** set the amount of contributions and provide benefit payments based on the amount of pension that can be purchased with the accumulated contributions plus investment returns.
- **Multi-employer pension plans (MEPPs)** are generally established in industries or trades where workers tend to change employers frequently and have a common union affiliation (for example, carpenters or painters). In the public sector, MEPPs cover groups like teachers or municipal workers and are based on legislation. MEPPs can be either defined benefit or defined contribution plans.
- **Jointly-sponsored pension plans** are defined benefit plans where the employer (or employers) and the members jointly share responsibility for the plan including funding any deficits as they arise. These are mainly public sector plans and can be either single employer or multi-employer plans. This category of plan will be reported separately in next year's annual report.

In 2009-2010, the number of pension plans remained relatively stable, totalling 7,835 as of March 31, 2010 compared with 7,848 one year earlier. Total active plan membership increased less than one per cent to 2,184,000. Active plan members are those currently earning pension benefits. Plan membership also includes retired members, deferred members and other beneficiaries.

While MEPPs represented only about two per cent of registered plans at year end, they accounted for 47 per cent of active plan members, consistent with previous years. Defined benefit plans, single-employer and multi-employer, accounted for 83 per cent of active plan members, also in line with prior years.

The market value of assets in Ontario-registered pension plans was estimated at $320 billion in 2008, reflecting a 17 per cent decrease from $386 billion in 2007. In both years, 97 per cent of assets were held in defined benefit plans.

The majority of defined benefit plans faced a decline in solvency as a result of the drop in the value of investment portfolios, as well as low long-term interest rates. A market recovery in 2009 led to improvement in the funded status of pension plans – a trend that will be reflected in FSCO's reporting next year.

ONTARIO-REGISTERED ACTIVE PENSION PLANS AND MEMBERSHIP

Pension Plan Type	As of March 31, 2010		As of March 31, 2009	
	#	% of Total	#	% of Total
Single-Employer Plans *	**7,708**	**98%**	**7,721**	**98%**
Defined Benefit Plans *	4,391	56%	4,362	55%
Members **	1,535,000	40%	1,529,000	40%
Active Members ***	816,000	37%	821,000	38%
Retired Members, Deferred Members and Other Beneficiaries ****	719,000	43%	707,000	44%
Defined Contribution Plans *	3,317	42%	3,359	43%
Members**	390,000	10%	378,000	10%
Active Members ***	339,000	16%	332,000	15%
Retired Members, Deferred Members and Other Beneficiaries****	51,000	3%	46,000	3%
Multi-Employer Plans*	**127**	**2%**	**127**	**2%**
Defined Benefit Plans*	86	1%	88	1%
Members**	1,864,000	49%	1,824,000	48%
Active Members***	1,000,000	46%	989,000	46%
Retired Members, Deferred Members and Other Beneficiaries ****	864,000	52%	835,000	52%
Defined Contribution Plans*	41	1%	39	1%
Members**	48,000	1%	45,000	1%
Active Members***	29,000	1%	27,000	1%
Retired Members, Deferred Members and Other Beneficiaries ****	19,000	1%	18,000	1%
Total Pension Plans *	7,835	100%	7,848	100%
Total Members**	3,837,000	100%	3,776,000	100%
Active Members***	2,184,000	100%	2,168,000	100%
Retired Members, Deferred Members and Other Beneficiaries ****	1,653,000	100%	1,608,000	100%

* *Percentages express a percentage of the total number of Plans.*
** *Percentages express a percentage of the total number of Members in all Plans.*
*** *Percentages express a percentage of the total number of Active Members in all Plans*
**** *Percentages express a percentage of the total number of Retired Members, Deferred Members and Other Beneficiaries in all Plans.*

Notes:
(1) Membership numbers rounded to the nearest thousand.
(2) Percentages may not add due to rounding.
(3) Some Defined Benefit Plans are hybrid plans combining defined benefit and defined contribution provisions.

FSCO delivers regulatory services that protect the public interest, support a strong financial services industry and build public confidence in the regulated sectors. The following overview covers FSCO's core business activities during 2009-2010 in seven key areas:

- Licensing, monitoring and enforcement
- Overseeing pension plans
- Supporting the automobile insurance system
- Resolving disputes over automobile accident benefits
- Developing policy
- Protecting consumers through information
- Getting the most from organizational resources.

LICENSING, MONITORING AND ENFORCEMENT

FSCO licenses or registers individuals and businesses to provide financial services in Ontario, monitors compliance with legislation and regulations and takes enforcement action where noncompliance is found. These regulatory services protect consumers and build public confidence in the marketplace.

The Superintendent of Financial Services has delegated his authority to render licensing decisions to the Executive Director of the Licensing and Market Conduct Division.

Application Volume High

To practise in the financial services industry, applicants must meet suitability requirements under the relevant statutes, which may include a qualifying examination and continuing education. FSCO processes and reviews applications to ensure requirements are met. In 2009-2010, the volume of licensing, registration and other applications concerning the provision of financial services totaled more than 36,000.

Rapid Turnaround

During the year, FSCO processed 99 per cent of applications for insurance-agent licences and renewals within five business days, provided they were complete and accurate when received – the same high percentage as the year before. Licensing Link – FSCO's Internet application system accessible 24 hours a day, seven days a week – supports the fast turnaround time. Since July 2006, insurance agents have been required to complete all licensing transactions online via Licensing Link whenever possible. Ninety-eight per cent of life-agent licence renewals in 2009-2010 were processed over the Internet – up from 97 per cent a year earlier.

Mortgage Broker and Agent Licences Renewed

When the *Mortgage Brokerages, Lenders and Administrators Act, 2006* came into effect in 2008, all mortgage brokers and agents were issued licences with a common expiry date – March 31, 2010. The first renewal cycle for these licences ran from February 1, 2010 until

Licensing Activities

Activity	2009-2010 #	2008-2009 #
Individuals		
New Licences Issued		
Life Insurance Agents	4,874	4,901
General Insurance Agents	1,136	1,426
Accident and Sickness Insurance Agents	297	217
Insurance Adjusters	161	179
Mortgage Brokers*	484	2,244
Mortgage Agents*	2,725	8,069
Licences Renewed		
Life Insurance Agents**	11,462	17,141
General Insurance Agents* *	2,503	2,539
Accident and Sickness Insurance Agents**	165	177
Insurance Adjusters	1,120	1,148
Mortgage Brokers***	2,432	-
Mortgage Agents***	6,868	-
Corporations		
New Licences Issued		
Life and General Insurance Agencies	302	330
Corporate Insurance Adjusters	6	7
Insurance Companies	3	4
Mortgage Brokerages*	191	1,351
Mortgage Administrators*	19	68
New Registrations Issued		
Loan and Trust Companies	-	5
Licences Renewed		
Life and General Insurance Agencies**	1,428	2,258
Corporate Insurance Adjusters	80	93

Licensing Activities (Cont'd)		
Activity	**2009-2010** #	**2008-2009** #
Co-operatives		
Offering Statements	13	15
Material Change Relating to Offering	1	3
New Incorporations	32	21
Amendments Relating to Incorporation	14	5
Dissolutions/Cancellations	2	5
Conversion to Corporation	-	1
Credit Unions/Caisses Populaires		
New Incorporations	-	1
Applications Required for Approval/ Filing (including applications for articles of amendment, name changes, by-law amendments, offering statements, etc.)	63	77
Mergers	2	6

* *The number of new licences was high in 2008-2009 because the new regulatory system under the Mortgage Brokerages, Lenders and Administrators Act, 2006 came into effect on July 1, 2008.*

** *Licences are issued for a two-year term. There are high-year and low-year renewal cycles; 2009-2010 was a low year.*

*** *Renewals were high in 2009-2010 because all mortgage broker and agent licences expired March 31, 2010 and had to be renewed prior to that date.*

March 31, 2010. Eighty-six per cent of all brokers and agents renewed their licences by the deadline. The new licence expiry date is March 31, 2012.

Risk-Based Approach to Supervision

FSCO monitors the solvency of Ontario-incorporated insurance companies and keeps watch over business practices in the financial services industry. Taking a risk-based approach, FSCO concentrates its efforts on areas with the most potential for harm to consumers or public confidence. This approach maximizes the impact of regulatory resources while minimizing compliance costs.

Staff deploy a range of regulatory tools depending on the compliance issues involved. They evaluate industry filings, issue market conduct questionnaires, assess media reports, review and respond to complaints, analyze company complaint data and perform desk and on-site examinations.

Closer Prudential Oversight

The goal of FSCO's solvency monitoring in the insurance sector is to ensure that obligations to policyholders can be met. Examinations are targeted based on an assessment of risk profiles, financial conditions, risk management systems, internal controls and compliance records.

In 2009-2010, FSCO conducted six on-site solvency examinations in the insurance industry, as well as desk reviews of all other Ontario-incorporated insurers. While strong compliance with statutory filing and other requirements was found, the problems in the world economy and equity markets have increased the risk of financial failure. FSCO staff met with the senior management and boards of directors of several insurers to ensure that any prudential concerns were promptly addressed.

During the year, the number of insurance companies requiring closer prudential oversight increased from five to eight. FSCO monitored their key monthly performance indicators, such as income, assets, liabilities, investments and equity, as well as the Minimum Capital Test margin.

Examiners kept in frequent contact with the management of these companies and arranged meetings with FSCO senior management where warranted. In the more serious cases, discussions were held with board members about corporate performance and action plans to resolve issues.

In 2009-2010, an Ontario-incorporated general insurance company voluntarily ceased operations but there was no interruption in coverage for Ontario policyholders. Over the past six years, almost a dozen Ontario-incorporated insurance companies have ceased operations or continued under federal or Quebec law for operational and/or strategic reasons.

Working with Central 1 Credit Union

During the year, FSCO and Deposit Insurance Corporation of Ontario (DICO) continued to develop a relationship with Central 1 Credit Union, the new organization created by the June 2008 merger of Credit Union Central of Ontario and Credit Union Central of British Columbia.

Promoting Compliance in the Mortgage Brokering Industry

A home mortgage is the largest financial commitment most families make. The *Mortgage Brokerages, Lenders and Administrators Act, 2006* strengthens consumer protection by making the mortgage brokering industry more accountable. The new legislation was proclaimed in force July 1, 2008, with standards of practice for mortgage brokerages effective January 1, 2009.

Beginning in 2007-2008, FSCO conducted an extensive outreach program to help the industry understand its obligations under the new legislation and regulations. Once the Act and regulations took effect, the focus shifted to ensuring that the industry was in full compliance with the new regulatory regime.

In 2009-2010, FSCO continued to rely on electronic communications as the primary channel for reaching industry participants. For example, e-Blast messages reminded industry registrants of deadlines for filing annual information returns and renewing mortgage broker and agent licences. Six e-Info Newsletters were published to highlight reporting requirements, compliance and enforcement issues and key deadlines. And new sets of frequently asked questions were posted on FSCO's website.

Industry Working Group Offers Advice

The Mortgage Broker Industry Implementation Working Group – comprised of members of mortgage broker, real estate and related associations, along with FSCO and ministry staff – continued to meet throughout 2009-2010. Its mandate is to advise on regulatory and operational processes for implementing the new legislation and regulations. The working group provided feedback on strategies for promoting compliance and communicating effectively.

In particular, the working group offered valuable insights on the design of the annual information return (AIR) for mortgage brokerages and administrators and on ways to inform the industry of filing requirements. Due March 31 each year, the AIR collects information from mortgage brokerages and administrators about their business practices, internal controls and market conditions for the previous calendar year. The information assists FSCO in risk assessment and oversight of the sector. Electronic filing of the AIR is mandatory, through FSCO's Licensing Link system.

Conditional Mortgage Agent Audit

In the lead-up to the new regulatory system, some individuals were granted conditional licences as mortgage agents. In summer and fall 2009, FSCO conducted an education audit to verify that they had successfully completed an approved mortgage agent course. FSCO contacted education providers, as well as principal brokers employing these conditional agents, to confirm the required training. Agents who have not completed the course are not eligible to renew their licences.

Compliance Reviews Conducted

In 2009-2010, FSCO conducted on-site examinations of a random sample of 116 licensed mortgage brokerages – about 9 per cent of the total. The purpose of the reviews was to confirm that brokerages have documented policies and procedures in place to ensure compliance with the standards of practice and maintain oversight of their brokers' and agents' activities. A report on the findings of these compliance reviews was set for release in spring 2010.

Responding to Consumer Complaints

Complaints are a key market conduct signal for both the industry and regulators because they indicate consumer dissatisfaction. The review of complaints is a cornerstone of FSCO's risk-based approach to market oversight.

Industry Complaint Procedures

Under Ontario law, insurance companies are required to designate a complaints officer to receive consumer complaints about business practices. As well, insurers must refer unresolved complaints to an independent third party for review. Most insurance companies are members of a national ombudservice established by the industry. Where this is not the case, FSCO generally acts as the independent third party.

As of July 1, 2008, each mortgage brokerage or administrator is required to designate an individual to handle complaints from the public and must also keep a record of written complaints and written responses. In October 2009, similar requirements came into effect for all credit unions and caisses populaires.

Allegations of Non-Compliance

FSCO inquires into complaints alleging non-compliance with legislative or regulatory requirements in any of the regulated sectors. Complaint procedures and contact information are posted on FSCO's website for the convenience of consumers.

A sharp increase in complaints has taken place across the industry since the financial and economic crisis developed in fall 2008. The highest growth occurred in the mortgage brokering sector, where FSCO reviewed more than two and a half times as many complaints in 2009-2010 as the previous year. The unusually large jump appears due mainly to heightened public awareness about the new Act and regulations. Moreover, each mortgage brokerage and administrator is required to advise consumers making a complaint to contact FSCO if they feel there has been a violation of the legislation or regulations.

Single Window for Complaint Reporting

In July 2009, the web-based Complaint Reporting System established by FSCO and the Quebec Autorité des marchés financiers for life and health and property and casualty insurers expanded to all provinces except British Columbia, as well to the Yukon Territory. The system provides a convenient single window for companies to submit biannual reports to regulators in all jurisdictions where they do business. Complaints from each jurisdiction are reported only to the regulator for that jurisdiction. Regulators can review individual cases, which do not identify the complainants, as well as company-specific data and rolled up industry-level data. The first reporting period under the expanded system ran from July 1 to December 31, 2009.

Enforcing Laws and Regulations

In 2009-2010, FSCO found that 87 per cent of all insurance companies and intermediaries and mortgage brokerages, brokers, agents and administrators that were audited, examined or reviewed were in compliance with legal requirements. Since FSCO takes a risk-based approach, compliance efforts are focused on areas where problems might be expected. FSCO is satisfied that the overall compliance rate throughout the financial services industry as a whole is much higher than in the areas reviewed.

Monitoring Activities

Activity	2009-2010 #	2008-2009 #
Examinations Conducted		
Insurance Companies - Solvency	6	6
Pension Plans	30	14
Mortgage Brokers/Brokerages	116	34
Police Checks		
Insurance Agent Licence Applications	7,381	8,224
Mortgage Broker and Agent Applications	2,456	12,399
Audits		
Errors and Omissions Insurance		
- Life Insurance Agents	377	1,497
- Mortgage Brokerages	-	1,455
Conditional Mortgage Agent Education	916	-
Complaint Reviews		
Insurance Companies	224	177
Insurance Agents	149	170
Mortgage Brokerages	76	16
Mortgage Brokers	47	53
Mortgage Agents	172	44
Credit Unions	24	14
Loan and Trust Companies	3	3
Co-operatives	-	6
Statutory Accident Benefits (SABS) Representatives	1	5
Health Care Providers	4	4

Other monitoring activities – such as media scans, industry surveys and analysis of complaints data – confirmed that the marketplace was generally functioning as expected. However, consumer confidence in the industry remains shaken by the financial and economic crisis. FSCO's proactive oversight contributed to the high compliance rate and low proportion of cases requiring intervention, despite difficult economic conditions.

When monitoring brings forwad rallegations of misconduct, unfair practices or non-compliance with legislation or regulations in any of the regulated sectors, FSCO investigates. If warranted, FSCO proceeds to take enforcement action – such as revoking a licence, requiring the institution or intermediary to implement a compliance plan, issuing a cease-and-desist order or launching a prosecution.

New Enforcement Tool in Mortgage Brokering Sector

The new mortgage brokering legislation gives FSCO the power to impose administrative monetary penalties in cases of non-compliance with regulatory requirements. As a new enforcement tool, administrative monetary penalties give FSCO more flexibility to promote compliance.

Errors & Omissions Coverage

In 2008-2009, FSCO conducted an audit to verify that all licensed mortgage brokerages and administrators were meeting one of the key consumer protection requirements of the new system: the obligation to carry errors and omissions (E&O) insurance – with extended coverage for fraudulent acts – through an approved insurance provider. The audit results led FSCO to take administrative action against 91 mortgage brokerages in February 2009 for failure to comply with the E&O provisions. Interim orders were issued to suspend their licences, together with notices of proposal to revoke their licences and impose an administrative monetary penalty of $1,000 each.

Fifty-seven of these brokerages requested hearings. In 2009-2010, the Financial Services Tribunal heard and made decisions on 26 of these cases, while 27 were settled at prehearing conferences and four were withdrawn by FSCO. Overall, FSCO's administrative action to enforce E&O requirements resulted in 21 orders to revoke licences and 86 administrative monetary penalties totalling $73,550.

Annual Information Returns

Mortgage brokerages and administrators were required to file their first annual information return by March 31, 2009. As of the deadline, the compliance rate across the sector was 80 per cent. Under the legislation, FSCO has the power to impose administrative monetary penalties in cases of non-compliance with filing requirements. Over the next six months, FSCO encouraged voluntary compliance by industry participants that had not yet

Enforcement Actions

Type	2009-2010 #	2008-2009 #
Insurance Agents		
Licences Revoked	35	8
Licences Surrendered	17	3
Licences Suspended	9	4
Letters of Censure	19	37
Mortgage Brokerages		
Conditional Licenses Granted	–	1
Licence Refusals	–	–
Licence Surrenders	–	106
Licence Suspensions	–	91
Licence Revocations	2	19
Administrative Monetary Penalties		
Annual Information Return		
- Notices Issued	29	–
- Amount Ordered	$29,000	–
Errors & Omissions Insurance		
- Notices Issued	–	91
- Proposed Amount Levied	–	$91,000
- Amount Ordered	$40,300	$33,000 [1]
Mortgage Brokers		
Licence Suspensions	1	1
Letters of Caution	-	2
Mortgage Agents		
Licence Refusals	1	3
Letters of Caution	3	5
Dispute Resolution Penalties		
Special Awards against Insurers	7	4
Expense Orders against Representatives	1	3
Cease and Desist Orders	2*	4**
Prosecutions Completed	3	9

[1] *Remaining penalties proposed were before Financial Services Tribunal at year end.*

* *Comprised of one interim order that became permanent.*

** *Two of the four orders were permanent orders and one was an interim order that became permanent.*

filed. In November 2009, however, FSCO served 29 mortgage brokerages and administrators whose filings were still outstanding with notices of administrative monetary penalties of $1,000 each.

Offences Prosecuted

FSCO prosecuted two individuals and one company during 2009-2010, securing convictions on eight charges with fines totalling $40,300. These prosecutions dealt with such offences as failure to comply with a cease-and-desist order under the *Insurance Act* and failure to remit contributions under the *Pensions Benefits Act*.

Loan and Trust Investigation

FSCO looked into several allegations of unfair or deceptive practices by companies or individuals. One of the investigations led the Superintendent of Financial Services to issue an interim cease-and-desist order that later became permanent.

This case concerned an individual and his corporations who had knowingly conducted, undertaken or transacted the business of a loan or trust corporation while unregistered. They had done this by borrowing money from the public by receiving deposits for the purpose of lending and investing. Given the risk to the public, the individual and his corporations were ordered to immediately cease and desist engaging in the business of a loan or trust corporation. A permanent order was later issued. Further details on these orders may be found in Monitoring and Enforcement Online, on FSCO's website.

Dispute Resolution Penalties

In the automobile insurance dispute resolution (DR) system, penalties may be imposed under the *Insurance Act* at the end of an arbitration or appeal hearing. (See the section on **Resolving Disputes over Automobile Accident Benefits** later in this report for a description of the DR system.) In 2009-2010, seven special awards were made against insurers that unreasonably withheld or delayed the payment of benefits, while one individual representing a party was ordered to pay expenses personally.

Advisory Board Activities

Activity	2009-2010 #	2008-2009 #
Cases Pending at Beginning of Year	7	7
New Cases Received	13	10
Hearing Days	14	5
Other Activity Days – Including: Pre-Hearing Conferences, Telephone Conferences, Settlement Conferences and Motions	20	24
Total Hearing and Activity Days	34	29
Files Closed	11	10
Cases Pending at End of Year	9	7

NOTE: Numbers for each year may reflect activity concerning files opened prior to the respective year.

Advisory Board Hearings

Very often, issues involving the licences of insurance agents or adjusters are resolved by minutes of settlement. However, an agent, adjuster or applicant for a licence is entitled to request a hearing and, if this is done, the Superintendent of Financial Services appoints an Advisory Board. Advisory Boards make recommendations to the Superintendent on whether to grant, renew, revoke or suspend a licence. Each board includes an agent or adjuster representative, an insurer representative and a Superintendent's representative.

The Advisory Board holds a hearing and prepares a written report to the Superintendent, who then makes a decision and issues an order. In 2009-2010, Advisory Boards closed 11 cases, one more than the previous year.

OVERSEEING PENSION PLANS

The *Pension Benefits Act* and regulations set minimum standards for the administration and funding of employment pension plans registered in Ontario. FSCO monitors and enforces compliance with the legislation and regulations, advises the government on pension issues and operates a guarantee fund that protects a minimum level of pension benefits for most single-employer defined benefit plans.

Strengthening Pension Regulation

The 2009 Ontario Budget announced additional resources for FSCO to improve pension regulatory services and enhance the effectiveness of pension plan regulation over a three-year period. As of March 31, 2010, FSCO had filled or was in the process of filling 17 full-time positions in a variety of roles to support better regulatory efficiency and oversight.

During the year, FSCO assisted the Ministry of Finance to develop pension reforms to address immediate economic and financial challenges and begin to modernize the pension system for the longer term.

Temporary Solvency Relief

In June 2009, the government approved regulatory changes to provide defined benefit pension plans with temporary solvency funding relief. The package includes temporary rules to allow businesses to defer their solvency payments for one year, restart the five-year funding schedule for previously established solvency payments and, with the consent of active members and retirees, spread solvency payments over an extended 10 year period. The effect of these changes is to free resources for operations. Since the introduction of these measures, 140 pension plans (out of 505 eligible plans) have elected one or more of the three options.

The government also brought in measures to increase transparency, so workers and retirees receive clear information about the financial health of their plans, and to protect the security of pension benefits through limits on contribution holidays.

Pension Benefits Amendment Act

In December 2009, the government introduced a bill to amend the *Pension Benefits Act*, the most significant pension reform package in Ontario in more than 20 years and the first stage in a multi-step process. (The bill was passed by the legislature in May 2010, with most provisions effective on proclamation.) The reform measures build on the recommendations of the final report of the Expert Commission on Pensions, *A Fine Balance: Safe Pensions, Affordable Plans, Fair Rules*, released in November 2008 following extensive research and public consultation.

Under the new legislation, more plan members affected by layoffs will be eligible for enhanced benefits, and members and retirees will gain quicker access to information about the funded status of their plans. Other provisions will enable plan sponsors to complete corporate reorganizations more easily while maintaining pension plan coverage for their employees. Partial wind-ups – in which only part of a pension plan is closed – will be eliminated, simplifying administration and reducing compliance costs. FSCO will have the power to require special valuations for plans at risk, strengthening the security of benefits through improved oversight.

Processing Transactions and Filings

Under the *Pension Benefits Act*, the Superintendent of Financial Services makes regulatory decisions on certain pension plan transactions, from initial registration to full wind-up. Some of these powers have been delegated to staff. The chart lists key plan transactions dealt with by FSCO during 2009-2010. FSCO also processes annual information returns and other routine filings, which totaled 20,925 during the year.

Pension Plan Transactions Processed

Type	2009-2010 #	2008-2009 #
New Plans Registered		
Single-Employer Plans		
Defined Benefit	233	366
Defined Contribution	105	93
Multi-Employer Plans		
Defined Benefit	-	1
Total	338	459
Plan Amendments Registered	2,471	2,416
Full Wind-Ups Processed		
Single-Employer Plans		
Defined Benefit	193	27
Defined Contribution	168	53
Total	361	80
Partial Wind-Ups Processed		
Single-Employer Plans		
Defined Benefit	34	29
Defined Contribution	49	41
Multi-Employer Plans		
Defined Benefit	4	4
Defined Contribution	3	-
Total	90	74
Plan Mergers/Asset Transfers Approved		
Single-Employer Plans		
Defined Benefit	24	53
Defined Contribution	42	41
Multi-Employer Plans		
Defined Benefit	-	4
Defined Contribution	1	3
Total	67	101
Surplus Refunds to Employers on Full Wind-Up Applications		
Single Employer Plans		
Defined Benefit	3	1
Total	3	1
Surplus Refunds to Employers on Partial Wind-Up Applications		
Single Employer Plans		
Defined Benefit	1	-
Total	1	-

A substantial increase occurred in full wind-ups of pension plans in 2009-2010, to a total of 361 from 80 the previous year. Some of the factors involved were: termination of 122 Individual Pension Plans (IPPs)* by employers following changes in federal income tax rules; 16 wind-ups resulting directly from the insolvency of the employer; and replacement of several defined contribution plans with group registered retirement savings arrangements not subject to the *Pension Benefits Act*.

Where a company becomes insolvent, the Superintendent in most cases appoints a third-party administrator to ensure pension plans are wound up properly. As of March 31, 2010, FSCO was coordinating the administration of 185 plans for insolvent companies, down from 246 a year earlier.

Health of Plans Monitored

FSCO monitors the funding and investment of defined benefit pension plans to ensure compliance with the legislation. A risk-based approach is taken to identify and focus attention on higher-risk plans, thereby optimizing the use of regulatory resources.

Plan Funding

Since 2000, FSCO has compiled and maintained a database of key actuarial and financial data extracted from valuation reports. A risk-based review system screens information filed with FSCO to select plans for further scrutiny.

Highlights of the risk-based monitoring of plan funding during 2009-2010 include:

- Actuarial information summary reports for 1,601 plans were entered and screened through the system.
- For 500 of the plans screened, the system flagged potential problems – such as significant deterioration in funded status, significant actuarial gains or losses, non-compliance with minimum funding requirements, delinquent contributions, and issues with actuarial assumptions.
- FSCO followed up with 165 plans where material compliance concerns were raised. In almost all cases issues were resolved through steps by plan sponsors, administrators and actuaries, with FSCO taking enforcement action when plans remained noncompliant.

Most of the actuarial reports covered in 2009-2010 had valuation dates prior to June 30, 2009. FSCO's monitoring of later reports will commence as soon as they are filed, with the findings to be published in spring 2011.

Plan Investment

In 2006, to broaden the oversight of defined benefit plans, FSCO implemented a risk-based system for the monitoring of pension fund investments. FSCO took this step because the long-term health of plans depends heavily on investment returns. Key financial and investment information is collected from plans on an annual basis, entered into a database and screened by an automated risk-review system.

In 2009-2010, FSCO completed the fourth investment monitoring cycle, which covered plan fiscal years ending between July 1, 2008 and June 30, 2009. Highlights include:

- Investment information summary filings for 1,891 plans were entered and screened through the system.
- The system flagged 551 of these plans with such investment-related issues as regulatory breaches, poor relative performance and a mismatch between assets and liabilities.
- FSCO reviewed all the flagged plans and raised issues with 278 plans. Of these, 70 plans were required to provide additional information or explanations.
- Most plans with investment concerns were given an opportunity to correct and improve. Thirteen plans with serious issues under-went on-site examinations.

A summary of pension plan funding and investment information can be found in FSCO's *Funding of Defined Benefit Pension Plans in Ontario, Sixth Annual Report, 2006-2009*, which was published in March 2010 and appears on FSCO's website. The report also includes information on the funding relief measures implemented by the Ontario government in 2009.

On-Site Examinations

FSCO performed on-site examinations of 30 pension plans during 2009-2010 – more than double the total of 14 the previous year. Twenty-nine of the plans were single-employer plans –19 defined benefit, four defined contribution and six hybrid plans with both defined benefit and defined contribution provisions. One defined benefit multi-employer plan was also examined. Plans were chosen for review through the risk-based funding and investment monitoring programs, as noted above, as well as on the basis of risk profiles highlighted in FSCO's pension plans database.

Improving Pension Regulatory Services

The final report of the Expert Commission on Pensions, together with submissions to the Expert Commission, responses to FSCO's Statement of Priorities and FSCO's own research, have highlighted opportunities to improve pension regulatory services. A common theme has been the need for better communication with pension stakeholders and more involvement of stakeholders in FSCO's pension activities.

In light of these findings, FSCO in 2008 launched a multi-year project on Improving Pension Regulatory Services. This project includes five initiatives, which FSCO pursued throughout 2009-2010.

* *IPPs are pension plans for a specifically named individual. They can be either defined benefit or defined contribution plans and are typically set up for connected persons or highly paid employees.*

Enhanced Stakeholder Engagement and Outreach

Public Consultations

To broaden communication with pension stakeholders and enhance stakeholder engagement in pension activities, FSCO developed a process for conducting public consultations. The process sets time frames and calls for the posting of draft policies and initiatives on FSCO's website for comment. Two public consultations were undertaken during the year – one on FSCO's proposed solutions, service goals and processes for defined benefit pension applications, and another regarding a draft policy on management and retention of pension records by plan administrators.

Advisory Committees

At the request of pension plan administrators FSCO formed a new Administrator Advisory Committee to represent their perspective, bringing the number of pension advisory committees to six. Terms of reference were updated for the other five committees (the Accounting and Assurance, Actuarial, Investment, Legal, and Multi-Employer Pension Plan committees).

FSCO met with each committee in spring and fall 2009 and intends to maintain this regular schedule in the future. The focus of meetings has shifted to make better use of the members' technical expertise, as FSCO now seeks members' advice before taking a draft position on specific issues. As well, the committees are now involved in the development of regulatory policies at a much earlier stage. An annual Pension Forum, held early in the calendar year, brings all committee members all together, updates them on FSCO's accomplishments over the past 12 months and provides an opportunity for input on proposed initiatives for the year ahead.

Representative Stakeholder Groups

FSCO made a commitment to hold annual meetings with a wide range of groups representing various pension stakeholders – including pension organizations, professional associations, organized labour, retiree groups, public sector pension plans and consumer organizations. The sessions will give them an opportunity to take part in FSCO's planning process and act as a sounding board on FSCO initiatives. FSCO also introduced an annual update to the industry on efforts to improve regulatory services over the past year, and the next steps.

Pension System Enhancement and Development

FSCO is determined to strengthen its information and information technology capabilities to become a more effective and efficient regulator. After an internal review of the current pension system, FSCO presented the findings at meetings with the advisory committees and stakeholder groups and received numerous comments and suggestions.

In March 2010, FSCO launched the Pension Services Portal on its website, enabling an electronic filing option for annual information returns. Pension plan administrators and their delegated third party agents can now file annual information returns electronically via a secure web-based application.

Risk-Based Regulation

FSCO undertook a project in fall 2009 to develop a more comprehensive risk-based approach to the supervision of pension plans. The goal is to create a risk-based supervisory framework together with the business and system processes required to enhance and build on current FSCO processes. This work is expected to improve the monitoring of high-risk pension plans by enabling FSCO to review plan funding and investment data in a more integrated way. The research and analysis phase was completed during 2009-2010. FSCO will seek stakeholder feedback on the proposed framework before proceeding with detailed program design.

Defined Benefit Application Processing

FSCO has undertaken an initiative to address longstanding defined benefit applications related to plan mergers, asset transfers, and partial wind-ups involving surplus assets. FSCO intends to streamline the processes used to review these applications and then revise and publish performance targets. Between April 1, 2008 and March 31, 2010, the number of outstanding pension plan applications of this type fell by 85 per cent. The remaining applications are more complex and require more extensive analysis. While continuing work on the outstanding applications, FSCO is processing new applications promptly to keep the backlog from growing.

Inquiries and Complaints

FSCO is working to improve procedures for processing, tracking and reporting on all pension-related inquiries and complaints to see that they are addressed in a timely manner. Changes to information systems have been introduced to better track and report on pension inquiries and issues. Next, FSCO will develop and publish new performance targets for its response to plan member inquiries and complaints. Best practices will also be released to guide pension plan administrators in dealing with inquiries and complaints from members of their plans.

During 2009-2010, FSCO's Pension Division received a total of 12,525 pension inquiries, with 4,225 coming from plan members inquiring about their plans and rights under the *Pension Benefits Act*. The average response time to the inquiries from plan members was eight days – well below the target of 15 days. Of these inquiries, 377 were complaints against plan administrators requiring FSCO action to ensure compliance with the *Pension Benefits Act* and regulations and the plan documents.

Pension Regulatory Costs

The average cost of all pension regulatory activities combined – such as monitoring plan funding, processing transactions and filings, and responding to inquiries – was

$4.14 per plan member (including active, retired and deferred members and other beneficiaries). The 20 per cent increase from $3.44 the previous is year due to additional costs for FSCO's initiatives to improve pension regulatory services.

Pension Regulatory Policy Activities

Monsanto Follow-up Continues

In 2004, in the case of Monsanto Canada Inc. v. Superintendent of Financial Services, the Supreme Court of Canada upheld the Superintendent's position that the *Pension Benefits Act* requires the distribution of surplus assets on the partial wind-up of a pension plan. Since the ruling, 250 of the 345 partial wind-ups affected have been addressed. FSCO is working to ensure that the remaining 95 partial wind-ups are dealt with in accordance with the legislative requirements.

Policy Review Project

Pension policies guide the administration of pension legislation and regulations and help plan sponsors and administrators understand and comply with their legal obligations. In 2008, FSCO began a long-term project to ensure that all active pension policies are current, accurate and available in both English and French. During 2009-2010, 53 policies were updated, 12 were archived and 39 were translated into French.

Unlocking Applications Up Sharply

Generally speaking, money transferred from a registered pension plan into a locked-in account may be used only to provide retirement income. However, individuals who qualify under special circumstances – including specific types of financial hardship – can obtain access to the money.

The Superintendent's consent is required to unlock funds because of financial hardship. Qualifying circumstances include: low income; the risk of eviction from a home or rented residence or the need to pay rental deposits on a residence; and the need to pay medical or dental expenses or costs of residential renovations, alterations or construction to accommodate a disability or illness of self or family. Applicants may be expected to use some of their other assets before withdrawing locked-in funds.

FSCO processes applications for the Superintendent's consent to unlocking due to financial hardship. The volume of applications has increased sharply since the start of the recession in fall 2008, with the total for 2009-2010 up 28 per cent from the previous year. It appears that unemployed workers are being forced to access funds set aside for retirement to deal with their current financial situation.

In response to the economic downturn, the government has waived fees for financial-hardship unlocking applications for two years, beginning April 1, 2009.

Financial Hardship Unlocking Applications Processed

Applications	2009-2010	2008-2009
Received	16,441	12,802
Approved	15,272	11,035
Refused	3	–

Pension Benefits Guarantee Fund

Established under the *Pension Benefits Act*, the Pension Benefits Guarantee Fund (PBGF) protects a minimum level of benefits in most single-employer defined benefit pension plans with members in Ontario. The PBGF comes into play when a plan is wound up without enough money in the pension fund to pay the promised benefits and the employer is unable to cover the shortfall, normally because of insolvency or bankruptcy. The Superintendent of Financial Services is responsible for the administration of the PBGF and the investment of its assets.

Pension plans with guaranteed benefits pay an assessment into the PBGF. The total liability of the PBGF is limited to the assets of the fund plus any loans or grants received from the province. Financial statements for the PBGF appear later in this annual report.

Pension Benefits Guarantee Fund Claims

Claims Paid	2009-2010	2008-2009
Number	23	18
Total Value*	$64,535,385	$91,651,299

** The total values are reported on a cash basis.*

SUPPORTING THE AUTOMOBILE INSURANCE SYSTEM

Automobile insurance is compulsory for Ontario drivers and motor vehicles. To protect consumers, FSCO reviews and approves premium rates, risk classification systems and underwriting rules for denial of coverage, as well as endorsements, forms and rate manuals. FSCO also advises the government on the need for changes to automobile insurance legislation and regulations, and works with insurers and other stakeholders to improve the operation of the system. In addition, FSCO administers a claims fund for victims of accidents involving uninsured or unidentified vehicles.

Auto Insurance Reforms Announced

Under the *Insurance Act*, the Superintendent of Financial Services is required to undertake a review of Part VI (Automobile Insurance) of the Act and related regulations at least every five years. Part VI covers statutory accident benefits, court proceedings and dispute resolution. FSCO conducted the first review in 2008-2009, with the Superintendent's report delivered to the minister in March 2009. Dozens of insurance industry, health care, legal and other stakeholder groups, as well as individual consumers, took part in extensive consultations as part of the review.

In November 2009, the Minister of Finance announced a package of auto insurance reforms based largely on proposals in the Superintendent's report. The government accepted 36 of the Superintendent's 39 recommendations and also made five additional changes to improve the effectiveness and administration of the automobile insurance system. The provincial government has approved regulations bringing the reforms into effect on September 1, 2010.

The changes are designed to reduce excess costs for the assessment of injuries in the auto insurance system and ensure more accident benefit dollars go to treating accident victims. This will help stabilize auto insurance premiums in Ontario.

The reforms will reduce mandatory accident benefit coverage and expand optional coverage. Drivers will be able to choose a new standard level of coverage that could reduce the cost of auto insurance, or select additional levels of medical, rehabilitation and attendant care benefits. As well, the reforms will offer a choice of deductibles under direct compensation – property damage coverage to repair the vehicle of the driver who is not at fault. Selecting a higher deductible may reduce the cost of insurance.

Under Ontario law, people who are injured in an accident can sue the at-fault driver for pain and suffering in some circumstances, but a court award is subject to a deductible. Under the reforms, consumers will have the option to buy additional coverage that will have the effect of reducing the deductible amount. This change will give some accident victims more access to financial compensation through the court system.

The package also introduces 17 consumer protection measures. For example, a total ban will be imposed on the use of credit scoring for auto insurance purposes, including during the quoting process to determine whether a driver is insurable or how much to charge for insurance. And accidents where a driver is 25 per cent or less at fault will no longer affect premiums.

As well, the reforms will streamline a number of processes to reduce transaction costs and create a less complex auto insurance system, ensuring more accident benefit dollars go to treating accident victims. The cost of assessments of injuries will be capped, rebuttal examinations will be eliminated, and treatment plans and applications for assessments or examinations will be merged into one process. A Minor Injury Guideline will be developed to allow health care providers to treat minor injuries – such as whiplash, strains and sprains – without the need for prior approval by the insurer. And the number of timelines and forms that claimants and insurers use will be reduced.

Implementation Process Underway

FSCO began working with stakeholderon implementing the reform package following the government's November 2009 announcement. The Superintendent created a Reforms Implementation Steering Committee made up of key stakeholders to support the implementation process. In addition, a series of working groups

Automobile Insurance Filings Processed

Type	2009-2010	2008-2009
Private Passenger Auto Rate Filings		
Major	103	69
Simplified*	6	19
CLEAR	58	45
Fees**	4	
Total	171	133
Non-Private Passenger Auto Rate Filings	109	127
Underwriting Rule Filings	54	51
Endorsement Filings	53	53
Form Filings	37	43
Rate Manual Filings	137	95

* *Insurers may submit a simplified filing where certain criteria, including a rate reduction proposal, are met. Only summary information is required in a simplified filing, whereas a major filing requires detailed actuarial information.*

** *Revised filing guidelines issued in March 2009 include a new section for Fee Filings where the company is proposing to make changes to fees or add new ones.*

including stakeholder representatives and FSCO staff convened to work on specific reform initiatives – including new claim forms, new policy and endorsement forms, the Minor Injury Guideline, filing guidelines for insurers, and consumer information on the reforms. In early March 2010, FSCO informed insurers of requirements for submitting automobile insurance rate and risk classification filings made necessary by the reforms.

Consumers Protected by Rate Review

In reviewing auto insurance rates, FSCO's goal is to ensure that rates are reasonable and justified, based on expected claims costs. In 2009-2010, FSCO approved 171 private passenger auto (PPA) insurance rate filings – a 29 per cent increase over the previous year. The overall change in approved rates for 2009-2010 was an increase of 13.2 per cent, based on the entire market.

The number of major PPA rate filings approved during 2009-2010 was up 49 per cent from the year before. On average, the time to review and approve major filings was 55 days, virtually unchanged from 56 days the previous year. Many of the major filings included significant changes to risk classification systems, as insurers increasingly utilize advanced information technology to project future claims based on risk characteristics.

The Canadian Loss Experience Automobile Rating (CLEAR) system assists insurers to align rates with risks by grouping vehicles according to their actual claims experience. Companies using the system were required to submit filings reflecting the 2009 CLEAR vehicle rate group tables by December 2009.

Improving the Rate Filing Process

During the year, FSCO worked with automobile insurance stakeholders to make the filing approval process more efficient, effective and transparent. Updates were made to ARCTICS, FSCO's web-based filing system, to make it more user-friendly and speed up the entry of information. New filing guidelines and benchmarks were posted on FSCO's website. An e-newsletter was also launched to keep stakeholders up to date on filing issues and activities.

FSCO completed a study of the filing process to identify areas where clearer filing guidelines can be developed and timelines for review and approval can be shortened. This exercise included an analysis of the quality of filings submitted by insurers. About one third of major private passenger auto rate filings were graded as "below average" because the information provided was incomplete, inaccurate or poorly organized. Tips were provided to the industry to help ensure a smoother filing process.

To improve the efficiency of the process and employ resources more effectively, FSCO announced that e-filing through ARCTICS will be mandatory as of January 1, 2011. More than 80 per cent of filings in 2009-2010 were submitted via ARCTICS.

Group-Marketed Automobile Insurance

FSCO conducted a survey of insurers that write automobile insurance on a group-marketed basis. In keeping with FSCO's risk-based approach, the objective was to gauge compliance with the *Insurance Act* and regulations, and to ensure the appropriate use of group discounts and programs. The survey covered general operational practices and technical procedures and results.

Approximately 30 per cent of the auto insurance companies writing PPA policies in Ontario have filed rates for groups. Group business accounts for about 17 per cent of total PPA premiums.

The survey concluded that some insurers need to amend their policies and procedures so that all groups meet regulatory requirements. Insurance companies must also have group marketing plans in place for all groups as required by regulation. FSCO has followed up with individual insurers to ensure appropriate action is taken on the compliance risks identified.

Health Claims for Automobile Insurance Pilot

A working group with representatives of insurers, health care providers and FSCO has been meeting regularly over the past two years to plan the re-introduction of the Health Claims for Automobile Insurance (HCAI) system. A voluntary pilot project to test the system got underway in mid-September 2009.

Operated by a not-for-profit corporation, HCAI is designed to enable the electronic exchange of information between automobile insurers and health care providers. At the operator's request, the Superintendent temporarily suspended operation of the system in March 2008, due to technical problems.

HCAI was developed to improve claims processing and generate timely data on health care costs. Under the system, certain accident benefit claims forms are transmitted from health care providers to insurers through a central processing agency. The system also enables insurers to communicate claims approval and payment decisions to health care providers.

The pilot project was scheduled to conclude in May 2010. If the HCAI system meets expectations during the pilot phase, FSCO indicated that mandatory participation would be introduced in stages in for all automobile insurers and health care providers.

Last-Resort Coverage for Accident Victims

FSCO administers the Motor Vehicle Accident Claims Fund (MVACF), which provides compensation to victims of accidents involving uninsured or unidentified vehicles who have no access to insurance coverage.

MVACF is financed by a fee of $15 (three dollars per year) paid when each five-year Ontario driver's licence is issued or renewed. MVACF also makes every effort to recover third-party liability payments from uninsured motorists found responsible for accidents. The driver's licences of those in default are suspended. MVACF arranges for reinstatement of the licence when the debt is paid in full or a satisfactory payment schedule is in place.

Motor Vehicle Accident Claims Fund		
Measure	**2009-2010**	**2008-2009**
New Claims Reported (#)	601	561
Total Cash Payouts	$21.6 million	$21.7 million
Total Statutory Accident Benefits Claims Paid (#)	441	425
Total Statutory Accident Benefits Payments	$16.1 million	$15.4 million
Total Third Party Liability Claims Paid (#)	114	115
Total Third-Party Liability Payments for Bodily Injury and Property Damage	$5.5 million	$6.3 million
Collection of Repayments	$1.2 million	$1.3 million
Suspended Driver's Licences (#)	420	401
Reinstated Driver's Licences (#)	248	234
Repayments Processed (#)	7,327	7,731
Debtors Making Payments (#)	837	890
Active Accounts Receivable (#)	1,101	1,147

In 2009-2010, MVACF paid out $21.6 million in claims, almost the same as the year before. Outstanding claims liabilities totaled $170.3 million at year end, a decrease from $179.4 million a year earlier. MVACF's financial statements appear later in this annual report.

Under legislation, MVACF is authorized to pay the statutory accident benefits (SABS) claims of insolvent insurers. In 2009-2010 a protocol was established for the processing and payment of SABS claims by MVACF in the event of an insurer insolvency, and for subsequent recovery of MVACF's costs from the auto insurance industry. The protocol will help to ensure compensation for people injured in automobile accidents.

RESOLVING DISPUTES OVER STATUTORY AUTOMOBILE ACCIDENT BENEFITS

FSCO's dispute resolution services are a pillar of Ontario's no-fault automobile insurance system. If a claimant and insurer disagree about entitlement to statutory accident benefits, or the amount of benefits, FSCO offers a comprehensive dispute resolution system as a fast and cost-effective alternative to court. Services include mediation, arbitration, neutral evaluation, appeal, and variation or revocation of an arbitration or appeal order.

Mediation at FSCO is the mandatory first step in resolving accident benefits disputes. An impartial FSCO mediator works with the parties to seek a mutually acceptable solution. If mediation does not succeed, the claimant can take the dispute to arbitration at FSCO. Otherwise, either party can start a court case, or both parties can agree to send the dispute to private arbitration.

The decision of a FSCO arbitrator is binding. However, either party can appeal an arbitrator's order to FSCO's Director of Arbitrations on a question of law. While there is no appeal from a decision of the director or delegate, judicial review may be available through the courts. An arbitration order can be varied or revoked where it contains an error, the claimant's condition has changed or new evidence has arisen.

Each year, FSCO arbitrators and appeals officers release significant decisions interpreting various provisions of the *Insurance Act* and the Statutory Accident Benefits Schedule. All FSCO arbitration and appeal decisions are posted on FSCO's website.

Mediation Applications Increase Again

The volume of mediation applications rose for the fourth consecutive year. In 2009-2010, applications totaled 22,219 – up 29 per cent from the year before. This level represents an unprecedented 75 per cent increase over four years. The size of the 2009-2010 increase suggests that continuing economic pressures may be leading to more disputes.

In 2009-2010, FSCO closed 7 per cent more mediation cases than the year before. The settlement rate for mediation increased again, with 68 per cent of cases settled either fully or partially, compared with 64 per cent in 2008-2009 and 60 per cent in 2007-2008.

Despite these efforts, the backlog of pending cases (all open cases in the system) grew by 83 per cent over the previous year, resulting in increased wait times before files are assigned to mediators. FSCO continues to monitor the pending volume closely and several initiatives have been taken to reduce wait times. Mediators have been hired on short-term contracts and extra files have been assigned to mediators. FSCO also held special group settlement days. Though successful in closing a large number of files, these measures have not been enough to fully address wait time concerns. Other short-term and longer- term initiatives, suggested by consultations both within FSCO and with stakeholders, were under consideration at year end.

Arbitration Applications Continue Upswing

In 2009-2010, applications for arbitration rose for the third consecutive year. The volume was up 12 per cent from 2008-2009 to 3,422. This represents a 29 per cent increase over three years. Ninety-four per cent of arbitration cases were settled before

a decision was issued, up slightly from 92 per cent the previous year.

The release time for arbitration decisions remained steady, with 73 per cent of decisions issued within the published time frame of 85 days from the end of the hearing, the same level as in 2008-2009. The median time for issuing a decision was also unchanged, at 56 days.

More Appeals Settled

The number of appeals filed has held relatively steady for the past few years. In 2009-2010, 42 appeal applications were received, compared with 39 in 2008-2009 and 41 and 42 in the two prior years, respectively. Thirty-two cases settled before a decision was issued in 2009-2010, more than double the previous year's total.

The number of appeal cases closed grew by half to 57 in 2009-2010, while the number of decisions issued climbed slightly to 43. Seventy-four per cent of decisions were released within 85 days of the hearing, up from 70 per cent the previous year.

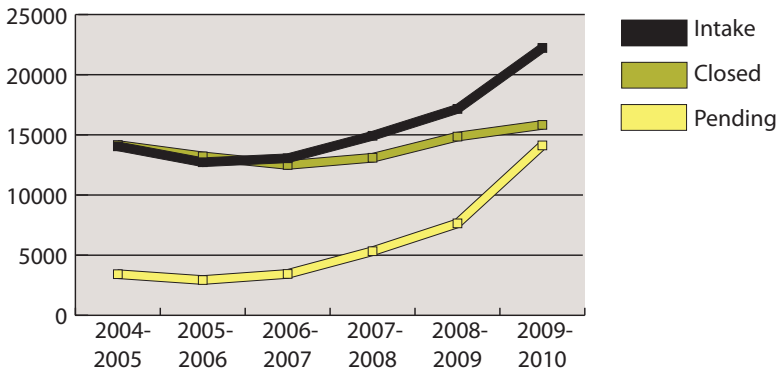
DEVELOPING POLICY

FSCO advises the government on ways to keep the regulatory framework in line with market realities and also develops regulatory policies to guide the ongoing administration of financial services legislation. In shaping policy, FSCO relies on open, ongoing communication with the industry, consumers and other stakeholders to highlight emerging issues and help find practical responses.

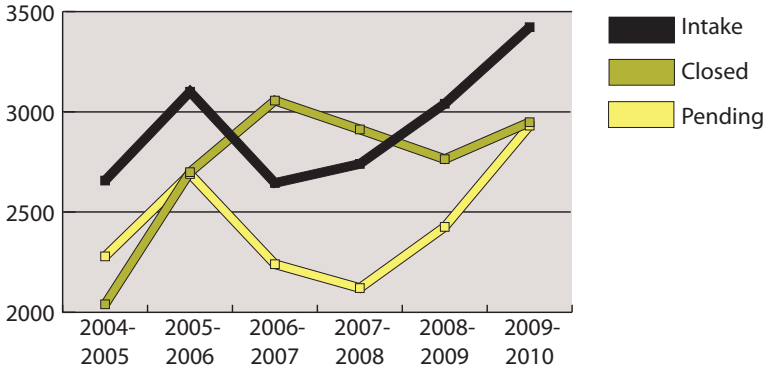
National Regulatory Coordination

FSCO fosters a coordinated national approach to financial services regulatory issues. In line with this priority, FSCO takes a leadership role and provides staff support for: the Canadian Council of Insurance Regulators (CCIR), the Canadian Association of Pension Supervisory Authorities (CAPSA), the General Insurance Statistical Agency (GISA) and the Joint Forum of Financial Market Regulators. GISA is an independent corporation that collects and reports automobile insurance data for eight provincial and territorial regulators. The Joint Forum includes representatives of CCIR, CAPSA, the Canadian Securities

Mediation: Cases Received, Closed and Pending



Arbitration: Cases Received, Closed and Pending



Dispute Resolution Services Activities

Measure	2009-2010	2008-2009
Mediation		
New Applications Received	22,219	17,231
Cases Closed	15,826	14,850
Settlement Rate – Full	58%	51%
Settlement Rate – Partial	10%	13%
Arbitration		
New Applications Received	3,422	3,045
Cases Closed	2,948	2,742
Settled	2,748	2,519
Decisions Issued	152	164
Appeals		
New Applications Received	42	39
Cases Closed	57	38
Settled	32	13
Decisions Issued	43	41

Administrators (CSA) and the Canadian Insurance Services Regulatory Organizations. FSCO is also a member of the Canadian Automobile Insurance Rate Regulators Association (CARR).

As well, FSCO participates in the Canadian Mortgage Broker Regulators Group, a new association of regulators of mortgage brokerages from across Canada who have decided to work together to enhance effective and efficient regulation of the sector. The group held its first meeting in May 2009.

Joint Forum Highlights

The Joint Forum coordinates the development of harmonized solutions to financial regulatory issues across both sectors and jurisdictions. During 2009-2010, FSCO continued to participate in key Joint Forum initiatives.

Strategic Plan Renewed

The Joint Forum renews its strategic plan every three years. Underway as of April 1, 2009, the 2009-2012 Strategic Plan focuses on four strategic priorities:

- Product disclosure and regulation
- Consumer awareness and engagement
- Consumer information and education
- Regulatory mechanisms.

Consumer Awareness and Engagement

After a review of mechanisms for consulting consumers in Canadian and other jurisdictions, the Joint Forum approved four recommendations for strengthening its engagement with consumers:

- Increase the use of plain language in published materials
- Utilize multi-stakeholder meetings
- Provide individuals and investors with more feedback on their responses to consultations
- Encourage individual Joint Forum members to engage local consumer organizations and report on feedback.

Monitoring Capital Accumulation Plan Issues

Capital Accumulation Plans (CAPs) are tax-assisted investment or savings plans that permit members to choose among investment options. Examples of CAPs are defined contribution pension plans, group registered retirement savings plans and deferred profit-sharing plans. The Joint Forum issued guidelines for the operation of CAPs in 2004.

In 2009-2010, the Joint Forum established an ongoing standing committee to monitor and address issues that may arise in the future in relation to CAPs. A review of the guidelines in 2008-2009, while finding that no changes to the guidelines were needed, recommended this initiative.

The Joint Forum also released a notice in response to two issues raised by stakeholders during the review. The notice confirmed that tax free savings accounts, as tax-assisted investment or savings plans, are considered CAPs (provided all other criteria are met), and addressed the application of the guidelines to plans where members have access to the full range of investment options as well as investment advice.

Consumer Redress

The Joint Forum's Dispute Resolution Standing Committee continues to work with the financial ombudservices to ensure that the industry system for resolving consumer complaints meets public interest objectives, such as independence, accessibility, fairness and accountability.

In 2007, the Joint Forum released a framework for ongoing collaboration between regulators and the three industry bodies – the Ombudservice for Life and Health Insurance, the General Insurance OmbudService and the Ombudsman for Banking Services and Investments. The framework calls for an independent third party evaluation of the operations of each ombudservice at least every three years. By the end of 2009-2010, all three ombudservices had completed an external assessment and published both the assessor's report and the ombudservice's response.

CAPSA Highlights

CAPSA is a national association of pension regulators that develops harmonized policies and guidelines to improve pension plan administration and enhance the protection of pension plan members across Canada. In 2009-2010, FSCO continued to take part in two major initiatives to achieve these goals.

Regulation of Multi-Jurisdictional Pension Plans

In June 2009, CAPSA released the final proposed Agreement Respecting Multi-Jurisdictional Pension Plans, incorporating feedback on a consultation draft. CAPSA regards the proposed agreement as a significant initiative for plan sponsors, administrators, members, advisors, labour groups and regulators.

Once adopted, the agreement would provide clear rules for the administration and regulation of pension plans with members in more than one jurisdiction, whether federal or provincial. It would replace the existing Memorandum of Reciprocal Agreement that dates back to 1968 and has become outmoded and unworkable. It is estimated that multi-jurisdictional plans account for about 20 per cent of all pension plans and 40 per cent of all plan members in Canada. FSCO currently oversees 1,700 multi-jurisdictional pension plans.

In November 2009, CAPSA released the final Commentary Guide to aid in understanding and applying the proposed agreement. The guide contains the text of each provision, followed by explanatory notes as well as examples where necessary.

Legislation is required for adoption of the proposed agreement by jurisdictions across the country. In March 2010, the Ontario government introduced amendments to the *Pension Benefits Act* that will enable the Minister of Finance to become a signatory to the new agreement.

Prudent Investment and Funding

A discussion paper on key areas of prudence surrounding pension plan funding and the investment of plan assets was released for public consultation in November 2009. CAPSA believes that sound pension plan

governance in terms of best practices in plan funding and investment is essential for plan members to receive the promised benefits.

The goal of this initiative is to develop guidance for sponsors and administrators of plans of all types and sizes across Canada. The consultation period was scheduled to end in April 2010.

CCIR Highlights

CCIR brings together insurance regulatory authorities from all Canadian jurisdictions to promote a harmonized and effective regulatory system that protects consumers and enhances confidence in the insurance marketplace. During 2009-2010 FSCO took part in a series of CCIR projects.

Implementing Point of Sale Disclosure

Segregated funds and mutual funds are similar investment products but are subject to different regulatory regimes, with segregated funds falling under insurance regulators and mutual funds under securities regulators. In October 2008, the Joint Forum released a framework for point of sale disclosure for segregated funds and mutual funds, concluding a five-year project to create a more effective, harmonized consumer disclosure system for these products. The vision behind the framework is to provide investors with meaningful information before they make the decision to buy a fund.

The Joint Forum turned the framework over to CCIR and the CSA to lead implementation in their respective sectors. CCIR worked with the Canadian Life and Health Insurance Association (CLHIA) to implement the point of sale disclosure framework for segregated funds. This work resulted in the CLHIA's adoption of a revised guideline that will take effect on January 1, 2011.

Intermediary Regulation Working Group

The Joint Forum has undertaken a review of the regulation of financial services intermediaries, centred mainly on those who sell mutual funds and segregated funds. As an outgrowth of this initiative, CCIR is reviewing compliance monitoring by insurers to assess how effectively they supervise their agents. A specific aim is to determine if insurance companies are verifying that their intermediaries conduct an analysis of client needs before selling segregated funds.

Throughout the year, a CCIR working group conducted research and interviews with industry members. The findings were reported to CCIR's spring 2010 meeting, which approved the recommendation to check the results through on-site reviews at several insurers.

Standards of Practice Standing Committee

With the increased focus on risk-based market conduct supervision, regulators are putting more emphasis on sound governance practices, standards and guidelines in the insurance industry. To encourage the industry's efforts, CCIR created the Standards of Practice Standing Committee as a mechanism to review and comment on standards and guidelines developed by industry organizations. During 2009-2010, the committee reviewed two guidelines.

Credit Scoring

The use of consumer credit information by insurers has been the subject of inquiries to regulators and has attracted media attention. In April 2009, on behalf of most CCIR members, FSCO sent a questionnaire to 34 property and casualty insurance companies to get a better understanding of how they use credit scoring and the impact this has on consumers. All the insurers completed the questionnaire.

The results of the survey were compiled in a report published in August 2009. Subsequently, CCIR set up a working group to further examine issues and options around the use of credit scoring models by insurers in rating, underwriting and other areas.

Agency Regulation

Managing general agencies, wholesale agencies, wholesale brokers and third party administrators perform various functions on behalf of insurance companies – such as product design, marketing, underwriting and claims management. The presence of these entities has been growing throughout Canada, and a CCIR committee is reviewing their regulation. The aim is to identify risks to consumers as well as potential regulatory concerns. During the year, the committee conducted research and met with industry representatives to gain a deeper appreciation of the issues. A consultation paper is expected to be released in 2010-2011.

Modernizing Ontario's Regulatory Framework

FSCO supports the government's commitment to keep financial regulation in step with rapid changes in the marketplace. FSCO also supports efforts to build a modern regulatory framework that will reinforce Ontario's competitive advantage and sustain a healthy business climate.

FSCO's policy activities at the provincial level regarding pension plans and automobile insurance are described in the **Overseeing Pension Plans** and **Supporting the Automobile Insurance System** sections, respectively, in this annual report.

New Era of Credit Union Regulation

Following the passage of major amendments to the *Credit Unions and Caisses Populaires Act, 1994* in 2007, the Ministry of Finance, the Deposit Insurance Corporation of Ontario (DICO) and FSCO worked collaboratively with stakeholders to develop new regulations to accompany the legislative changes. A draft version was released for public consultation in early 2009.

The amendments to the Act came into force on October 1, 2009, together with a General Regulation to replace four previous regulations. The changes give credit unions the flexibility to remain competitive in the financial services marketplace and also preserve the soundness of the regulatory system and update consumer protection standards.

Under the new regulatory framework, some functions of the Superintendent of Financial Services have been transferred

to DICO – including responsibility for monitoring and enforcing compliance with capital and liquidity requirements, restrictions on borrowing, pledging of assets and lending and investments. In addition, the Superintendent and DICO now have the power to impose administrative monetary penalties for contraventions of certain requirements.

A new Cost of Borrowing and Disclosure to Borrowers Regulation will take effect on October 1, 2010. This will require credit unions and caisses populaires to provide their members with more information when borrowing money or obtaining a credit card.

PROTECTING CONSUMERS THROUGH INFORMATION

Knowledgeable consumers are better equipped to protect their own interests. This is why FSCO views consumer information as a key aspect of its consumer protection mandate.

From planning for retirement, to taking out a home mortgage, to buying auto insurance, consumers face an increasingly complex array of choices. FSCO is working to improve financial literacy and provide access to current, accurate and balanced information to help consumers make sound decisions.

Website Traffic Increases

The www.fsco.gov.on.ca website remains FSCO's leading vehicle for reaching the public. In 2009-2010, the site averaged 8,000 daily visitors, up from 6,000 the previous year, with more than 50,000 page views per day. The most popular areas were licensing and regulation, auto insurance and related claims forms and – new to the top 10 list – the mortgage broker industry web portal.

Financial Literary Portal

In summer 2009, FSCO launched the Financial Literacy Portal on the website, offering one-window access to educational information on effective money management. The portal acts as a gateway to the vast amount of information available online to help consumers improve their financial literacy.

Links are provided to tools and resources on financial topics including insurance, banking, financial planning, mortgages and investing, and are bundled around groups such as youth, near-retirees and retirees. FSCO is committed to keeping the listings up to date.

New Mortgage Resources for Consumers

In 2008, FSCO set up a new consumer information portal on the website to support the *Mortgage Brokerages, Lenders and Administrators Act, 2006*. In 2009-2010, FSCO published two new inserts for the consumer mortgage kit available through the portal. Entitled *Understand the Risks of Getting a Mortgage* and *Mortgage Checklist*, these handouts were also distributed at consumer events.

Website Review Project

FSCO's Website Review Project continued in 2009-2010, examining both the content and functioning of the site. The information gathering stage was completed, including a content audit, benchmarking study, technical assessment, focus group studies and surveys. Based on the findings, FSCO will proceed to design and implement improvements in 2010-2011.

Consumer News Segments Reach Millions

FSCO arranged for the distribution of informative consumer articles to daily and community newspapers on such timely themes as:

- pension rights
- locked-in retirement savings accounts
- auto insurance tips
- mortgages.

In all, this initiative reached more than 8 million readers. The estimated audience for the print insertions was 4.65 million. The articles were also posted on the websites of 52 newspapers, magazines and financial experts, gaining exposure to over 3.7 million online readers.

FSCO publishes a variety of consumer brochures and other public information materials. In 2009-2010, requests for these publications from industry associations, consumer groups and MPP constituency offices totalled about 4,000. Hard copies are also distributed to the public free of charge through Publications Ontario's bookstores, Government Information Centres and public libraries. Electronic versions of all titles are posted on FSCO's website.

Outreach at Consumer Shows

Consumer shows give FSCO the opportunity for face-to-face contact with the public.

Each year, FSCO has a strong presence at the Canadian International Auto Show in Toronto. At the February 2010 event, FSCO hosted an exhibit booth on *Auto Insurance: Get the Facts!* where staff answered questions, handed out print materials and demonstrated online products. In all, FSCO interacted with about 4,000 consumers and distributed about 20,000 print items at the 10-day event.

Earlier in the fiscal year, in April 2009, FSCO took part in the Metro Home Show in Toronto. About 1,100 consumers visited FSCO's exhibit booth on the theme *Regulating Financial Services*. Staff answered questions and distributed about 7,000 print items, including consumer publications on insurance and pensions.

Inquiries Hold Steady

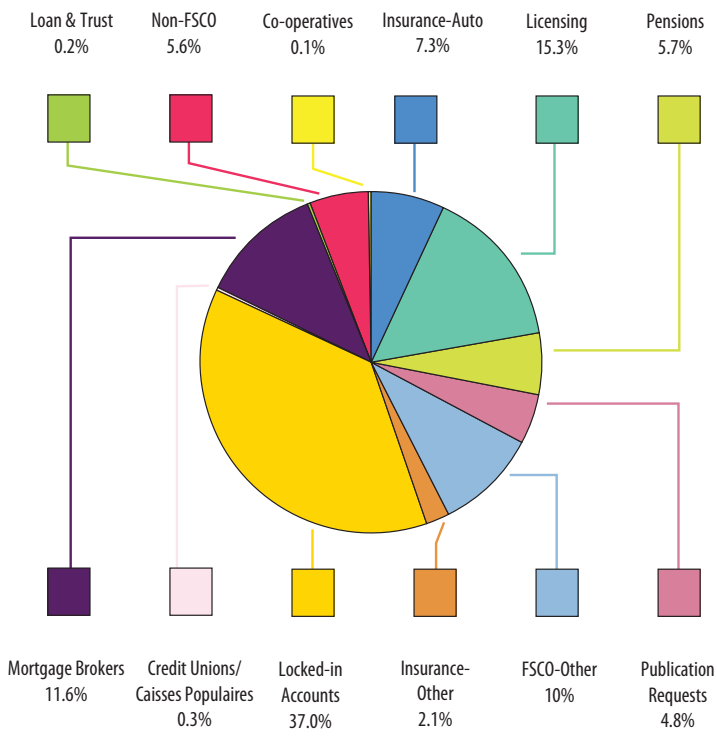
As the first point of contact for stakeholders and the public, FSCO's consumer services staff respond to telephone inquiries and correspondence. They provide information and advice on FSCO's procedures as well as information on the legislation and regulations FSCO administers.

During 2009-2010, staff responded to 85,000 inquiries – down only slightly from the previous year – as stakeholders and consumers continued to turn to FSCO for information and resources during uncertain economic times. Once again, the largest number of inquiries – more than 31,400 – dealt with access to locked-in retirement funds in case of financial hardship or requests for application forms for unlocking.

The total number of inquiries about the mortgage broker sector decreased from the previous year, when new legislation took effect. However, the first renewal cycle for mortgage broker and agent licences started in early 2010. As a result, the average number of calls in the last six months of 2009-2010 was more than four times the level in the previous six months.

The volume of inquiries about automobile insurance increased from month to month during the year, as stakeholders and the public anticipated the implementation of automobile insurance reforms in September 2010.

Public and Stakeholder Inquiries – 2009-2010



GETTING THE MOST FROM ORGANIZATIONAL RESOURCES

The recession has forced many organizations in the regulated sectors to streamline their businesses and curtail their expenditures. In this climate especially, FSCO is determined to obtain the best results from its human, financial, technological and physical resources. FSCO recognizes that is accountable for the efficiency and quality of the regulatory services it provides.

Information Technology Investments

In March 2010, FSCO launched the Compliance and Enforcement Tracking System (CETS) II, which expands on the first release of the system that initially focused on automobile insurance. The latest release consolidated five complaint and enforcement tracking systems and created links with three others. FSCO's compliance, investigations and legal staff are now able to collaborate more closely and track compliance and enforcement activities automatically. FSCO continues to work on the reporting function.

FSCO continued to roll out its platform migration strategy to migrate and integrate core applications utilizing the latest technology. The dispute resolution case management system was redeveloped and implemented on the new platform. This effort consolidated three separate systems for managing cases for mediation, arbitration and appeals, while adding enhancements such as an integrated scheduling function to increase productivity.

The *Mortgage Brokers, Lenders and Administrators Act, 2006* provides for administrative monetary penalties (AMP) in cases of noncompliance. The Expedited Electronic AMP system, developed during the year, facilitates the efficient, cost-effective and almost paperless use of this new regulatory tool by frontline FSCO staff.

International Financial Reporting Standards

Canada is moving toward the adoption of the International Financial Reporting Standards (IFRS), an initiative expected to transform the way financial information is reported. In 2011, the IFRS will replace the current Canadian Generally Accepted Accounting Principles (GAAP) for publicly accountable enterprises – including publicly listed companies and enterprises with fiduciary responsibilities such as insurance companies and credit unions. FSCO continues to monitor the adoption of the IFRS by the regulated sectors.

Ontario-regulated insurance companies are required to file progress reports every six months with FSCO on their plans to adopt the IFRS. All other insurance companies in Ontario must comply with the requirements of the federal Office of the Superintendent of Financial Institutions. In 2009, FSCO set up an IFRS portal on its website to provide stakeholders with up-to-date information.

Service That Matters

OPS Service Directive

In mid-2008 the Ontario Public Service (OPS) Service Directive was issued to support the modernization of the OPS. In line with the directive, FSCO developed a Customer Service Commitment statement setting out the service principles that will guide FSCO in meeting or exceeding client expectations. Posted on the FSCO website, the statement declares that FSCO staff will:

- Be fair, unbiased, objective, impartial and courteous, performing work with respect and dignity;
- Provide accessible services to customers in both official languages;
- Strive to identify and pursue ways to improve programs and services;
- Deliver efficient and effective services within appropriate and established time frames;
- Listen to comments, suggestions and concerns in an effort to improve services and to meet needs;
- Respond to inquiries or complaints within established standards;
- Maintain a high level of competence by committing to continuous learning and keeping abreast of new technologies, approaches and methods;
- Meet the government and FSCO quality-service standards.

The government-wide Common Service Standards cover telephone contacts, correspondence, in-person service, and customer feedback and complaint resolution. As well, FSCO developed Service Charters for key business areas, such as pension plans and auto insurance rate review, and posted them on FSCO's intranet as a guide to staff.

Accessibility for Ontarians with Disabilities Act

Ontario's first accessibility standard – for customer service – came into force for public sector organizations, including FSCO, on January 1, 2010. The customer service standard is part of the government's initiative under the *Accessibility for Ontarians with Disabilities Act, 2005* to make the province accessible for people with disabilities by 2025.

Consistent with the standard, FSCO issued a Customer Service Policy on Providing Goods and Services to People with Disabilities. The policy expresses FSCO's commitment to provide people with disabilities with the same opportunity to access goods and services and to benefit from the same services in the same place and in a similar way, as other customers. The policy then outlines the steps FSCO will take to achieve this, such as: communicating with persons with disabilities in ways that take into account their disability; welcoming people with disabilities who are accompanied by a service animal to premises open to the public; and endeavouring to provide assistive devices or technology to persons with disabilities who will be attending scheduled hearings or meetings. To support the policy, FSCO trained all front-line managers and staff about meeting the needs of customers with a variety of disabilities.

Diversity@FSCO

The Diversity@FSCO program, launched in March 2009, is part of an ongoing government-wide effort to make the Ontario Public Service an inclusive, respectful, fair and discrimination-free workplace. FSCO's Diversity Team, made up of employees from across the organization, led a campaign of staff learning and engagement throughout 2009-2010 to foster a climate that celebrates and embraces diversity.

Activities included weekly staff emails highlighting days and events of significance on the calendar, Hanukkah and Chinese New Year displays, and a celebration of Black History Month in February 2010. The Black History commemoration featured a Lunch & Learn address by Hon. Mr. Justice Gregory Regis, Regional Senior Justice in the Ontario Court of Justice, who spoke about some of the lesser known contributors to the advancement of people of African descent.

Report of the Financial Services Tribunal

The Financial Services Tribunal (FST) is an independent adjudicative body that hears appeals from decisions and reviews proposed decisions by the Superintendent of Financial Services. Proceedings are conducted at the request of affected parties. The FST has exclusive jurisdiction to exercise the powers conferred on it by legislation and to determine all questions of fact or law that arise in its hearings.

The FST is composed of nine to 15 members, including the Chair and two Vice-Chairs (who are also the Chair and Vice-Chairs of FSCO), all appointed by the Lieutenant Governor in Council. Most cases are heard by a panel of three FST members, though in some circumstances a panel may have only one member.

The FST is committed to providing an expert, impartial hearing process that is accessible, prompt and fair. It has established its own Rules of Practice and Procedure and issued Practice Directions to guide the conduct of its hearings. Proceedings are also governed by the *Statutory Powers Procedure Act*. The FST has adopted streamlined procedures to expedite requests for hearings on decisions by the Superintendent regarding access to locked-in funds in cases of financial hardship.

For the convenience of hearing participants, the FST's hearing schedule, decisions, Rules of Practice and Procedure, and Practice Directions are posted online on the FST website at www.fstontario.ca. Biographical sketches of current FST members may also be found on this site.

Recent Initiatives

In 2009-2010, a priority for the FST was the training of members on new developments in administrative law relating to adjudicative tribunals, and on *Credit Unions and Caisses Populaires Act, 1994* amendments, the *Accessibility for Ontarians with Disabilities Act, 2005* and privacy and confidentiality legislation.

The FST has established a Legal Advisory Committee. The FST Chair met regularly with the chair of the committee during the year. Through this channel, the FST obtained the committee's input on various procedural issues, including revisions to the Tribunal's rules and forms with the aim of streamlining processes and continuing to meet the objective of providing timely and fair hearings.

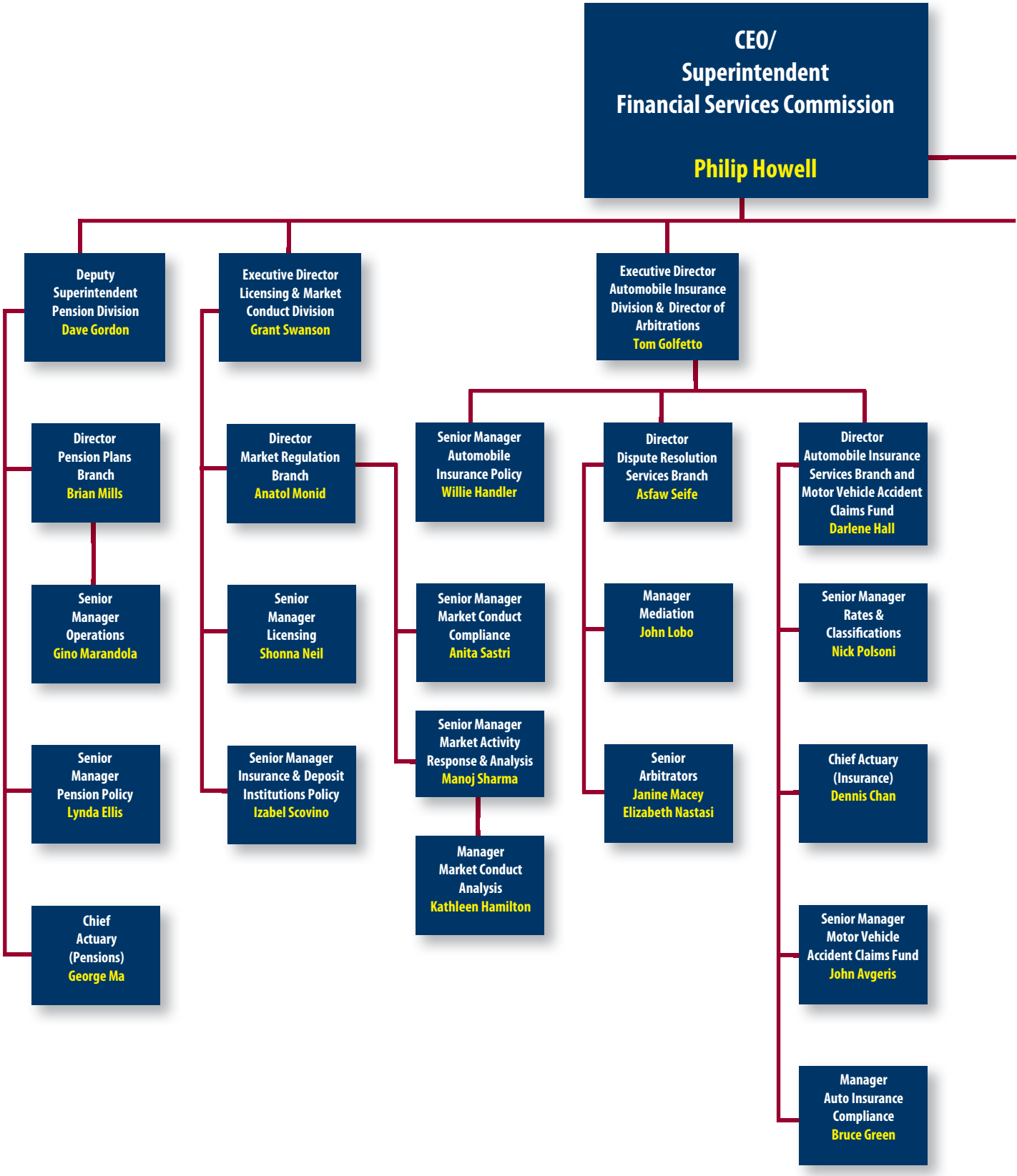
Financial Services Tribunal Activities 2009-2010								
Activity	**Pension Matters (Excluding Financial Hardship)**	**Pension Matters (Financial Hardship)**	**Mortgage Brokering Matters**	**Insurance Matters**	**Credit Union Matters**	**Loan & Trust Matters**	**Total 2009-2010**	**Total 2008-2009**
Number of Cases Pending at Beginning of Fiscal Year	21	–	62	–	–	–	83*	13
New Cases Received	10	–	15	–	–	–	25	99
Oral Hearing Days	23	–	31	–	–	–	54	13
Written Hearings	–	–	–	–	–	–	–	–
Other Activity Days – Including: Pre-Hearing Conferences, Telephone Conferences, Settlement Conferences and Motions	48	–	35	–	–	–	83	82
Total Hearing (Oral and Written) and Activity Days before FST	71	–	66	–	–	–	137	95
Files Closed	15	–	69	–	–	–	84	28
Cases Pending at End of Fiscal Year	16	–	8	–	–	–	24	84*

Notes:

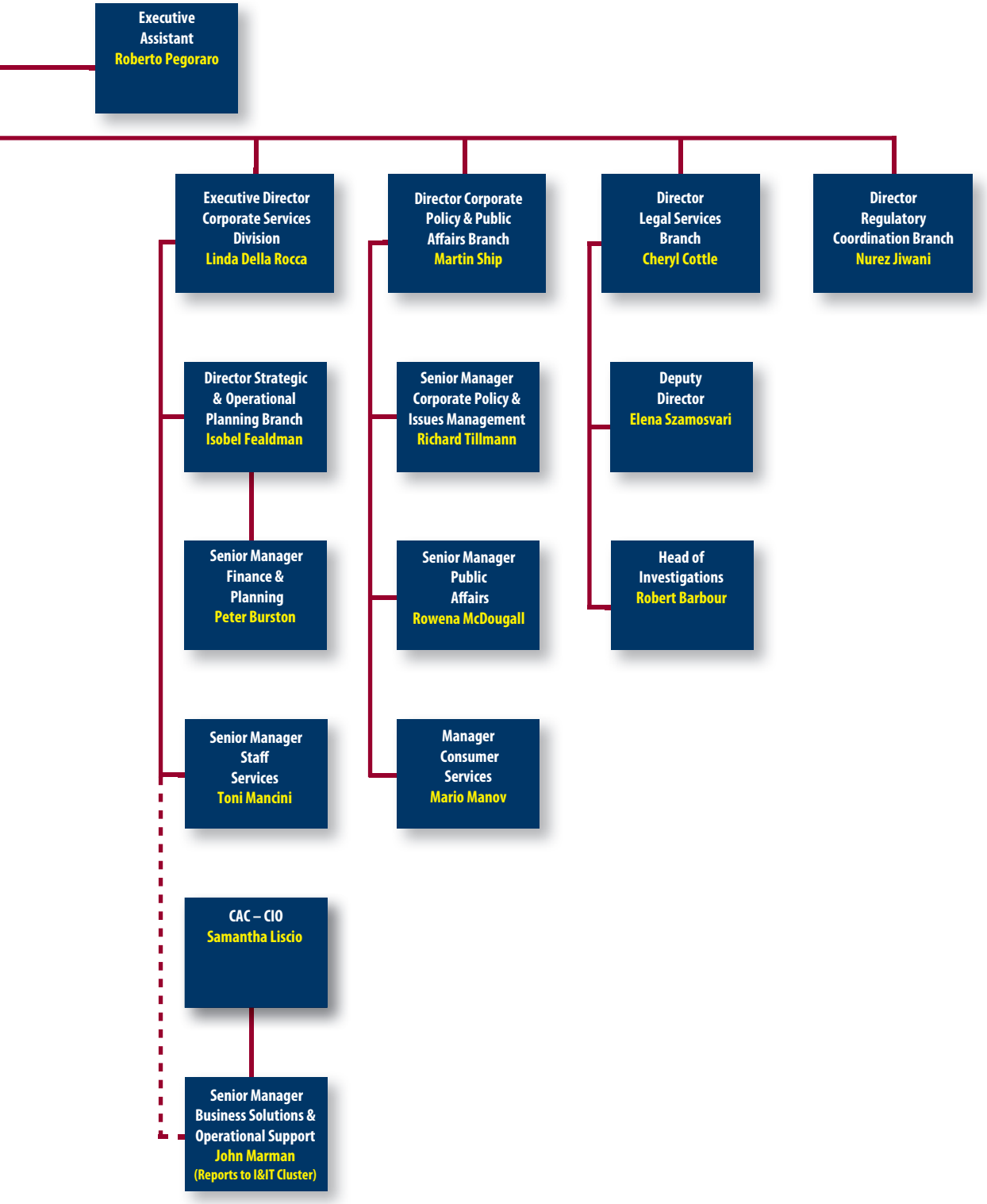
1. *Table does not include FST quarterly meetings, days for deliberation or decision writing.*
2. *Numbers may reflect activity in respect of files opened prior to 2009-2010 fiscal year.*
3. *Written hearings may relate to financial hardship matters, motions, requests for costs or requests for a review of a decision.*

* *Figures differ because one mortgage broker case was closed in 2009-2010 retroactive to the previous year.*

Financial Services Commission of Ontario



Organization Chart
As at March 31, 2010



Ontario

Office of the Auditor General of Ontario
Bureau du vérificateur général de l Ontario

FINANCIAL SERVICES COMMISSION OF ONTARIO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2010

Management's Statement

Financial Services Commission of Ontario

Chief Executive Officer and
Superintendent of Financial Services

5160 Yonge Street
Box 85, 17th Floor
Toronto ON M2N 6L9

Telephone: (416) 590-7000
Facsimile: (416) 590-7078

Commission des services financiers de l'Ontario

Director général et
surintendant des services financiers

5160, rue Yonge
boîte 85, 17e étage
Toronto ON M2N 6L9

Téléphone: (416) 590-7000
Télécopieur: (416) 590-7078

September 17, 2010

Management's Responsibility for Financial Information

The Financial Services Commission of Ontario (Commission) was established under the *Financial Services Commission of Ontario Act, 1997*. Under the Act the Superintendent is responsible for the financial and administrative affairs of the Commission.

Under the direction of the Superintendent, Management of the Commission is responsible for the integrity and fair presentation of all information in the financial statements and notes. The financial statements have been prepared by Management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements involves the use of management's judgment and best estimates particularly when transactions affecting the current period cannot be determined with certainty until future periods.

Management of the Commission is dedicated to the highest standards of integrity in provision of its services. Management has developed and maintains financial controls, information systems and practices to provide reasonable assurances on the reliability of financial information and safeguarding of its assets.

The financial statements have been audited by the Office of the Auditor General. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. They have been approved by the Commission's Audit and Risk Committee. The Auditor's report follows.

Philip Howell
Chief Executive Officer and
Superintendent of Financial Services

Linda Della Rocca
Executive Director,
Corporate Services Division

Auditor's Statement

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Auditor's Report

To the Financial Services Commission of Ontario
and to the Minister of Finance

I have audited the balance sheet of the Financial Services Commission of Ontario as at March 31, 2010 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2010 and the results of its operations and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-326-3812

B.P. 105, 15e étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-326-3812

www.auditor.on.ca

Toronto, Ontario
September 17, 2010

Gary R. Peall, CA
Deputy Auditor General
Licensed Public Accountant

Balance Sheet
As at March 31, 2010

	2010 ($ 000)	2009 ($ 000) (Restated - Note 13(a))
ASSETS		
Current		
Cash	7	7
Accounts receivable	2,979	702
Prepaid expenses	78	73
Due from the Province (Note 8b)	30,832	25,082
	33,896	25,864
Computer software, net (Note 3)	3,540	2,981
Capital assets, net (Note 4)	5,886	2,711
	43,322	31,566
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	12,875	9,866
	12,875	9,866
Employee future benefits obligation (Note 8a)	7,705	7,449
Deferred revenue (Note 5)	10,875	7,969
Deferred lease inducements (Note 6)	2,441	580
Net assets		
Invested in computer software and capital assets	9,426	5,692
	43,322	31,556

Commitment and Contingencies (Note 10)

See accompanying notes to financial statements

Approved by:

Chief Executive Officer and
Superintendent of Financial Services

Statement of Operations
For the Year Ended March 31, 2010

	2010 ($ 000)	2009 ($ 000)
Revenue (Note 7)		
Assessments	42,102	42,501
Licenses, Fees and Registrations	9,222	11,049
Other	129	118
	51,453	53,668
Expenses		
Salaries and wages	34,599	33,066
Employee benefits (Note 8a)	7,364	7,097
Transportation and communication	676	788
Services	14,737	14,172
Supplies and equipment	824	820
Amortization	1,662	1,212
Bad debt expense	-	137
	59,862	57,292
Less: Recoveries (Note 9)	3,452	2,999
Ministry of Finance contribution	1,037	-
	55,373	54,293
Deficiency of revenue over expenses	(3,920)	(625)

See accompanying notes to financial statements

Statement of Cash Flows
For the year ended March 31, 2010

	2010 ($ 000)	2009 ($ 000)
Net inflow (outflow) of cash related to the following activities		
Cash flows from operating activities		
Deficiency of revenue over expenses	(3,920)	(625)
Items not affecting cash		
Amortization	1,662	1,212
Rent expense not paid in cash	329	640
Employee future benefits (Note 8a)	256	(45)
Changes in non-cash working capital		
Accounts receivable	(2,277)	888
Prepaid expenses	(5)	40
Accounts payable and accrued liabilities	2,536	2,563
Due from the Province	1,904	(6,079)
Deferred revenue	2,906	3,614
	3,391	2,208
Cash flows from investing activity		
Leasehold improvement allowance from landlord	2,005	–
	2,005	–
Cash flows from investing activity		
Purchase of computer software and capital assets	(5,396)	(2,208)
	(5,396)	(2,208)
Net change in cash position	–	–
Cash position, beginning of year	7	7
Cash position, end of year	7	7

See accompanying notes to financial statements

1. OPERATIONS OF THE COMMISSION

The Financial Services Commission of Ontario (Commission) was established under the *Financial Services Commission of Ontario Act, 1997*. The Commission's mandate through its regulated activities is to protect the public interest and enhance public confidence in insurance, pensions, credit unions, trust companies, caisses populaires, co-operatives and mortgage brokers, and also to make recommendations to the Minister of Finance on matters affecting the regulated sectors. The Commission administers the following legislation: *Insurance Act, Pension Benefits Act, Credit Unions and Caisses Populaires Act, Loan and Trust Corporations Act, Mortgage Brokers, Lenders and Administrators Act* and *Co-operative Corporations Act*. As a regulatory agency of the Province of Ontario, the Commission is exempt from income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The significant accounting policies used to prepare these statements are summarized below.

(a) Computer Software

Computer software is an intangible asset and is recorded at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful life beginning in the year following acquisition or in the year following substantial completion of custom developed software. The estimated useful life of the Commission's intangible assets has been estimated as follows:

Purchased software	3 years
Custom developed software	3 - 5 years

(b) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization is calculated on a straight-line basis over their estimated useful life beginning in the year following acquisition. The estimated useful life of the Commission's capital assets has been estimated as follows:

Office furniture and equipment	5 years
Computer hardware	3 years
Leasehold improvements	over the term of the lease

(c) Revenue Recognition

Assessment revenues from the insurance, pension, credit union, caisses populaires and the loan and trust sectors are recognized when the recoverable costs to administer the various Acts governing these sectors are incurred.

Revenues from fees, licenses and registrations are recognized in the year to which they pertain.

(d) Financial Instruments

All financial instruments are classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets, or other financial liabilities. Initial and subsequent measurement and recognition of changes in the value of financial instruments depends on their initial classifications.

The Commission's financial assets and liabilities are classified as follows:

i. Accounts receivable are classified as loans andreceivables and are valued at face value which approximates fair value given their short term maturities.

ii. Accounts payable and accrued liabilities are classified as other financial liabilities and are recorded at face value which approximates fair value given their short term maturities.

iii. The accrued employee benefits obligation is classified as another financial liability and is recorded at cost based on the entitlements earned by employees up to March 31, 2010. A fair value estimate based on actuarial assumptions about when these benefits will actually be paid has not been made.

The CICA implemented two new handbook sections for fiscal years starting on or after October 1, 2007: 3862 Financial Instruments - Disclosure; and 3863 Financial Instruments -Presentation. These sections replace Section 3861 Financial Instruments - Disclosure and Presentation for many organizations and require more extensive disclosures including information about risk assessment, risk management procedures, and sensitivity analyses around each type of risk. However, the CICA provided not-for-profit organizations with the option of continuing to use Section 3861, and the Commission has decided to do so, given that management believes that the Commission is not exposed to significant interest, currency or credit risks arising from its financial instruments.

(e) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amount of assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses for the period. Actual amounts could differ from these estimates.

3. COMPUTER SOFTWARE

	2010			2009
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
		($ 000)		
Purchased computer software	872	633	239	466
Custom developed software	5,099	3,692	1,407	1,996
Computer software under development	1,894		1,894	519
	7,865	4,325	3,540	2,981

4. CAPITAL ASSETS

	2010			2009
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
		($ 000)		
Leasehold improvements	5,743	2,077	3,666	1,011
Computer hardware	2,113	1,100	1,013	790
Office furniture and equipment	1,399	192	1,207	910
	9,255	3,369	5,886	2,711

5. DEFERRED REVENUE RELATED TO LICENCES AND REGISTRATION

Deferred revenue represents payments received for fees, licences and registrations that cover more than the current fiscal year. The deferred portion is recognized as revenue when the applicable future licence year occurs. The changes in the deferred revenue balances during fiscal 2009-10 are summarized as follows:

	Balance, beginning of year	Received during year	Recognized during year	Balance, end of year
		($ 000)		
Insurance Agents	3,634	3,498	3,880	3,252
Adjusters	24	106	106	24
Mortgage Brokers	3,415	7,172	3,835	6,752
Corporations	896	775	882	789
Other		58		58
	7,969	11,609	8,703	10,875

6. DEFERRED LEASE INDUCEMENTS

The Commission's office accommodation lease has been extended from October 31, 2008 to October 31, 2015 with two further options to extend the term for five years each. The lease extension includes a leasehold improvement allowance in the amount of $2.0 million for renovations in the first two years and no base rent payable for the first ten months of the lease extension.

During fiscal 2009/2010, the Commission utilized the entire allowance. The deferred lease inducement is made up of the portion of future lease payments attributed to the rent-free period and the leasehold improvements allowance and will be recognized as reduced rent expense over the term of the lease on a straight line basis. Amounts to be recognized within one year of $0.533 million (2009-$0.060 million) are included in accounts payable and accrued liabilities.

	2010 ($ 000)	2009 ($ 000)
Balance, beginning of year	640	
Add: Lease Inducements		
Free Rent (2010-5 months, 2009-5 months)	640	640
Leasehold improvement allowance	2,005	
	3,285	640
Less: Lease Inducements Amortization	(311)	
Balance, end of year	2,974	640

7. REVENUE

For the fiscal year, revenue from the following Acts and regulations made under the Acts administered by the Commission are:

	2010 ($ 000)	2009 ($ 000)
Insurance Act		
Insurer assessment	24,977	27,921
Fees, licenses and other	5,001	4,822
Pension Benefits Act		
Pension plan assessment	15,669	13,071
Registration fees and other	122	209
Pension unlocking fees and other	241	2,807
Credit Unions and Caisses Populaires Act		
Credit Union assessment	1,262	1,388
Fees and other	106	144
Loan and Trust Corporations Act		
Loan and Trust assessment	195	121
Fees, licenses and registrations	1	14
Mortgage Brokers, Lenders and Administrators Act		
Fees, Licenses, Registrations and other	3,865	3,162
Co-operative Corporations Act		
Fees and other	14	9
	51,453	53,668

8. RELATED PARTY TRANSACTIONS

(a) Employee Benefits

The Commission's employees are entitled to benefits that have been negotiated centrally for Ontario Public Service employees. The future liability for benefits earned by the Commission's employees is recognized in the Province's consolidated financial statements. These benefits are accounted for by the Commission as follows:

i. Pension Benefits

The Commission's full-time employees participate in the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU-PF), which are defined benefit pension plans for employees of the Province and many provincial agencies. The Province of Ontario, which is the sole sponsor of the PSPF and a joint sponsor of the OPSEU-PF, determines the Commission's annual payments to the funds. Since the Commission is not a sponsor of these funds, gains and losses arising from statutory actuarial funding valuations are not assets or obligations of the Commission, as the sponsors are responsible for ensuring that the pension funds are financially viable. The Agency's annual payments of $2.153 million (2009 - $2.182 million) are included in employee benefits in the Statement of Operations

ii. Employee Future Benefits Obligation

Employee future benefits include accrued severance entitlements, unused vacation and other future compensation entitlements earned. Severance entitlements under the *Public Service of Ontario Act (2006)* were non-actuarially estimated based on one weeks pay for every year of service for those employees with a minimum of five years of service. These costs for the year amount to $0.241 million (2009 - $0.167) million) and are included in employee benefits and salaries and wages in the Statement of Operations. Amounts due within one year totaling $2.6 million are included in accounts payable and accrued liabilities.

iii. Other Non-Pension Post-Employment Benefits

The cost of other non-pension post-retirement benefits is determined and funded on an ongoing basis by the Ontario Ministry of Government Services and accordingly is not included in these financial statements.

(b) Amounts due from/to the Province

Cash receipts are deposited into the Consolidated Revenue Fund (CRF) of the Province of Ontario. Expenses are paid out of monies appropriated therefore by the Legislature of the Province of Ontario. The difference between the cash receipts submitted to the Province and the expenses paid or owing the Province is reflected in the financial statements as either a due from or due to the Province depending on the timing of the cash flows.

(c) Other administrative expenses

The Ontario Ministry of Government Services absorbs the costs of certain administrative expenses. The Ministry of Finance has charged certain human resources and financial administration costs to the Commission in the amount of $1.097 million (2009 - $1.231 million).

9. RECOVERIES

The Commission provides administrative and other support services to a number of organizations and recovers the costs of providing these services from the organizations in accordance with the memorandum of understanding or agreement signed with the respective organizations. Details of these recoveries are as follows:

	2010 ($ 000)	2009 ($ 000)
Motor Vehicle Accident Claims Fund (Related Party)	1,934	1,561
Pension Benefits Guarantee Fund (Related Party)	506	391
General Insurance Statistical Agency	350	364
Joint Forum of Financial Market Regulators	232	235
Canadian Association of Pension Supervisory Authorities	173	182
Canadian Council of Insurance Regulators	243	219
Canada Revenue Agency	14	20
Deposit Insurance Corporation Of Ontario		27
	3,452	2,999

10. COMMITMENT AND CONTINGENCIES

(a) The Commission's office accommodation lease has been extended from October 31, 2008 to October 31, 2015 as explained in Note 5. As a result the Commission is committed to minimum lease payments for office space as follows:

	($ 000)
2010/11	5,047
2011/12	5,242
2012/13	5,461
2013/14	5,536
2014/15	5,613
thereafter	3,321
	30,220

(b) The Commission is involved in various legal actions arising out of the ordinary course of business. Settlements paid by the Commission, if any, will be accounted for in the period in which the settlement occurs. The outcome and ultimate disposition of these actions are not determinable at this time.

11. SECURITIES ON DEPOSIT

The *Insurance Act* authorizes the Commission to require insurance companies to deposit securities in any amount it considers necessary and on such conditions as it considers proper. Such amounts might be held to satisfy requirements of other jurisdictions with which the Province of Ontario has reciprocal agreements.

As at March 31, 2010, the face value of the securities held by the Commission under the *Insurance Act* was $1.732 million (2009 - $1.732 million). Income earned on the securities is paid directly to the insurance companies depositing the securities. These securities and the related income are not recorded in the financial statements.

12. CAPITAL DISCLOSURE

TThe Commission considers its capital to be its net assets invested in computer software and capital assets and uses this capital to fulfill its mandate to regulate the financial services industry. It does not expect to earn a rate of return on its capital because it is required by legislation to charge back the costs of regulating each sector within the financial services industry back to that sector without earning a profit. Computer software and capital assets are initially funded by the Province and are charged back to the industry sectors over the life of the assets. Any excess of revenue over expenses is credited to the Commission's account with the Province. There have been no significant changes to the Commission's capital management objectives, policies and processes in the year nor has there been any change in what the Commission considers to be its capital.

13. CHANGES IN ACCOUNTING POLICIES

(a) Employee Future Benefits Obligation

In previous years, the obligation only included costs for unused vacation and severance entitlement. The policy has been changed to include the obligations from unused management compensation days and senior management time-banking. The change was applied retroactively. As a result of the change, the combined current and long-term portions of the employee future benefits obligation as well as the amounts Due from the Province increased by $1.082 million as at March 31, 2009 and by $1.164 million as at March 31, 2010. There has been no change to the previously reported Deficiency of revenue over expenses from the fiscal year ending March 31, 2009 as most of those liabilities were incurred in prior years.

(b) Computer Software

The Commission adopted the new CICA Handbook Section 3064 Goodwill and Intangible Assets. Section 3064 provides guidance for the recognition, measurement, presentation and disclosure of intangible assets, including internally developed computer software. As a result of the adoption of the new requirement, computer software with a net book value of $2.981 million as at March 31, 2009 was reclassified from capital assets to computer software and had no impact on the deficiency of revenue over expenses.

14. COMPARATIVE FIGURES

Certain of the prior year's comparative figures have been reclassified to conform with the financial statement presentation adopted for 2010.

Ontario

Office of the Auditor General of Ontario
Bureau du vérificateur général de l Ontario

PENSION BENEFITS GUARANTEE FUND FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2010

Management's Statement

Financial Services Commission of Ontario

Deputy Superintendent
Pension Division

5160 Yonge Street
Box 85, 8th Floor
Toronto ON M2N 6L9

Telephone: (416) 226-7795
Facsimile: (416) 226-7787

Commission des services financiers de l'Ontario

Surintendant adjoint
Division des régimes de retraite

5160, rue Yonge
boîte 85, 8e étage
Toronto ON M2N 6L9

Téléphone: (416) 226-7795
Télécopieur: (416) 226-7787

Ontario

June 24, 2010

Pension Benefits Guarantee Fund
Management's Responsibility for Financial Information

The Superintendent of the Financial Services Commission of Ontario ("FSCO") pursuant to the *Financial Services Commission of Ontario Act, 1997* is responsible for the administration of the Pension Benefits Guarantee Fund.

Under the direction of the Superintendent, Management of FSCO is responsible for the integrity and fair presentation of all information in the financial statements and notes. The financial statements have been prepared by Management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements involves the use of management's judgement and best estimates particularly when transactions affecting the current period cannot be determined with certainty until future periods.

Management of FSCO, in the administration of the Pension Benefits Guarantee Fund, is dedicated to the highest standards of integrity in provision of its services. Management has developed and maintains financial controls, information systems and practices to provide reasonable assurances on the reliability of financial information and safeguarding of its assets.

The financial statements have been audited by the Office of the Auditor General of Ontario. The Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. They have been approved by the Commission's Audit & Risk Committee. The Auditor's report follows.

K. David Gordon
Deputy Superintendent, Pensions

Javier Aramayo
Acting Chief Accountant

Auditor's Statement

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Auditor's Report

To the Financial Services Commission of Ontario and to the Minister of Finance

I have audited the balance sheet of the Pension Benefits Guarantee Fund of the Financial Services Commission of Ontario as at March 31, 2010 and the statements of operations and fund deficit and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission's pension benefits guarantee fund as at March 31, 2010 and the results of its operations and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
June 4, 2010

Gary R. Peall, CA
Deputy Auditor General
Licensed Public Accountant

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-326-3812

B.P. 105, 15e étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-326-3812

www.auditor.on.ca

Balance Sheet
As at March 31, 2010

	2010 ($ '000)	2009 ($ '000)
ASSETS		
Current		
Cash	1	35
Accounts receivable	40,444	49,162
Investments (Note 4)	628,348	146,004
	668,793	195,201
LIABILITIES AND FUND DEFICIT		
Current		
Accounts payable and accrued liabilities	3,456	4,573
Current portion of loan payable	11,000	11,000
Claims payable	410,751	83,516
	425,207	99,089
Loans payable (Note 5)	140,243	143,463
	565,450	242,552
Fund surplus/ (deficit)	103,343	(47,351)
	668,793	195,201

See accompanying notes to financial statements

Approved by:

Chief Executive Officer
and Superintendent of Financial Services
Financial Services Commission of Ontario

Statement of Operations & Fund Deficit
For the year ended March 31, 2010

	2010 ($ '000)	2009 ($ '000)
Revenue		
Provincial grant (Note 6)	500,000	
Premium revenue	43,217	40,452
Pension plan recoveries (Note 7)	12,033	80,730
Investment income (Note 4)	566	2,792
	555,806	123,974
Expenses		
Claims	391,771	58,716
Amortization of loan discount (Note 5(a))	7,780	7,934
Pension management fees (Note 8)	5,137	1,783
Interest on loans (Note 5 (b))	1,558	
Administration fee (Note 9)	506	391
Investment management fees (Note 9)	69	41
Unrealized (gain) loss on investments (Note 4)	(180)	242
	406,641	69,107
Recoveries of pension management fees (Note 8)	(1,529)	
Excess of revenue over expenses	150,694	54,867
Fund surplus / (deficit), beginning of year	(47,351)	(102,218)
Fund surplus / (deficit), end of year	103,343	(47,351)

See accompanying notes to financial statements

Statement of Cash Flows
For the year ended March 31, 2010

	2010 ($ '000)	2009 ($ '000)
Net inflow (outflow) of cash related to the following activities		
Cash flows from operating activities		
Excess of revenue over expenses	150,694	54,867
Items not affecting cash:		
Unrealized (gain) loss on investments (Note 4)	(180)	242
Amortization of loan discount (Note 5)	7,780	7,934
Non-cash recovery		(586)
Loss on disposal of investments (Note 4)	351	135
	158,645	62,592
Changes in non cash working capital		
Accounts receivable	8,718	(2,561)
Accounts payable and accrued liabilities	(1,117)	1,179
Claims payable	327,235	(32,936)
	493,481	28,274
Cash flows from investing activities		
Purchases of investments	(4,040,087)	(2,713,913)
Proceeds from sale of investments	3,557,572	2,696,574
	(482,515)	(17,339)
Cash flows from financing activities		
Proceeds on Loans	130,000	
Loan repayments	(141,000)	(11,000)
	(11,000)	(11,000)
Change in cash position	(34)	(65)
Cash position, beginning of year	35	100
Cash position, end of year	1	35

See accompanying notes to financial statements

1. STATUTORY AUTHORITY

The Pension Benefits Guarantee Fund (the "Fund") is continued under the *Pension Benefits Act, R.S.O. 1990, c. P.8* (the "Act").

2. FUND OPERATIONS

The purpose of the Fund is to guarantee payment of certain pension benefits of certain defined benefit pension plans wound up under conditions specified in the Act and regulations thereto. The regulations also prescribe an assessment payable into the Fund by plan registrants.

The Act provides that if the assets of the Fund are insufficient to meet payments for claims, the Lieutenant Governor in Council may authorize the Minister of Finance of Ontario to make loans or grants on such terms and conditions as the Lieutenant Governor in Council directs. The total liability of the Fund to guarantee pension benefits is limited to the assets of the Fund including any loans or grants received from the Province.

The Superintendent of the Financial Services Commission of Ontario ("FSCO") pursuant to the *Financial Services Commission of Ontario Act, 1997* is responsible for the administration of the Fund, and the Fund reimburses FSCO for the costs of the services provided. The investments of the Funds are managed by the Ontario Financing Authority, on a fee basis which are paid by the Fund.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared by the management of FSCO in accordance with Canadian generally accepted accounting principles. The significant accounting policies used to prepare these statements are summarized below.

(a) Financial Instruments

The Fund follows the accounting standards issued by the Canadian Institute of Chartered Accountants pertaining to financial instruments. Under these standards, all financial instruments are included on the balance sheet and are measured either at fair market value, or in limited circumstances, at cost or amortized costs. The Fund has classified its financial instruments into the following categories:

- Cash and investments are classified as held for trading and recorded at fair value, with changes in fair value during the period recognized in the statement of operations and surplus.
- Accounts receivable is classified as receivables and valued at face value which approximates fair value given their short term maturities.
- Accounts payable and accrued liabilities are classified as other financial liabilities and are recorded at face value which approximates fair value given their short term maturities.
- The non-interest bearing loan payable is classified as other financial liabilities and due to the concessionary nature of the loan is reflected at amortized cost using the effective interest rate method. The initial valuation was determined by discounting future cash flows using the provincial cost of borrowing. The resulting benefit (the difference between the face value of the loan and the net present value) was accounted for as a grant in the year received and is amortized to loan discount expense over the term of the loan.

(b) Claims payable

Claims payable are liabilities in respect of those defined benefit pension plans prescribed by the Act that are wound up or in the process of being ordered wound up under conditions specified in the Act, and the amounts can be reasonably estimated. Liabilities are also recognized when there is a high probability a company will not emerge from creditor protection and the pension plan will be wound up on a specified date and the claim can be reasonably estimated. Claims payable are based on information provided by appointed pension plan administrators or estimates provided from external consultants. These estimates represent the present value of future payments to settle claims for benefits and expenses by pension plans. The estimates of claims to be paid is reviewed and verified by FSCO's Deputy Superintendent of Pensions and Senior Manager, Operations.

The actual claims are reviewed and verified by FSCO's Chief Actuary and approved by FSCO's Deputy Superintendent of Pensions before any funds are paid out of the Fund.

Adjustments to the liabilities, if any, between the amounts recognized based on estimates and the actual claims made, will be charged or credited to the provision for claims in the year when the actual amounts are determined.

(c) Premium revenue

An estimate of the premium revenue due from defined benefit pension plans at rates prescribed by the Act is recorded until receipt of the annual assessment certificate nine months after the plan's fiscal year end.

Adjustments to premium revenue, if any, between the estimated amounts recognized and the actual revenues due are charged or credited to revenue in the year when the actual amounts are determined.

(d) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires that FSCO's management make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities as at the date of the financial statements and the reported amounts of revenue and expenses for the period. Estimates and assumptions may change over time as new information is obtained or subsequent developments occur. Actual results could differ from these estimates.

4. INVESTMENTS

As administrator of the investment assets of the Fund, FSCO has formed a Fund Management Committee, developed a Statement of Investment Policies and Guidelines and appointed the Ontario Financing Authority, a related party, as investment manager. The statement provides operational objectives, investment principles, policies and guidelines for the management of the investments and is reviewed annually.

Investments consist of:

	2010 ($'000)		2009 ($'000)	
	Market Value	Cost	Market Value	Cost
Short term deposits	566,893	566,907	139,812	139,812
Government and corporate bonds	61,050	61,100	5,850	5,850
Master asset vehicle notes	405	405		
Pooled funds			342	586
	628,348	628,412	146,004	146,248

Investment income includes interest earned from interest bearing securities and realized losses from the sale of securities. The realized loss on the sale of securities amounted to $351 thousand (2009 – realized loss of $135 thousand). Unrealized changes in the market value of investments are reflected separately on the statement of operations and fund surplus.

The Fund's investment portfolio is exposed to various risks, which are mitigated by the type of investment and therefore risk is low. The associated risks with the investments are as follows:

Interest rate and Liquidity risk:

Short term deposits have yields in the range of 0.229% to 0.435% (2009 – 0.4% to 0.6%), and government and corporate bonds have average yields of 0.381% for the current year (2009 – 1.6%). At March 31, 2010, a 1% move in interest rates could impact the market value by approximately $1,500 thousand. Short term deposits represent instruments in highly liquid investments that are readily converted into known amounts of cash.

Master Asset Vehicle corporate notes:

During the year the Pooled Funds investments in Asset Backed Commercial Paper (ABCP), received in fiscal 2009 as part of a pension plan settlement in respect of a claim previously paid out, were exchanged for Master Asset Vehicle (MAV) corporate notes. The MAV have a face value of $405 thousand with maturities ranging from October 2016 to July 2056. There is limited market activity for the notes. Management's best estimate of the net recoverable amount as at March 31, 2009 is $405 thousand.

5. LOANS PAYABLE

(a) Non-interest Bearing Loan

On March 31, 2004, the Fund obtained a $330 million loan from the Province, a related party. The loan is non-interest bearing and repayable to the Province in thirty equal annual installments of $11 million. The loan agreement provides for the Minister of Finance to advance any installment payment date depending on the cash position of the Fund. Repayments over the next five years total $55 million.

The face value of this non-interest bearing loan has been discounted to reflect its fair value outstanding as of March 31, 2010 as follows:

	2010 ($'000)	**2009 ($'000)**
Face Value	264,000	275,000
Less: Discount	(112,757)	(120,537)
Fair Value	151,243	154,463
Classified as:		
Current Portion	11,000	11,000
Long Term Portion	140,243	143,463
Balance	151,243	154,463

The discount will be amortized to loan discount expense over the term of the loan based on the effective interest rate method. Amortization for the current year and for the subsequent four fiscal years is as follows:

Fiscal Year	**($'000)**
2011	7,618
2012	7,447
2013	7,269
2014	7,081
2015	6,883

(b) Interest Bearing Loans

During the year the Lieutenant Governor authorized the Minister of Finance to make two interest bearing loans from the Consolidated Revenue Fund under terms determined by the Ontario Financing Authority. Both loans were repaid with accrued interest totaling $1,558 thousand on March 31, 2010.

On August 28th, 2009 a $30 million loan with an interest rate of 4.48% was received by the Fund to pay claims for which an allocation application has been received on or before July 31, 2009. The loan was repayable in ten equal annual principal payments commencing December 1st, 2012.

On January 27th, 2010 a $100 million loan with an interest rate of 4.44% was received by the Fund to pay claims for which the Superintendent has appointed an administrator on or before October 31, 2009. The loan was repayable in twenty semi-annual installments of blended principal and interest commencing December 1st, 2012.

6. PROVINCIAL GRANT

On March 25, 2010 the Provincial Legislature approved an appropriation pursuant to subsection 82(5) of the *Pension Benefits Act* to enable the Minister of Finance to make a $500 million grant to the Fund for the purpose of repaying the two loans received during the year and accrued interest and holding the remaining funds in the Fund and expending the funds for any purpose authorized under the *Pension Benefits Act* for the Fund.

7. PENSION PLAN RECOVERIES

Following distribution of claims and submission of a final wind up report any remaining funds are recovered by the Fund. During fiscal 2010, $12,033 thousand (2009 - $80,730 thousand) in recoveries were made by the Fund.

8. RECOVERIES OF PENSION MANAGEMENT FEES

The Fund periodically engages the services of experts to represent the Fund's interests with respect to companies which have made claims against the Fund. For fiscal 2010, $5,137 thousand was paid to such experts related to negotiations involving three companies (2009 - $1,783 thousand involving three companies). The Fund was reimbursed $1,029 thousand from the Ministry of Economic Development and Trade, a related party, and $500 thousand from a pension plan sponsor for actuarial consulting services received during the year.

9. RELATED PARTY TRANSACTIONS

For fiscal 2010, an administration fee of $506 thousand (2009 - $391 thousand) was incurred and has been paid to FSCO for management salaries and benefits, accounting, information technology, legal, pension and other services. The Fund and FSCO are related parties.

Investment Management fees of $69 thousand include fees of $63 thousand (2009 - $35 thousand) paid to the Ontario the Ontario Financing Authority, a related party.

The costs of processing of premium revenue transactions are absorbed by FSCO without charge to the Fund.

Other related party transactions during the year have been disclosed in notes 5, 6 and 8.

10. SUBSEQUENT EVENT

Recoveries in the range of $10 - $20 million dollars are expected in 2010.

11. ACCOUNTING PRONOUNCEMENTS

Not -for -Profit Accounting Standards

The Accounting Standards Board (AcSB) and the Public Sector Accounting Board (PSAB) are assessing the strategic direction of financial reporting standards for not-for-profit organizations (NFPOs) in Canada.

The Boards are proposing that NFPOs in the public and private sectors should continue to use the current NFP CICA Handbook section 4400 series of standards, but use different financial reporting foundations. The PSAB proposes that government NFPO's follow the CICA Public Sector Accounting Handbook. The AcSB proposes private sector NFPO's be given a choice to follow the new private enterprise standards, IFRS or public sector accounting standards. Two exposure drafts are currently out for comment, with responses required in July, 2010. Government NFPOs would be required to transition to the new standards for fiscal periods beginning on or after January 1, 2012.

Ontario

MOTOR VEHICLE ACCIDENT CLAIMS FUND FINANCIAL STATEMENTS

AS AT MARCH 31, 2010

Management's Statement

Financial Services Commission of Ontario

Commission des services financiers de l'Ontario

MOTOR VEHICLE ACCIDENT CLAIMS FUND

Management Responsibility for Financial Information

Management is responsible for the financial statements and all other information presented in the financial statements. Management in accordance with Canadian generally accepted accounting principles has prepared the financial statements and where appropriate included amounts based on Managements best estimates and judgements.

Management agrees with the work of the specialists in evaluating the Unpaid Claims amount and has adequately considered the qualifications of the specialist in determining amounts and disclosures used in the notes to financial statements. Management did not give any, nor cause any, instructions to be given to specialists with respect to values or amounts derived in an attempt to bias their work, and we are not aware of any matters that have impacted the independence or objectivity of the specialists.

The Motor Vehicle Accident Claims Fund is dedicated to the highest standards of integrity in provision of its services. Management has developed and maintains financial controls, information systems and practices to provide reasonable assurances on the reliability of financial information and that the assets were safeguarded. Internal audits are conducted to assess management systems and practices and reports are issued to the CEO and Superintendent of Financial Services of the Financial Services Commission of Ontario (the "FSCO") and the FSCO Audit Committee.

Deloitte and Touche, Chartered Accountants who are engaged under the direction of the Auditor General, have examined the financial statements. The auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The auditor's report outlines the scope of the auditor's examination and report.

John Avgeris
Senior Manger
Motor Vehicle Accident Claims Fund

Peter McGuinness
Manager, Finance and Accounting
Motor Vehicle Accident Claims Fund

Ontario

Deloitte.

Deloitte & Touche LLP
Brookfield Place
181 Bay Street
Suite 1400
Toronto ON M5J 2V1
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Auditors' Report

To the Audit Committee of the Financial Services Commission of Ontario and the Auditor General of Ontario

Pursuant to our appointment as auditor of the Motor Vehicle Accident Claims Fund (the "Fund"), which audit is under the direction of the Auditor General of Ontario, we have audited the statement of financial position of the Fund as at March 31, 2010 and the statements of operations and fund deficit and of cash flows for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
June 22, 2010

Statement of Financial Position

MOTOR VEHICLE ACCIDENT CLAIMS FUND
(Established under the Motor Vehicle Accident Claims Act)

	As at March 31,2010 $	As at March 31,2009 $
ASSETS		
Current		
Funds on Deposit	39,322,517	34,055,714
Accounts Receivable - License Fees	3,984,348	2,918,082
Accounts Receivable - Debtors	44,291,094	42,745,311
Less: Allowance for Doubtful Accounts	27,224,802	27,178,770
	17,066,292	15,566,541
Long Term		
Fixed Assets (Note 3a)	555,216	551,387
Less: Accumulated Amortization	434,881	319,941
	120,335	231,446
Unpaid Claims Recoverable (Note 4)	2,637,628	3,783,886
Total Assets	63,131,120	56,555,669
LIABILITIES & FUND DEFICIT		
Accounts Payable and Accrued Expenses	1,324,909	2,011,241
Employee Future Benefits Obligation (Note 3h)	541,499	530,861
Deferred Revenue	67,536,791	65,538,122
Unpaid Claims and Adjustment Expenses (Note 4)	170,309,109	179,453,805
	239,712,308	247,534,029
Fund Deficit	(176,581,188)	(190,978,360)
	(176,581,188)	(190,978,360)
Total Liabilities & Fund Deficit	63,131,120	56,555,669

APPROVED:

Philip Howell
Chief Executive Officer
and Superintendent of Financial Services
Financial Services Commission of Ontario

Statement of Operations & Fund Deficit

MOTOR VEHICLE ACCIDENT CLAIMS FUND
(Established under the Motor Vehicle Accident Claims Act)

	Year ended March 31,2010 $	Year ended March 31,2009 $
REVENUE		
Fee on Issue or Renewal of Driver's Licences	28,645,345	27,257,155
Change in Deferred Revenue	(1,998,669)	(3,661,346)
Fees Earned	26,646,676	23,595,809
Prior Year Recoveries	5,926,631	1,695,941
Other Revenue	6,885	1,845
Total Revenue	32,580,192	25,293,595
EXPENSES		
Change in Net Unpaid Claims and Adjustment Expenses	(7,998,438)	(2,959,219)
Accident Benefits Claims Payments	16,116,738	15,393,719
Administrative Expenses		
Salaries and Wages	1,610,635	1,565,960
Employees' Benefits	229,513	247,462
Transportation and Communication	32,935	31,537
Services:		
Claims (Solicitors' Fees, etc.)	1,955,078	2,172,402
Accident Benefit Claims Expense	1,681,029	1,698,325
Other Services	1,611,082	1,119,884
Bad Debts Expense	2,809,379	5,646,545
Supplies and Equipment	20,129	26,747
Amortization Expense	114,940	114,940
Total Expenses	18,183,020	25,058,302
Excess of Expenses over Revenue	14,397,172	235,293
Fund Deficit, Beginning of Year	(190,978,360)	(191,213,653)
Fund Deficit, End of Year	(176,581,188)	(190,978,360)

Statement of Cash Flows

MOTOR VEHICLE ACCIDENT CLAIMS FUND
(Established under the Motor Vehicle Accident Claims Act)

	Year ended March 31,2010 $	Year ended March 31,2009 $
OPERATING ACTIVITIES		
Cash Inflows		
Fee on Issue or Renewal of Driver's Licences	27,579,079	27,261,760
Repayment by Debtors	1,228,828	1,307,072
Prior Year Recoveries	5,926,631	1,699,478
Other Revenue	6,885	1,845
Cash Outflows		
Statutory Payments	(22,107,241)	(21,160,316)
Payments to Employees	(1,821,370)	(1,778,010)
Administrative Expenses	(5,542,180)	(4,955,009)
Net Cash Inflow from Operating Activities	5,270,632	2,376,820
INVESTING ACTIVITIES		
Cash Outflows		
Acquisition of Computer Equipment	(3,829)	–
Net Cash Outflow from Investing Activities	(3,829)	–
Net Increase in Funds on Deposit with Minister of Finance	5,266,803	2,376,820
Funds on Deposit with Minister of Finance, Beginning of Year	34,055,714	31,678,894
Funds on Deposit with Minister of Finance, End of Year	39,322,517	34,055,714

1. STATUTORY AUTHORITY

The Motor Vehicle Accident Claims Fund (the "Fund") operates under the authority of the *Motor Vehicle Accident Claims Act* (the "Act"), R.S.O. 1990, Chapter M.41 as amended.

2. FUND OPERATIONS

The Fund was originally established to provide compensation to victims of motor vehicle accidents caused by uninsured or hit-and-run motorists in Ontario. Uninsured motorists were required to pay an annual fee into the Fund. However, effective March 1, 1980, with the enactment of the *Compulsory Automobile Insurance Act*, all motorists are required to carry compulsory third party liability insurance including uninsured motorist coverage. Since that time, the Fund only responds to claims where the eligible claimants have no access to automobile or liability insurance coverage. In 1990, legislation was enacted to expand the coverage to include a new provision to pay statutory accident benefits by the Fund, in accordance with the *Statutory Accident Benefits Schedule* (the *"SABS"*). In 2002, legislation was enacted to expand the Fund's role to administer and pay statutory accident benefits claims of Ontario insolvent insurers.

The Fund now pays claims under four different automobile insurance compensation systems:

1) Tort - prior to June 22, 1990
2) OMPP - between June 22, 1990 and December 31, 1993
3) Bill 164 - between January 1, 1994 and October 31, 1996
4) Bill 59 - from November 1, 1996 and forward

The coverage provided by the Fund is analogous to the minimum required coverage under the standard automobile policy (OAP1) approved by the provincial regulator. Unlike insurance companies, the Fund does not cover claims where the accidents occur outside of Ontario, except in the case of accident benefits where the Ontario insurer is insolvent. In the cases of insurance company insolvencies where the Fund pays claims for accident benefits, it has powers to assess the industry to recover for claims and adjustment expenses and also has claimant rights against the estate of the insolvent insurer.

The current maximum third party liability claims limits payable by the Fund are $200,000, inclusive of pre-judgment interest, plus legal costs as awarded. Under the *Highway Traffic Act* in Ontario, a driver is responsible for an accident while the owner of the vehicle has vicarious liability. Both the owner and driver will have their driving privileges suspended and, where judgments exist, writs of seizure and sale of real property will be filed with the Sheriff in the jurisdictions where the defendants reside.

If the driver of the vehicle cannot be determined, only claims for bodily injury can be paid out of the Fund. In these civil proceedings the Superintendent of the Financial Services Commission of Ontario ("the FSCO") becomes the named defendant. In certain circumstances, the law provides that where the identity of a driver is determined at a later date, upon bringing of a motion before the court, the driver can be substituted in the judgment.

Upon the conclusion of litigation under sections 7, 12 or 15 of the *Act*, or through settlements under section 4 of the *Act*, the plaintiff(s) or claimant(s) present a request for payment to the Minister of Finance out of the Fund. At that time an account receivable is created for the full amount of those payments, which may be recovered from the uninsured driver and/or owner.

The Fund operates administratively under the direction of the FSCO and reimburses the FSCO for the costs of the services it provides to the Fund.

The Lieutenant Governor in Council, having regard to the condition of the Fund and the amount paid out of the Fund during any period, may direct payment out of the Province's Consolidated Revenue Fund of such an amount as may be considered necessary or advisable to subsidize the Fund.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the accounting principles recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA) and, where applicable, the recommendations of the Accounting Standards Board (AcSB) of the CICA.

The significant accounting policies used in the preparation of these financial statements are summarized as follows:

(a) Fixed Assets

Leasehold improvements, computer equipment, furniture and fixtures, and office equipment are carried at cost less accumulated amortization. The Fund provides for amortization on a straight line basis over the term of the lease (for leasehold improvements) or over the useful life of the asset. Accordingly, leasehold improvements and furniture and fixtures are amortized over 5 years, while computer equipment and office equipment are amortized over 3 years.

Fixed Assets	**2010**			2009
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Leasehold Improvements	**$500,000**	**$400,000**	**$100,000**	$200,000
Computer Equipment	**32,156**	**20,602**	**11,554**	17,168
Furniture & Fixtures	**16,416**	**9,850**	**6,566**	9,849
Office Equipment	**6,644**	**4,429**	**2,215**	4,429
	$555,216	**$434,881**	**$120,335**	$231,446

b) Drivers' Licence Fees and Deferred Revenue

The Fund earns a fee of $15.00 on the issuance or renewal of each driver's five-year licence. The income is earned on a pro-rata basis over the five-year term of the licence and the unearned portion is reflected as deferred revenue.

c) Accounts Receivable – Fees

Under the *Act* the Fund receives from the Ministry of Transportation and Serco DES a monthly internal transfer and payment representing the drivers' licence fee prescribed by *Ontario Regulation 800*. Accordingly, unremitted licence fees are reported as accounts receivable.

d) Accounts Receivable – Debtors

The Fund maintains an accounts receivable portfolio, accumulated over the years as a result of judgments and claims assigned to the Minister of Finance. The Fund will pay damages to injured, not at fault, victims who have no recourse to liability insurance, on behalf of defendant uninsured motorists. In accordance with the *Act*, these amounts are recoverable from the uninsured motorists. Total repayments received from debtors are reflected in the cash flow statement.

The allowance for doubtful accounts is determined through a process that considers: the age of defendant/debtor, the defendant/debtor's current monthly installment required under the regulations, the amount paid out of the Fund and the activity on the account since the date of the judgment.

The write-off process depends on established criteria that parallel the criteria established by the Ministry of Finance. These criteria are used to select a block of accounts at the beginning of April that is reviewed by collections staff.

The Ministry of Finance, Internal Audit Section audits the work of the collections staff and provides a certificate of assurance to verify that the established criteria for the write-off have been met. The write-off transaction is authorized by an order-in-council under the authority set out in the *Financial Administration Act*.

In the current year, write-offs of $3.2 million (2009 - $4.0 million) were processed. Additionally, in the current year $0.5 million of the Accounts Receivable was reinstated through the bad debt expense account.

e) Prior Year Recoveries

Prior year recoveries are generated from three main sources – insurance recoveries, reversionary interest (Note 5) and recoveries of court costs. The Fund is required under the *SABS* to satisfy the payment of accident benefits claims within specified periods. The timeframe does not allow for a complete investigation into available insurance coverage and in some instances information is withheld by police because of criminal investigations.

Accordingly, when new information is available, the Fund may be required to pursue private insurers for recoveries.

From time to time the Fund may also be involved in the defence of uninsured motorists or the Superintendent of the FSCO, where the legal proceedings are deemed frivolous and the Fund is awarded costs by the courts.

f) Unpaid Claims

Unpaid claims represents the estimated amounts required to settle all unpaid claims, including an amount for unreported claims and claim expenses, and is gross of estimated recoveries and subrogation. Claim liabilities are established according to accepted actuarial practice in Canada as applied to public personal injury compensation plans. They do not reflect the time value of money nor include a provision for adverse deviations, because the Fund reports no investment income.

The provision for unpaid claims and claim expenses consists of estimates that are necessarily subject to uncertainty and the variability could be material in the near term. The estimates are selected from a range of possible outcomes and are adjusted up or down, as additional information becomes known during the course of loss settlement. The estimates are principally based on historical experience but variability can be caused by changes in judicial interpretations of contracts or significant changes in severity and frequency of claims from historical trends. All changes in estimates are recorded in the current period.

The Fund has obligations to pay certain fixed amounts to claimants on a recurring basis and has purchased annuities from life insurers to provide for those payments.

Settlements occur when there is an irrevocable direction from the Fund to the life insurer to make all payments directly to the claimant. There are no rights under the non-commutable, non-assignable, non-transferable contract that would provide any current or future benefit to the Fund. The Fund remains liable to make payments only in the event that the life insurer fails and only to the extent that Assuris, the life insurance industry's insolvency compensation fund, will not cover payments due. The net risk to the Fund is any credit risk related to the life insurers. This credit risk is deemed nil at March 31, 2010. There exists the possibility of contingent gains based on the fact that the Fund has purchased insurance on some of the measured lives. Such amounts are described in Note 5 – Contingent Gains.

g) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires that the Fund's management make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities as at the date of the financial statements and the reported amounts of revenue and expenses for the period. Estimates and assumptions may change over time as new information is obtained or subsequent developments occur. Actual results could differ from these estimates.

h) i) Employee Future Benefits Obligation

Prior to 2007, the Fund did not record the liabilities pertaining to the legislative severance and compensated absences components of its employee future benefits costs because these liabilities had been determined and recognized by the Province in its financial statements. While the Province continues to accrue for these costs each year and to fund them annually when due, the Auditor General has requested and management has agreed that the Fund also recognize the liability for these costs in these financial statements.

	2010	Increase (Decrease)	2009
Employee Future Benefits Obligation	$541,499	$10,638	$530,861

ii) Employee Benefits

The Fund's employees are entitled to benefits that have been negotiated centrally for Ontario Public Service employees. The future liability for benefits earned by the Fund's employees is recognized in the Province's consolidated financial statements.

These benefits are accounted for by the Fund as follows:

Employee Future Benefits Obligation

The costs of any legislated severance and unused vacation entitlements earned by employees are recognized when earned by eligible employees. Legislated severance is non-actuarially estimated based on one week pay for every year of service for those employees with a minimum of five years of service.

Other Non-Pension Post-Employment Benefits

The cost of other non-pension post-employment benefits is determined and funded on an ongoing basis by the Ontario Ministry of Government Services and accordingly is not included in these financial statements.

4. UNPAID CLAIMS AND ADJUSTMENT EXPENSES

a) The Fund's unpaid claims and adjustment expenses consist of the following:

	March 31, 2010		March 31, 2009	
	Gross	**Recoverable**	Gross	Recoverable
	(000's)	**(000's)**	(000's)	(000's)
ACCIDENT BENEFITS				
Statutory accident benefits	**$107,589**	**$ –**	$115,229	$ –
THIRD PARTY LIABLITY (TPL)				
Property damage	**1,147**	**26**	1,361	50
Bodily injury	**61,573**	**2,611**	62,864	3,734
Total TPL	**62,720**	**2,637**	64,225	3,784
Totals	**$170,309**	**$2,637**	$179,454	$3,784

b) The change in gross provision for claims and adjustment expenses is as follows:

	March 31, 2010	March 31, 2009
	(000's)	(000's)
Unpaid claims and adjustment expenses, beginning of year	**$179,454**	$185,614
Increase (decrease) in provision for losses that occurred in prior years	**(14,670)**	(15,607)
Amounts paid during the year on claims of prior years		
Statutory Payments	**(20,663)**	(18,598)
Claims Expenses	**(6,638)**	(6,435)
Amount paid during the year on claims of the current year		
Statutory Payments	**(992)**	(619)
Claims Expenses	**(319)**	(214)
Provision for losses on claims that occurred in the current year	**34,317**	35,313
Unpaid claims and adjustment expenses, end of year	**$170,309**	$179,454

5. CONTINGENT GAINS

Some payments out of the Fund are in the form of structured settlements for accident benefit claims. These claims have guarantee periods ranging from 10 to 30 years and during this period the reversionary interest will be payable to Her Majesty the Queen in right of Ontario, as represented by the Minister of Finance, should the claimant die.

Even though the range of probability that the claimant may die during the guarantee period is slight, the Fund nevertheless has calculated the approximate reversionary interest represented by insurance on the claimant lives as at March 31, 2010 for information purposes.

As at March 31, 2010, the amount paid out of the Fund for accident benefit claims in the form of structured settlements was approximately $23.4 million (2009 - $17.8 million) with applicable reversionary interest of approximately $18.0 million (2009- $13.7 million).

6. ROLE OF THE ACTUARY AND AUDITOR

The FSCO retains the Fund's actuary. The actuary's responsibility is to carry out an annual valuation of the Fund's liabilities, which include provision for unpaid claims and adjustment expenses in accordance with accepted actuarial practice. In performing the valuation, the actuary makes assumptions as to the future rates of claims frequency and severity, inflation, recoveries, and expenses taking into consideration the circumstances of the Fund. The actuary in his verification of the underlying data used in the valuation also makes use of the work of the external auditor. The actuary's report outlines the scope of his work and opinion.

The external auditors act under the direction of the Auditor General of Ontario pursuant to agreed terms of engagement. Their responsibility is to conduct an independent and objective audit of the financial statements in accordance with Canadian generally accepted auditing standards and report thereon to the Audit Committee of the FSCO. In carrying out their audit, the auditors also consider the work of the actuary and his report on the provision for claims and claim expenses. The auditors' report outlines the scope of their audit and their opinion.

Ontario

SUPERINTENDENT'S REPORT ON INSURANCE

2009

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Superintendent's Report 2009

The following information was obtained from the annual filings and, in the case of federally registered insurers, from the Office of the Superintendent of Financial Institutions. While every effort has been made to ensure the accuracy of this report, decisions should not be made solely on the information contained in it. Other sources should also be consulted. Any material changes to this information will be reported to the Minister of Finance and published in *The Ontario Gazette*.

The information is organized by type of insurer, and insurers are listed alphabetically within each group.

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Letter to Minister of Finance

The Honourable Dwight Duncan
Minister of Finance
7 Queen's Park Crescent
Toronto ON M7A 1Y7

Dear Minister:

I am pleased to present the 131st annual report under Section 36 of the Insurance Act for the year ended December 31, 2009. Prior to the creation of the Financial Services Commission of Ontario, this report was issued by the Superintendent of Insurance.

In addition to the information contained in this report, a listing of all licensed insurers is published each July in *The Ontario Gazette*. This list contains the names of the insurers, their addresses, telephone numbers, chief agents, and the classes for which they are licensed. During the year, information concerning newly licensed insurers and changes to existing licences is also published in Bulletins issued by the Financial Services Commission of Ontario. Any broker or member of the public can verify whether a particular insurer is licensed by calling our offices at (416) 250-7250. This information is also available on the Commission's Internet site – www.fsco.gov.on.ca.

News releases containing other information of public interest are made throughout the year. These announcements effectively reach a large number of Ontario residents. Information is also supplied to industry trade associations for inclusion in their publications to reach more specialized audiences. The Financial Services Commission of Ontario issues Bulletins as required to provide information to insurers and other individuals interested in the insurance industry.

Yours sincerely,

Philip Howell
Chief Executive Officer and
Superintendent of Financial Services

SUMMARY OF COMPANIES LICENSED BY TYPE OF BUSINESS ACTIVITY as of December 31, 2009, and December 31, 2008

Business Type	Total 2008	Additions	Withdrawals	Total 2009	Analysis of 2009 total: Ontario	Analysis of 2009 total: Extra Provincial	Analysis of 2009 total: Federal
Property & Casualty Companies	219	0	6	213	56	10	147
Life Insurance Companies	91	1	7	85	2	16	67
Reinsurance Companies	41	0	2	39	2	1	36
Reciprocal Exchanges	10	0	0	10	8	1	1
Fraternal Societies	19	0	1	18	2	0	16
Totals	**380**	**1**	**16**	**365**	**70**	**28**	**267**

Notes:

1. *Companies writing both property & casualty insurance and life insurance business are listed under Life in the above summary. Their financial performance is shown separately by business type in the following report.*

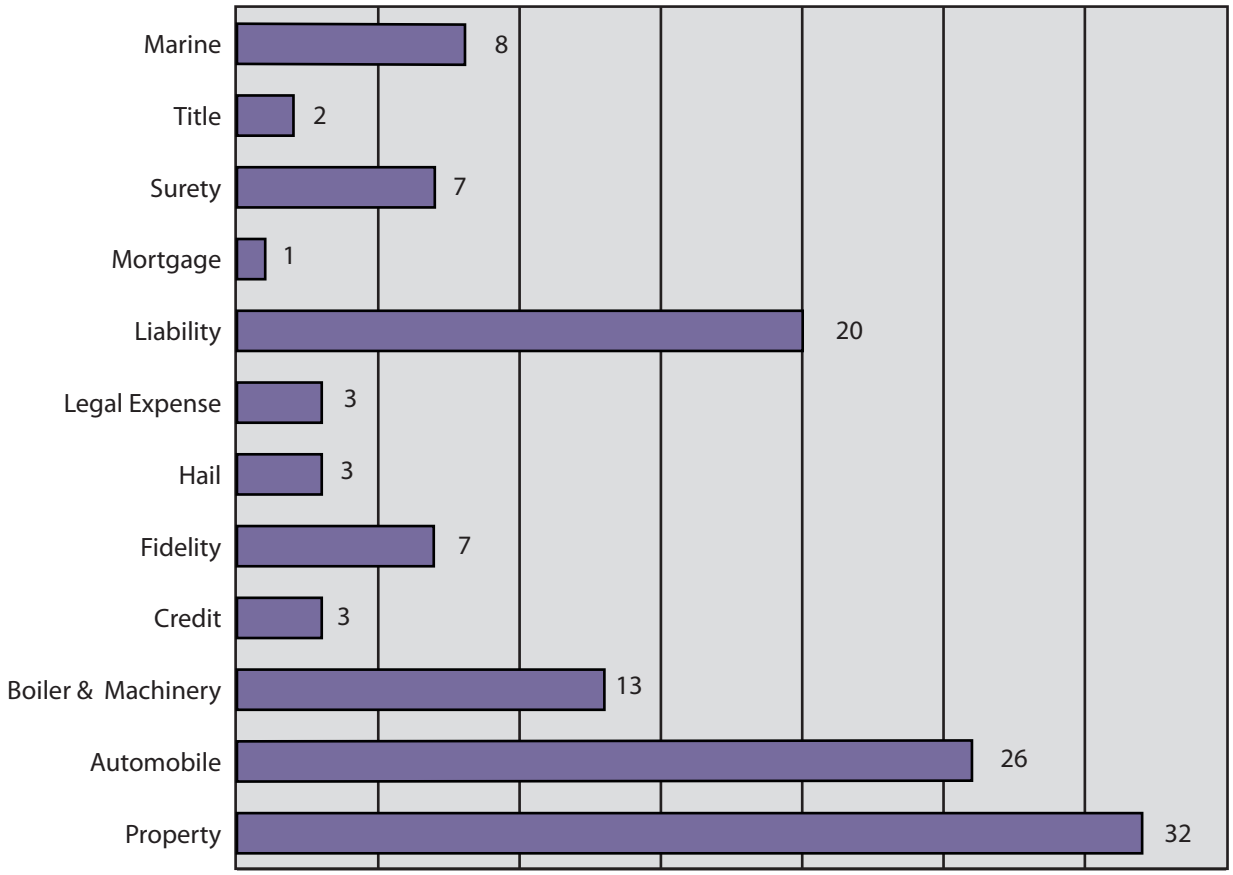
2. *Branch operations are included in the Federal totals.*

3. *The Superintendent's Report 2009 records figures as of the end of the calendar year (December 31, 2009), based on the company's annual filings. The Financial Services Commission of Ontario Annual Report 2009-2010 records figures as of the end of the fiscal year (March 31, 2010).*

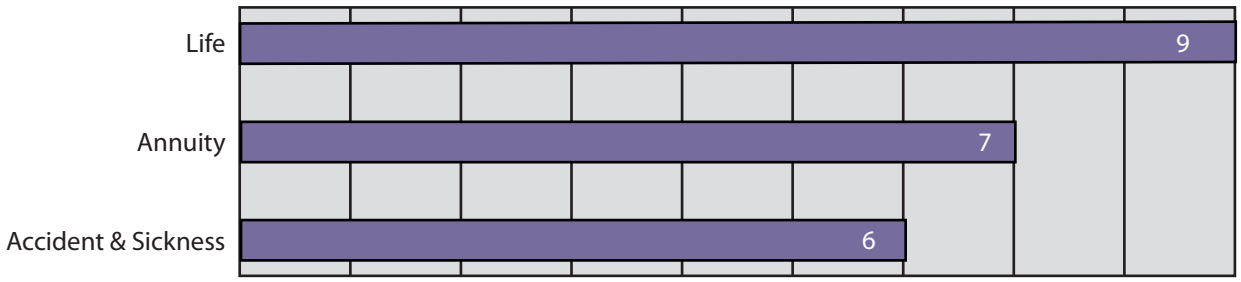
Insurer Statistics

To gauge the level of competition, FSCO calculates how many companies represent 80 percent of the market for key products. Please note that effective in 2009, these figures are based on individual companies rather than groups of affiliated companies.

2009 Property and Casualty Insurers
Number of Companies Representing 80% of Ontario Market Share



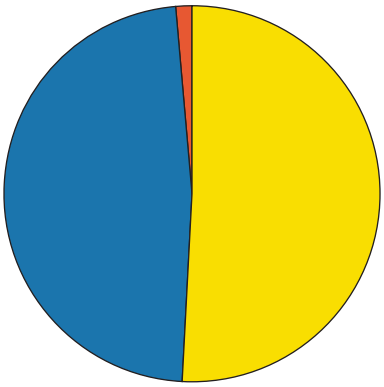
2009 Life Insurers
Number of Companies Representing 80% of the Ontario Market Share



Premium Statistics

Insurance is a $38 billion business in Ontario. In 2009, of the the total premium dollar, 47.9 per cent went to the property and casualty (including automobile) insurers and 51.0 percent went to the life insurance industry.

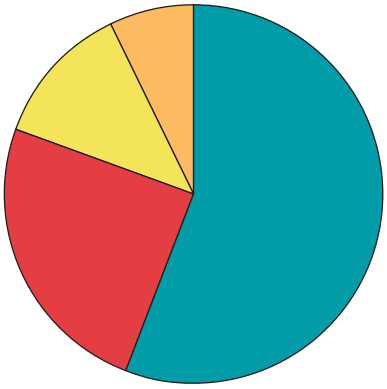
2009 Direct Premium Volume in Ontario Total $38,347 (million)



- Life Insurance Companies - $19,544 million (51.0%)
- Property & Casualty Insurers - $18,345 million (47.8%)
- Other - $458 million (1.2%)

P&C insurers received $18.3 billion in premiums in 2009. The split among automobile, property and liability insurance remained constant compared to the past year.

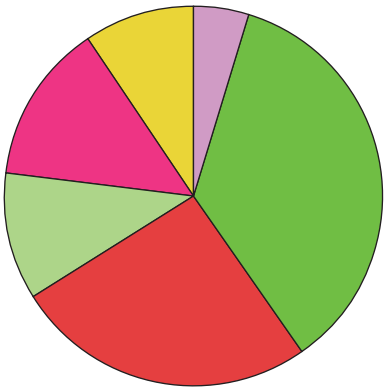
2009 Property & Casualty Companies - Direct Written Premiums in Ontario - By Line Total $18,333 (million)



- Automobile - $10,285 million (56.1%)
- Property - $4,527 million (24.7%)
- Liability - $2,234 million (12.2%)
- Other - $1,286 million (7.0%)

The broad pattern among life insurance companies likewise remained constant. Of the $19.5 billion spent on premiums to the premiums to the life insurers, 22.8 percent went to buy annuities, 36.7 percent to purchase individual and group life coverage and 40.5 percent to obtain accident and sickness insurance.

2009 Life Companies - Direct Written Premiums in Ontario Total $19,544 (million)



- Accident & Sickness - Individual $956 million (4.9%)
- Accident & Sickness - Group $6,948 million (35.6%)
- Life - Individual $5,063 million (25.9%)
- Life - Group $2,117million (10.8%)
- Annuities - Individual $2,633 million (13.5%)
- Annuities - Group $1,827 million (9.3%)

Property & Casualty Insurance Companies

	Financial Summary Year Ended December 31, 2009 (In Thousands)	ONTARIO BUSINESS Direct Written Premiums $	Direct Claims Incurred $	TOTAL COMPANY Total Assets $	Total Liabilities $	Excess of assets over liabilities $	Claims Incurred to earned premium %	Net Income/ (Loss) $
	ONTARIO							
	Algoma Mutual Insurance Company	11,007	10,435	22,376	16,838	5,538	61%	78
	Amherst Island Mutual Insurance Company	616	84	2,160	645	1,515	14%	94
	Ayr Farmers Mutual Insurance Company	18,040	9,062	55,402	32,008	23,394	57%	2,049
	Bay of Quinte Mutual Insurance Co.	16,121	6,139	36,058	16,212	19,846	48%	1,509
	Bertie and Clinton Mutual Insurance Company	10,112	6,279	47,519	19,992	27,527	53%	1,704
	Brant Mutual Insurance Company	6,022	4,697	17,105	9,636	7,469	75%	(253)
	CAA Insurance Company (Ontario)	114,634	95,395	386,611	317,416	69,195	83%	(6,798)
	Caradoc Delaware Mutual Fire Insurance Company	1,539	581	7,066	1,112	5,954	56%	32
	Cayuga Mutual Insurance Company	6,004	4,421	22,320	11,518	10,802	79%	(308)
	Coachman Insurance Company	31,951	29,447	133,762	94,427	39,335	86%	(491)
1	Coronation Insurance Company, Limited	0	0	4,125	607	3,518	n/a	165
	Culross Mutual Insurance Company	1,515	(836)	3,486	2,711	775	53%	29
	Dufferin Mutual Insurance Company	7,802	(15)	17,867	12,086	5,781	30%	727
	Dumfries Mutual Insurance Company	11,285	9,759	43,736	20,691	23,045	65%	1,281
	Erie Mutual Fire Insurance Company	5,048	3,985	21,617	7,497	14,120	79%	(652)
	Farmers' Mutual Insurance Company (Lindsay)	70,932	53,575	206,245	151,995	54,250	72%	6,086
	Fenchurch General Insurance Company	4,113	2,213	12,160	6,497	5,663	40%	646
	GCAN Insurance Company	89,006	63,034	850,955	634,879	216,076	47%	27,923
	Germania Farmers' Mutual Fire Insurance Company	12,143	5,258	26,312	15,772	10,540	49%	1,007
	Glengarry Mutual Insurance Company	9,156	6,178	19,173	9,263	9,910	67%	(427)
	Grenville Mutual Insurance Company	17,197	13,591	56,291	26,022	30,269	83%	813
	Grey & Bruce Mutual Insurance Company	2,295	1,185	4,150	1,838	2,312	54%	(51)
	Halwell Mutual Insurance Company	14,501	8,210	41,057	22,675	18,382	49%	1,353
	Hamilton Township Mutual Insurance Company	17,234	9,114	44,398	27,925	16,473	60%	344
	Hay Mutual Insurance Company	7,830	1,662	35,780	10,327	25,453	42%	1,132
	Howard Mutual Insurance Company	8,447	5,086	40,478	14,894	25,584	48%	1,162
	Howick Mutual Insurance Company	12,085	6,167	24,186	16,007	8,179	57%	1,288
	Kent & Essex Mutual Insurance Company	16,810	14,324	66,813	35,345	31,468	73%	312
	L&A Mutual Insurance Company	6,853	3,080	12,563	6,924	5,639	55%	433

Property & Casualty Insurance Companies

	Financial Summary Year Ended December 31, 2009 (In Thousands)	ONTARIO BUSINESS Direct Written Premiums $	Direct Claims Incurred $	TOTAL COMPANY Total Assets $	Total Liabilities $	Excess of assets over liabilities $	Claims Incurred to earned premium %	Net Income/ (Loss) $
	Lambton Mutual Insurance Company	15,784	11,623	53,265	28,631	24,634	76%	(118)
	Lanark Mutual Insurance Company	20,546	11,360	60,736	25,847	34,889	57%	722
	Lawyers' Professional Indemnity Company	106,711	110,289	529,686	388,619	141,067	107%	(6,477)
2	Markham General Insurance Company	0	0	0	0	0	n/a	0
	Max Canada Insurance Company	4,300	1,344	15,086	8,028	7,058	65%	(290)
	McKillop Mutual Insurance Company	7,824	9,994	27,709	17,361	10,348	65%	533
	Middlesex Mutual Insurance Co.	9,353	5,781	33,817	19,357	14,460	69%	485
	Norfolk Mutual Insurance Company	5,369	3,044	17,473	8,429	9,044	56%	631
	North Blenheim Mutual Insurance Company	7,643	3,649	21,752	8,838	12,914	58%	85
	North Kent Mutual Fire Insurance Company	6,459	2,751	31,145	12,427	18,718	50%	1,295
	Oxford Mutual Insurance Company	8,998	7,003	23,480	13,366	10,114	65%	(14)
	Peel Maryborough Mutual Insurance Company	14,315	6,625	40,635	25,667	14,968	50%	1,895
	Peel Mutual Insurance Company	31,841	24,810	87,210	61,776	25,434	78%	127
	Pro-Demnity Insurance Company	19,136	6,953	87,338	62,603	24,735	86%	1,901
	South Easthope Mutual Insurance Company	12,025	6,582	38,430	19,475	18,955	68%	576
	The West Wawanosh Mutual Insurance Company	13,558	6,739	45,376	27,635	17,741	48%	1,751
	The Westminster Mutual Insurance Company	7,913	4,959	18,871	14,009	4,862	71%	(78)
	The Yarmouth Mutual Fire Insurance Company	6,341	3,083	16,973	7,595	9,378	46%	515
	Town & Country Mutual Insurance Company	9,549	7,699	30,761	17,241	13,520	66%	353
	Townsend Farmers' Mutual Fire Insurance Company	5,205	4,654	22,429	15,039	7,390	51%	1,185
	Tradition Mutual Insurance Company	11,127	8,727	44,139	32,037	12,102	69%	165
	Trillium Mutual Insurance Company	32,698	19,885	91,185	62,779	28,406	68%	6
3	TTC Insurance Company Limited	0	0	113,555	113,455	100	n/a	0
	Usborne and Hibbert Mutual Fire Insurance Company	5,416	6,798	34,955	7,971	26,984	54%	2,242
	Wabisa Mutual Insurance Company	5,790	1,029	18,909	12,668	6,241	35%	1,205
	West Elgin Mutual Insurance Company	8,623	3,176	37,034	21,010	16,024	52%	560
	York Fire & Casualty Insurance Company	114,719	100,757	350,178	276,834	73,344	83%	(456)
		1,021,541	751,424	4,153,898	2,852,456	1,301,442		49,986

Property & Casualty Insurance Companies

	Financial Summary Year Ended December 31, 2009 (In Thousands)	ONTARIO BUSINESS Direct Written Premiums $	Direct Claims Incurred $	Total Assets $	Total Liabilities $	Excess of assets over liabilities $	TOTAL COMPANY Claims Incurred to earned premium %	Net Income/ (Loss) $
	EXTRA-PROVINCIAL							
	Alberta Motor Association Insurance Company	108	0	478,489	357,636	120,853	70%	19,049
	Belair Insurance Company Inc.	47,887	34,116	957,955	719,410	238,545	71%	2,103
	Canadian Farm Insurance Corp.	871	876	13,830	10,012	3,818	114%	(2,931)
	GMS Insurance Inc.	5,237	2,390	17,613	11,751	5,862	71%	(364)
	La Mutuelle d'église de l'inter-Oouest	14	0	5,222	219	5,003	41%	(86)
	L'Unique General Insurance Inc.	150	0	198,938	158,097	40,841	62%	6,524
	Optimum Insurance Company Inc.	34,349	19,805	158,831	117,297	41,534	55%	4,062
	SGI Canada Insurance Services Ltd.	137	54	161,415	79,975	81,440	55%	2,828
	The Canadian Union Insurance Company	231	(113)	456,546	349,845	106,701	62%	6,674
	Trans Global Insurance Company	4,427	812	12,661	6,687	5,974	8%	1,520
		93,411	57,940	2,461,500	1,810,929	650,571		39,379
	FEDERAL							
	ACE INA Insurance	127,939	132,001	1,302,920	1,047,327	255,593	68%	38,523
	Allstate Insurance Company of Canada	348,347	253,586	1,773,464	1,173,630	599,834	70%	66,876
4	Alta Surety Company	0	0	0	0	0	n/a	0
	Ascentus Insurance Ltd.	2,784	1,465	39,160	23,793	15,367	54%	770
	Associated Electric & Gas Insurance Services Limited	4,666	2,255	94,301	44,326	49,975	44%	6,155
	Aviva Insurance Company of Canada	694,372	566,261	4,136,955	3,384,146	752,809	71%	15,175
	AXA Insurance (Canada) AXA Assurances (Canada)	431,882	322,101	1,524,505	1,224,217	300,288	71%	31,245
	AXA Pacific Insurance Company	39,254	23,116	1,184,520	932,605	251,915	65%	31,625
5	Canada Guaranty Mortgage Insurance Company	5,109	22,244	270,314	151,358	118,956	252%	(32,714)
	Canadian Direct Insurance Incorporated	0	0	213,980	154,440	59,540	67%	9,111
	Canadian Northern Shield Insurance Company	866	(140)	285,639	219,908	65,731	68%	(9,455)
	Certas Direct Insurance Company	102,238	71,920	434,841	330,927	103,914	72%	6,397
	Certas Home and Auto Insurance Company	1,030	905	7,265	1,336	5,929	116%	(1,325)
6	Chartis Insurance Company of Canada	393,430	227,020	4,593,536	3,241,067	1,352,469	75%	94,736

Property & Casualty Insurance Companies

	Financial Summary Year Ended December 31, 2009 (In Thousands)	ONTARIO BUSINESS Direct Written Premiums $	Direct Claims Incurred $	Total Assets $	Total Liabilities $	TOTAL COMPANY Excess of assets over liabilities $	Claims Incurred to earned premium %	Net Income/ (Loss) $
	Chubb Insurance Company of Canada	334,475	210,615	2,277,982	1,551,483	726,499	57%	100,187
	Commonwealth Insurance Company	23,210	2,890	858,087	563,765	294,322	31%	33,258
7	Constitution Insurance Company Of Canada	0	103	3,281	1,034	2,247	n/a	252
	Co-Operators General Insurance Company	715,857	528,282	3,852,574	2,590,152	1,262,422	70%	74,010
	Coseco Insurance Company	166,399	164,696	581,966	456,755	125,211	92%	(6,410)
	CUMIS General Insurance Company	45,170	40,484	159,677	138,183	21,494	64%	2,838
	Echelon General Insurance Company	114,060	90,098	395,063	288,714	106,349	72%	7,402
	Economical Mutual Insurance Company	927,622	819,345	4,424,352	3,253,692	1,170,660	77%	24,067
	Elite Insurance Company	256,680	116,766	751,003	599,808	151,195	72%	(1,058)
	Everest Insurance Company of Canada	0	(4)	4,008	107	3,901	n/a	(158)
	FCT Insurance Company Ltd.	55,672	14,651	183,656	119,605	64,051	22%	15,656
	Federated Insurance Company of Canada	46,579	33,670	426,448	304,336	122,112	55%	25,857
	Federation Insurance Company of Canada	1,099	(1,921)	497,114	405,307	91,807	77%	2,733
	First North American Insurance Company	956	178	6,819	1,308	5,511	22%	298
	Genworth Financial Mortgage Insurance Company Canada	137,802	93,679	5,179,614	2,652,258	2,527,356	36%	377,364
8	Gold Circle Insurance Company	0	0	30	30	0	n/a	(1)
	Gore Mutual Insurance Company	207,300	124,748	534,195	381,579	152,616	67%	2,472
	Grain Insurance and Guarantee Company	10,808	(591)	101,211	67,993	33,218	39%	7,500
9	Granite Insurance Company	0	0	0	0	0	n/a	0
	Industrial Alliance Pacific General Insurance Corporation	8,147	1,079	104,086	83,074	21,012	56%	1,468
10	Intact Insurance Company	1,358,968	1,011,359	7,071,987	5,966,864	1,105,123	71%	12,577
	Jevco Insurance Company	67,465	67,641	1,230,819	946,492	284,327	82%	(11,238)
	Legacy General Insurance Company	19,030	3,164	18,761	(9,796)	28,557	17%	3,874
	Lombard General Insurance Company of Canada	316,815	334,875	2,699,791	1,989,488	710,303	76%	66,367
	Lombard Insurance Company	125,009	120,740	431,513	303,076	128,437	80%	6,594
	Markel Insurance Company of Canada	122,198	113,024	719,922	544,951	174,971	72%	13,205
11	Novex Insurance Company	105,462	98,707	854,762	643,440	211,322	71%	21,472

Property & Casualty Insurance Companies

	Financial Summary Year Ended December 31, 2009 (In Thousands)	ONTARIO BUSINESS Direct Written Premiums $	Direct Claims Incurred $	TOTAL COMPANY Total Assets $	Total Liabilities $	Excess of assets over liabilities $	Claims Incurred to earned premium %	Net Income/ (Loss) $
	Old Republic Insurance Company Of Canada	32,884	16,304	181,229	129,398	51,831	57%	4,653
	Omega General Insurance Company	3,253	1,538	15,429	6,605	8,824	47%	(688)
	Pafco Insurance Company	33,188	13,530	238,226	148,686	89,540	41%	15,644
	Pembridge Insurance Company	72,935	57,397	492,666	260,977	231,689	72%	18,329
	Perth Insurance Company	99,507	110,167	478,475	424,204	54,271	77%	1,625
	Pilot Insurance Company	245,955	335,724	1,628,073	1,389,400	238,673	77%	21,452
	PMI Mortgage Insurance Company Canada	(3)	284	19,954	4,041	15,913	147%	(4,366)
	Primmum Insurance Company	196,192	149,130	1,241,840	1,043,786	198,054	81%	22,140
	Quebec Assurance Company	0	0	99,721	70,057	29,664	60%	3,363
	RBC General Insurance Company	286,665	253,636	940,670	718,302	222,368	84%	(932)
	RBC Insurance Company of Canada	160,570	82,616	356,199	163,741	192,458	49%	12,789
	Royal & Sun Alliance Insurance Company of Canada	398,092	293,809	3,225,564	2,452,291	773,273	60%	90,321
	S & Y Insurance Company	71,339	54,919	260,160	216,983	43,177	72%	3,794
	Safety National Casualty Corporation	4,556	2,668	39,433	26,398	13,035	99%	(970)
	Scotia General Insurance Company	0	0	7,212	11	7,201	n/a	(35)
	Scottish & York Insurance Co. Limited	159,115	162,516	894,093	766,609	127,484	78%	15,246
	Securican General Insurance Company	16,186	8,958	37,783	25,891	11,892	51%	3,796
	Security National Insurance Company	645,736	534,264	3,393,831	2,477,906	915,925	82%	68,629
12	TD Direct Insurance Inc.	0	0	14,646	186	14,460	n/a	394
	TD General Insurance Company	234,027	300,811	821,516	724,367	97,149	95%	(1,221)
	TD Home And Auto Insurance Company	181,386	137,525	1,080,440	899,792	180,648	81%	30,772
	Temple Insurance Company	84,906	39,785	866,443	728,716	137,727	50%	23,065
	The Boiler Inspection and Insurance Company of Canada	12,524	5,619	180,819	102,389	78,430	28%	14,293
	The Dominion of Canada General Insurance Company	824,317	698,013	2,980,665	2,283,250	697,415	83%	(151,604)
	The Guarantee Company of North America	203,629	179,452	1,014,167	602,832	411,335	78%	9,642
	The Missisquoi Insurance Company	271	976	488,046	394,081	93,965	77%	2,538
	The Nordic Insurance Company of Canada	254,355	224,743	3,601,642	2,619,769	981,873	71%	47,650

Property & Casualty Insurance Companies

Financial Summary Year Ended December 31, 2009 (In Thousands)	ONTARIO BUSINESS Direct Written Premiums $	Direct Claims Incurred $	Total Assets $	Total Liabilities $	Excess of assets over liabilities $	TOTAL COMPANY Claims Incurred to earned premium %	Net Income/ (Loss) $
The North Waterloo Farmers Mutual Insurance Company	62,417	38,149	115,724	83,810	31,914	59%	3,162
The Personal Insurance Company	322,736	259,088	1,297,184	1,026,765	270,419	76%	17,920
The Portage La Prairie Mutual Insurance Company	30,150	15,341	328,717	210,574	118,143	63%	10,040
The Sovereign General Insurance Company	62,530	52,870	636,676	488,215	148,461	61%	10,694
The Wawanesa Mutual Insurance Company	495,803	466,703	5,148,782	3,145,580	2,003,202	78%	99,588
Traders General Insurance Company	334,741	230,026	1,264,895	1,069,066	195,829	78%	1,508
Trafalgar Insurance Company of Canada	148,301	128,471	748,106	555,274	192,832	71%	18,859
Travelers Guarantee Company of Canada	74,610	12,913	790,136	527,087	263,049	24%	40,850
Trisura Guarantee Insurance Company	18,994	4,408	76,651	43,527	33,124	27%	3,217
Unifund Assurance Company	407,549	364,942	1,412,911	1,165,828	247,083	77%	(847)
Waterloo Insurance Company	79,725	57,851	336,218	280,456	55,762	77%	1,638
Western Assurance Company	102,026	66,928	684,245	564,200	120,045	60%	15,773
Western Surety Company	2,467	192	35,442	18,949	16,493	14%	1,136
XI Insurance Company Limited	45,670	28,980	488,682	320,818	167,864	56%	22,642
Zenith Insurance Company	49,738	33,919	184,416	108,862	75,554	64%	6,789
	13,777,742	11,036,177	87,377,848	64,062,457	23,315,391		1,540,993
BRANCH							
Affiliated FM Insurance Company	29,609	11,226	194,507	114,169	80,338	57%	11,865
Allianz Global Risks US Insurance Company	87,752	22,807	603,342	463,551	139,791	70%	18,205
Allstate Insurance Company	0	0	0	0	0	n/a	0
American Bankers Insurance Company of Florida	160,194	25,477	374,330	212,352	161,978	24%	12,033
Arch Insurance Company	28,693	6,536	165,651	121,518	44,133	55%	5,485
Associated Electric & Gas Insurance Services Limited	4,666	2,255	94,301	44,326	49,975	44%	6,155
Atradius Credit Insurance N.V.	2,322	1,019	21,468	15,553	5,915	37%	(1,204)
13 Aviation & General Insurance Company Limited	0	0	0	0	0	n/a	0

Property & Casualty Insurance Companies

	Financial Summary Year Ended December 31, 2009 (In Thousands)	ONTARIO BUSINESS Direct Written Premiums $	Direct Claims Incurred $	TOTAL COMPANY Total Assets $	Total Liabilities $	Excess of assets over liabilities $	Claims Incurred to earned premium %	Net Income/ (Loss) $
	Aviva International Insurance Limited	(8)	(521)	28,632	3,087	25,545	n/a	385
	Berkley Insurance Company	7,404	1,517	55,920	24,987	30,933	55%	(1,845)
	Centennial Insurance Company	0	22	11,037	558	10,479	n/a	13
	Chicago Title Insurance Company	6,961	5,956	38,647	15,201	23,446	65%	(2,141)
	Chrysler Insurance Company	544	(1,259)	24,648	11,713	12,935	-0%	2,719
	Compagnie Francaise d'assurance pour le commerce exterieur	10,330	8,423	61,383	37,351	24,032	59%	(1,570)
	Continental Casualty Company	91,449	36,670	1,005,605	686,009	319,596	53%	46,602
	Eagle Star Insurance Company Limited	(2)	(209)	17,070	6,182	10,888	n/a	542
	Ecclesiastical Insurance Office Public Limited Company	12,454	11,578	133,633	76,298	57,335	51%	2,446
	Electric Insurance Company	2,010	1,708	22,236	11,924	10,312	113%	(315)
	Employers Insurance Company of Wausau	0	184	33,932	5,138	28,794	n/a	632
	Euler American Credit Indemnity Company	17,764	13,900	100,851	56,239	44,612	42%	4,883
	Factory Mutual Insurance Company	87,131	2,628	761,785	355,688	406,097	6%	122,235
	Federal Insurance Company	1,359	2,489	127,615	38,148	89,467	n/a	10,491
	First American Title Insurance Company	8,318	969	38,192	19,231	18,961	25%	2,079
	General Reinsurance Corporation	0	0	447,995	319,831	128,164	19%	21,108
	Great American Insurance Company	19,233	15,195	267,969	151,183	116,786	54%	(6,413)
	Great American Insurance Company of New York	0	(28)	2,125	102	2,023	n/a	88
	Hartford Fire Insurance Company	5,588	1,606	256,732	54,026	202,706	55%	10,385
14	Icarom Public Limited Company	0	12	3,244	563	2,681	n/a	(69)
	Jewelers Mutual Insurance Company	2,723	2,223	8,811	3,203	5,608	83%	(794)
	Lawyers Title Insurance Corporation	18	(656)	6,807	278	6,529	n/a	1,404
	Liberty Mutual Insurance Company	74,972	41,566	1,201,220	579,794	621,426	39%	63,233
	Lloyd's Underwriters	442,549	242,986	3,728,625	2,515,516	1,213,109	47%	391,046
15	Lumbermens Mutual Casualty Company	(2)	(522)	9,819	915	8,904	n/a	840
	Mitsui Sumitomo Insurance Company, Limited	0	0	0	0	0	n/a	0
	Motors Insurance Corporation	154,346	108,863	691,846	427,748	264,098	59%	57,155
	Munich Reinsurance America, Inc.	0	(1,170)	246,753	115,205	131,548	168%	(9,321)

Property & Casualty Insurance Companies

	Financial Summary Year Ended December 31, 2009 (In Thousands)	ONTARIO BUSINESS Direct Written Premiums $	Direct Claims Incurred $	TOTAL COMPANY Total Assets $	Total Liabilities $	Excess of assets over liabilities $	Claims Incurred to earned premium %	Net Income/ (Loss) $
	National Liability & Fire Insurance Company	5,474	(2,756)	363,023	170,690	192,333	43%	48,380
	Nipponkoa Insurance Company, Limited	911	394	32,717	3,641	29,076	9%	1,201
16	North American Specialty Insurance Company	0	0	0	0	0	n/a	0
	Pearl Assurance Public Limited Company	0	6	1,835	453	1,382	n/a	(54)
17	Progressive Casualty Insurance Company	0	1,956	21,974	8,933	13,041	-81%	(386)
	Protective Insurance Company	224	78	8,851	596	8,255	56%	4
18	Reliance Insurance Company	0	0	0	0	0	n/a	0
	Security Insurance Company of Hartford	133	(3,146)	105,538	35,746	69,792	n/a	4,106
	Sentry Insurance A Mutual Company	736	347	34,070	6,104	27,966	44%	761
	Sompo Japan Insurance Inc.	3,212	390	43,762	8,132	35,630	49%	989
	St. Paul Fire and Marine Insurance Company	76,301	63,165	1,334,021	720,787	613,234	43%	70,551
	State Farm Fire and Casualty Company	395,903	274,138	1,112,280	652,752	459,528	73%	19,683
	State Farm Mutual Automobile Insurance Company	1,228,046	1,399,124	4,789,724	3,444,854	1,344,870	111%	(220,283)
	Stewart Title Guaranty Company	54,849	24,067	151,702	91,378	60,324	44%	8,487
	T.H.E. Insurance Company	22	(43)	2,960	298	2,662	-134%	25
	The American Road Insurance Company	1,454	1,079	23,267	2,985	20,282	51%	2,023
	The British Aviation Insurance Company Limited	(4)	29	4,354	1,144	3,210	155%	(495)
19	The Hanover Insurance Company	0	0	3,143	50	3,093	n/a	(73)
20	The Home Insurance Company	0	0	0	0	0	n/a	0
21	TIG Insurance Company	0	(54)	35,702	3,946	31,756	n/a	1,468
	Tokio Marine & Nichido Fire Insurance Co., Ltd.	11,589	5,059	117,824	74,819	43,005	84%	(1,826)
	Triton Insurance Company	15,595	10,158	291,946	142,574	149,372	32%	21,829
22	Uap-Newrotterdam Insurance Company N.V.	0	805	2,805	82	2,723	n/a	(898)
23	Utica Mutual Insurance Company	0	142	6,725	2,199	4,526	n/a	44
	Virginia Surety Company, Inc.	3,000	457	42,809	11,200	31,609	97%	(224)

Property & Casualty Insurance Companies

Financial Summary Year Ended December 31, 2009 (In Thousands)	ONTARIO BUSINESS Direct Written Premiums $	Direct Claims Incurred $	Total Assets $	Total Liabilities $	TOTAL COMPANY Excess of assets over liabilities $	Claims Incurred to earned premium %	Net Income/ (Loss) $
Westport Insurance Corporation	28,201	23,837	565,860	417,371	148,489	51%	3,991
Xl Reinsurance America Inc.	18,479	13,777	472,198	287,556	184,642	70%	18,072
Zurich Insurance Company Ltd	350,399	239,536	2,745,167	2,030,254	714,913	76%	65,740
	3,452,901	2,615,995	23,100,988	14,606,131	8,494,857		811,472
TOTAL	**18,345,595**	**14,461,536**	**117,094,234**	**83,331,973**	**33,762,261**		**2,441,830**

Life Insurance Companies

Financial Summary Year Ended December 31, 2009 (In Thousands)	ONTARIO BUSINESS Direct Written Premiums $	Benefits And Payments To Policyholders $	Total Assets $	Total Liabilities $	TOTAL COMPANY Excess of assets over liabilities $	Net Income/ (Loss) $
ONTARIO						
CT Financial Assurance Company	3,247	1,253	32,975	21,774	11,201	560
Union of Canada Life Insurance	811	620	82,492	70,447	12,045	148
	4,058	1,873	115,467	92,221	23,246	708
EXTRA PROVINCIAL						
Acadia Life	28	8	75,294	50,724	24,570	(1,220)
Assumption Mutual Life Insurance Company	13,044	8,397	567,259	479,258	88,001	6,346
AXA Insurance	24,924	7,146	784,200	671,063	113,137	11,924
Canassurance Insurance Company	3,286	1,242	86,863	54,157	32,706	385
Desjardins Financial Security Life Assurance Company	556,865	478,363	14,371,958	13,334,252	1,037,706	192,771
First Canadian Insurance Corporation	15,034	2,148	282,021	162,383	119,638	17,045
Industrial Alliance Insurance and Financial Services Inc.	769,123	503,980	15,007,920	12,840,667	2,167,253	219,641
L'Entraide Assurance Mutual Company	0	0	77,498	67,222	10,276	188
La Capitale Insurance and Financial Services Inc.	5,593	3,424	231,932	179,595	52,337	5,000
La Survivance, compagnie mutuelle d'assurance vie	1,672	168	213,405	175,529	37,876	4,367
National Bank Life Insurance Company	11,585	2,976	167,879	65,579	102,300	20,625
Promutuel Life Inc.	1	0	8,372	1,853	6,519	(813)
SSQ, Life Insurance Company Inc.	149,084	87,044	2,365,863	2,084,363	281,500	35,022
The International Life Insurance Company	0	0	29,088	9,956	19,132	2,572
The Union Life, A Mutual Assurance Company	4,640	301	692,844	570,416	122,428	13,868
Trans Global Life Insurance Company	3,589	238	8,863	2,344	6,519	944
	1,558,468	1,095,435	34,971,259	30,749,361	4,221,898	528,665
FEDERAL						
ACE INA Life Insurance	56,764	7,694	112,267	54,124	58,143	13,406
Allstate Life Insurance Company of Canada	0	0	3,719	22	3,697	58
Assurant Life Of Canada	77,949	25,379	812,834	742,337	70,497	(31,970)
Blue Cross Life Insurance Company of Canada	26,970	14,895	367,165	282,825	84,340	4,719
24 BMO Life Assurance Company	398,954	148,075	3,897,106	3,528,361	368,745	13,035
BMO Life Insurance Company	23,374	1,956	436,991	31,484	405,507	39,824
Canadian Premier Life Insurance Company	94,112	20,278	176,176	72,500	103,676	22,375

Life Insurance Companies

	Financial Summary Year Ended December 31, 2009 (In Thousands)	ONTARIO BUSINESS Direct Written Premiums $	Benefits And Payments To Policyholders $	TOTAL COMPANY Total Assets $	Total Liabilities $	Excess of assets over liabilities $	Net Income/ (Loss) $
	CIBC Life Insurance Company Limited	17,404	5,288	30,599	(68,282)	98,881	14,864
	CIGNA Life Insurance Company of Canada	0	2,207	41,272	25,673	15,599	2,379
	Compcorp Life Insurance Company	0	0	10,000	354	9,646	(48)
25	Confederation Life Insurance Company	0	0	0	0	0	0
	Co-operators Life Insurance Company	278,240	192,782	2,630,383	1,954,186	676,197	16,801
	Crown Life Insurance Company	0	0	448,064	367,286	80,778	5,063
	Cumis Life Insurance Company	77,921	52,039	596,235	529,451	66,784	4,294
	Industrial Alliance Pacific Life Insurance Company	89,794	45,479	2,689,876	2,295,397	394,479	49,989
	London Life Insurance Company	1,303,683	1,198,931	24,835,435	22,022,818	2,812,617	396,399
	Manulife Canada Ltd.	31,649	13,944	1,401,356	1,128,870	272,486	46,656
	MD Life Insurance Company	0	0	70,427	27,068	43,359	9,705
	Penncorp Life Insurance Company	23,951	7,990	353,270	259,526	93,744	7,957
	Primerica Life Insurance Company of Canada	117,000	39,619	627,217	18,843	608,374	101,437
	Rbc Life Insurance Company	507,282	261,899	6,149,892	4,622,671	1,527,221	118,798
	Reliable Life Insurance Company	28,393	12,626	52,891	23,528	29,363	956
	Scotia Life Insurance Company	15,483	2,873	76,622	(3,080)	79,702	12,041
	Sun Life Assurance Company of Canada	3,556,529	3,092,605	73,419,938	62,907,871	10,512,067	714,707
	Sun Life Insurance (Canada) Limited	119,759	10,489	11,137,092	9,815,044	1,322,048	272,294
	TD Life Insurance Company	38,217	12,250	50,624	8,189	42,435	2,090
	The Canada Life Assurance Company	1,694,131	1,360,511	22,397,733	14,225,178	8,172,555	1,039,748
	The Canada Life Insurance Company of Canada	0	0	8,835,176	8,044,780	790,396	143,027
	The Empire Life Insurance Company	469,717	270,269	4,411,783	3,599,917	811,866	50,732
	The Equitable Life Insurance Company Of Canada	278,702	156,124	1,317,606	1,047,963	269,643	29,648
	The Great-West Life Assurance Company	2,307,649	1,806,011	26,958,975	15,254,326	11,704,649	1,743,310
	The Manufacturers Life Insurance Company	4,823,803	3,411,243	80,452,512	49,021,318	31,431,194	2,725,655
	The Standard Life Assurance Company of Canada	758,537	782,528	17,209,995	15,826,098	1,383,897	110,397
	The Wawanesa Life Insurance Company	17,253	11,365	546,934	434,947	111,987	3,732
	Transamerica Life Canada	278,201	174,009	6,440,120	5,547,544	892,576	86,967
	Unity Life of Canada	82,453	42,646	992,373	909,503	82,870	8,985
	Western Life Assurance Company	19,196	7,975	80,318	55,679	24,639	4,041
		17,613,070	13,191,979	300,070,976	224,614,319	75,456,657	7,784,071

Life Insurance Companies

	Financial Summary Year Ended December 31, 2009 (In Thousands)	ONTARIO BUSINESS Direct Written Premiums $	Benefits And Payments To Policyholders $	TOTAL COMPANY Total Assets $	Total Liabilities $	Excess of assets over liabilities $	Net Income/ (Loss) $
	BRANCH						
	Aetna Life Insurance Company	686	1,071	59,997	16,327	43,670	1,540
	Allianz Life Insurance Company of North America	3,652	1,462	93,733	23,099	70,634	8,635
	American Bankers Life Assurance Company Of Florida	125,152	12,434	236,296	95,877	140,419	15,807
	American Health And Life Insurance Company	5,783	2,342	115,065	27,155	87,910	15,493
	American Income Life Insurance Company	22,459	4,271	167,686	53,674	114,012	23,776
	Amex Assurance Company	0	0	6,148	37	6,111	67
	AXA Equitable Life Insurance Company	43	106	89,110	23,828	65,282	10,422
	Combined Insurance Company of America	40,075	11,202	543,011	204,182	338,829	61,938
	Connecticut General Life Insurance Company	3,199	2,674	98,506	63,505	35,001	13,795
	CUNA Mutual Insurance Society	150	451	21,248	14,610	6,638	636
26	First Allmerica Financial Life Insurance Company	8	9	2,216	1,283	933	196
	General American Life Insurance Company	0	0	1,256,211	495,820	760,391	(10,512)
	Gerber Life Insurance Company	1,524	154	24,933	9,013	15,920	1,034
	Hartford Life Insurance Company	0	196	23,724	3,588	20,136	787
	Household Life Insurance Company	10,351	3,977	181,830	47,658	134,172	14,522
	Liberty Life Assurance Company of Boston	206	122	15,395	2,252	13,143	395
	Life Insurance Company of North America	2,439	2,097	44,976	23,887	21,089	1,639
	Massachusetts Mutual Life Insurance Company	562	3,648	48,928	18,657	30,271	2,594
	Metlife Canada	334	10,244	47,205	13,183	34,022	(7,371)
27	Metropolitan Life Insurance Company	0	0	220,016	67,417	152,599	(18,309)
	Minnesota Life Insurance Company	155	9	6,148	38	6,110	153
	New York Life Insurance Company	26,596	31,017	339,898	110,410	229,488	11,826
	Phoenix Life Insurance Company	0	27	2,230	301	1,929	(14)
	Principal Life Insurance Company	328	228	8,374	5,696	2,678	20
	Reassure America Life Insurance Company	3	11	6,633	5,249	1,384	(85)
	Standard Life Assurance Limited	12,701	65,294	56,374	50,536	5,838	59
	State Farm International Life Insurance Company Ltd	112,011	53,683	1,155,588	928,730	226,858	32,926

Life Insurance Companies

		ONTARIO BUSINESS		TOTAL COMPANY			
	Financial Summary Year Ended December 31, 2009	**Direct Written Premiums**	**Benefits And Payments To Policyholders**	**Total Assets**	**Total Liabilities**	**Excess of assets over liabilities**	**Net Income/ (Loss)**
	(In Thousands)	**$**	**$**	**$**	**$**	**$**	**$**
28	The Prudential Insurance Company of America	0	0	37,209	0	37,209	193
29	The Standard Life Assurance Company 2006	0	0	1,263	0	1,263	22
	United American Insurance Company	280	212	11,495	4,660	6,835	197
		368,697	206,941	4,921,446	2,310,672	2,610,774	182,381
	Total	**19,544,293**	**14,496,228**	**340,079,148**	**257,766,573**	**82,312,575**	**8,495,825**

Reinsurance Companies

	ONTARIO BUSINESS						TOTAL COMPANY	
	Financial Summary Year Ended December 31, 2009 (In Thousands)	Premiums Assumed $	Net Losses Incurred $	Total Assests $	Total Liabilities $	Excess of assets over liabilities $	Claims incurred to earned premium %	Net Income/ (loss) $
	THIS TABLE LISTS ONLY THOSE COMPANIES WHICH ARE LICENSED SOLELY FOR THE BUSINESS OF REINSURANCE							
	ONTARIO							
	Farm Mutual Reinsurance Plan Inc.	115,242	62,605	655,364	506,533	148,831	93%	22,643
	Global Reinsurance Company	5	2,840	99,279	66,426	32,853	n/a	1,573
		115,247	65,445	754,643	572,959	181,684		24,216
	EXTRA PROVINCIAL							
	Optimum Reassurance Inc.	36,568	6,118	347,807	290,242	57,565	n/a	6,938
	FEDERAL							
	Aspen Insurance UK Limited	30,962	54,866	331,442	202,819	128,623	86%	1,085
	Aurigen Reinsurance Company	8,337	12,018	98,453	24,930	73,523	n/a	(2,025)
	AXA General Insurance Company	1,036	3,741	125,351	97,126	28,225	76%	3,390
	Munich Reinsurance Company of Canada	130,809	39,719	1,180,357	909,794	270,563	72%	38,229
	RGA Life Reinsurance Company of Canada	436,565	22,085	3,622,393	3,170,807	451,586	n/a	(2,976)
	Scor Canada Reinsurance Company	83,779	91,110	506,720	339,529	167,191	77%	4,991
	Suecia Reinsurance Company	41	(19)	10,094	4,126	5,968	-46%	143
	Swiss Re Life & Health Canada	321,633	48,176	3,484,003	3,110,601	373,402	n/a	22,039
	The Mortgage Insurance Company of Canada	0	(1,537)	27,699	7,042	20,657	-115%	2,218
		1,013,162	**270,159**	**9,386,512**	**7,866,774**	**1,519,738**		**67,094**
	BRANCH							
	Alea (Bermuda) Ltd.	22	1,075	36,869	18,965	17,904	n/a	(431)
	American Agricultural Insurance Company	8,155	3,912	61,270	24,017	37,253	76%	2,115
	Axis Reinsurance Company	261	1,350	38,731	16,786	21,945	69%	(2,687)
	Caisse Centrale De Reassurance	20,787	14,453	194,380	144,921	49,459	70%	2,772
	Cavell Insurance Company Limited	41	(1,044)	10,122	2,482	7,640	na	601
30	Colisee Re.	10	12,057	712,143	639,001	73,142	n/a	(10,191)
	Converium Reinsurance (North America) Inc.	1	(2)	47,969	4,399	43,570	n/a	652
31	Endurance Reinsurance Corporation of America	112	(947)	20,910	3,706	17,204	n/a	2,083
	Everest Reinsurance Company	94,942	31,762	796,935	544,156	252,779	62%	30,964
	General Re Life Corporation	0	0	12,231	2,385	9,846	n/a	(796)
	Hannover Ruckversicherung Ag	65,094	54,647	528,427	358,290	170,137	89%	5,143
	Mapfre Re, Compania De Reaseguros, S.A.	11,905	4,966	57,259	24,415	32,844	60%	2,056

Reinsurance Companies

	Financial Summary Year Ended December 31, 2009	ONTARIO BUSINESS		TOTAL COMPANY				
		Premiums Assumed	Net Losses Incurred	Total Assests	Total Liabilities	Excess of assets over liabilities	Claims incurred to earned premium	Net Income/ (loss)
	(In Thousands)	$	$	$	$	$	%	$
	Munich Reinsurance Company	2,033,440	1,358,673	5,602,360	3,801,811	1,800,549	n/a	244,253
32	Nationwide Mutual Insurance Company	0	0	0	0	0	n/a	0
	NRG Victory Reinsurance Limited	0	(293)	8,076	3,879	4,197	n/a	253
	Odyssey America Reinsurance Corporation	45,180	27,690	276,807	139,555	137,252	61%	16,473
	Paris Re	32,830	19,024	776,392	629,341	147,051	92%	10,242
	Partner Reinsurance Company Ltd.	10,715	8,181	262,414	163,066	99,348	n/a	9,795
	Partner Reinsurance Europe Limited	27,940	18,527	377,086	241,721	135,365	67%	10,665
	Reliastar Life Insurance Company	12,409	9,287	116,729	67,905	48,824	n/a	4,696
	Scor Global Life	16,105	5,854	344,920	230,251	114,669	n/a	1,083
33	Seaton Insurance Company	0	0	6,496	493	6,003	n/a	113
	Swiss Reinsurance Company Ltd	486,856	39,396	3,911,227	2,518,564	1,392,663	56%	89,532
	The Toa Reinsurance Company of America	31,486	15,999	214,796	153,435	61,361	73%	5,981
	Transatlantic Reinsurance Company	85,117	24,353	777,700	534,479	243,221	62%	21,101
	Westport Insurance Corporation	62,786	43,359	1,086,490	519,857	566,633	n/a	67,744
	White Mountains Reinsurance Company of America	3,252	(1,246)	108,841	45,781	63,060	15%	4,426
		3,049,446	1,691,033	16,387,580	10,833,661	5,553,919		518,638
	TOTAL	4,214,423	2,032,755	26,876,542	19,563,636	7,312,906		616,886

Reciprocal or Interinsurance Exchanges

Financial Summary Year Ended December 31, 2009 (In Thousands)	ONTARIO BUSINESS Direct Written Premiums $	Direct Claims Incurred $	Total Assets $	Total Liabilities $	Excess of assets over liabilities $	TOTAL COMPANY Claims Incurred to earned premium %	Net Income/ (Loss) $
ONTARIO							
Canadian Lawyers Liability Assurance Society	23,675	5,653	121,351	99,709	21,642	80%	408
Canadian Universities Reciprocal Insurance Exchange	10,051	1,317	98,970	66,938	32,032	36%	10,992
Community Newspapers Reciprocal Insurance Exchange	66	27	720	148	572	27%	(88)
Healthcare Insurance Reciprocal of Canada	122,469	92,145	661,292	489,442	171,850	91%	27,987
Municipal Electric Association Reciprocal Insurance Exchange	9,266	8,718	64,483	24,309	40,174	39%	4,029
Ontario Municipal Insurance Exchange	41,394	48,788	136,265	115,613	20,652	61%	13,614
Ontario School Boards' Insurance Exchange	35,327	28,978	174,493	129,323	45,170	88%	4,272
Poultry Insurance Exchange Reciprocal 0f Canada	444	367	3,957	634	3,323	59%	108
	242,692	**185,993**	**1,261,531**	**926,116**	**335,415**		**61,322**
EXTRA PROVINCIAL							
Canadian Airports Reciprocal Insurance Exchange (Carie)	219	2	4,323	1,649	2,674	-87%	758
BRANCH							
Lumbermen's Underwriting Alliance	7,159	10,057	105,612	70,229	35,383	123%	(24,633)
TOTAL	**250,070**	**196,052**	**1,371,466**	**997,994**	**373,472**		**37,447**

Fraternal Societies

Financial Summary Year Ended December 31, 2009 (In Thousands)	ONTARIO BUSINESS Direct Written Premiums $	Direct Claims Incurred $	TOTAL COMPANY Total Assets $	Total Liabilities $	Excess of assets over liabilities $	Net Income/ (Loss) $
ONTARIO						
Guaranteed Funeral Deposits of Canada (Fraternal)	47,756	26,738	222,710	219,926	2,784	(274)
Toronto Police Widows and Orphans Fund	1,594	2,297	71,776	63,616	8,160	(339)
	49,350	**29,035**	**294,486**	**283,542**	**10,944**	**(613)**
FEDERAL						
ACTRA Fraternal Benefit Society	7,491	4,816	64,200	42,858	21,342	(1,613)
Faithlife Financial	13,374	15,394	305,441	268,934	36,507	1,346
Sons of Scotland Benevolent Association	1,229	435	12,558	9,805	2,753	(421)
Teachers Life Insurance Society (Fraternal)	8,943	4,849	49,943	39,706	10,237	1,322
The Grand Orange Lodge of British America	1,372	967	22,847	19,195	3,652	(51)
The Independent Order of Foresters	16,243	22,794	4,408,911	3,051,595	1,357,316	95,658
The Order of Italo-Canadians	21	44	1,502	1,097	405	5
Ukrainian Fraternal Society of Canada	15	80	7,046	5,924	1,122	(11)
Ukrainian Mutual Benefit Association of St. Nicholas of Canada	3	30	4,970	3,981	989	(105)
	48,691	**49,409**	**4,877,418**	**3,443,095**	**1,434,323**	**96,130**
BRANCH						
ACA Assurance	167	0	7,189	525	6,664	(1,049)
Croatian Fraternal Union of America	403	256	13,105	10,294	2,811	(151)
Knights of Columbus	108,496	48,607	2,002,759	1,643,230	359,529	100,627
The Royal Arcanum, Supreme Council of	277	241	13,982	10,138	3,844	387
Ukrainian National Association	46	89	10,697	6,228	4,469	159
United Commercial Travelers of America, Order of	35	28	5,321	3,638	1,683	(231)
Woman's Life Insurance Society	200	570	11,085	8,243	2,842	648
	109,624	**49,791**	**2,064,138**	**1,682,296**	**381,842**	**100,390**
TOTAL	**207,665**	**128,235**	**7,236,042**	**5,408,933**	**1,827,109**	**195,907**

Financial Summary Notes

1 The company has a licence condition not to undertake or renewinsurance contracts in Ontario after June 8, 1994.

2 No financial information was reported for Markham General Insurance Company in 2009. The company was ordered into liquidation effective July 24, 2002.

3 The company's licence is limited to automobile risks of Toronto Transit Commission.

4 No financial information was reported for Alta Surety Company in 2009. Company has been in liquidation since June 2002.

5 The former name of Canada Guaranty Mortgage Insurance Company was AIG United Guaranty Mortgage Insurance Company of Canada.

6 The former name of Chartis Insurance Company of Canada was AIG Commercial Insurance Company of Canada.

7 The company has a licence condition not to undertake or renew insurance contracts in Ontario after October 25, 1993.

8 The company has a licence condition not to undertake or renew insurance contracts in Ontario after January 1, 1986.

9 No financial information was reported for Granite Insurance Company in 2009. Company has been inactive since November 1992.

10 The former name of Intact Insurance Company was ING Insurance Company of Canada.

11 The former name of Novex Insurance Company was ING Novex Insurance Company of Canada.

12 The company has a licence condition not to undertake or renew insurance contracts in Ontario after May 30, 1995.

13 The company has a licence condition not to undertake or renew insurance contracts in Ontario after July 18, 1995. No financial information was reported in 2009.

14 The company has a licence condition not to undertake or renew insurance contracts in Ontario after October 31, 1985.

15 The company has a licence condition not to undertake or renew insurance contracts in Ontario after July 11, 2003.

16 No financial information was reported for North American Specialty Insurance Company.

17 The company has a licence condition not to undertake or renew insurance contracts in Ontario after January 9, 2006.

18 No financial information was reported for Reliance Insurance Company in 2009. Company has been in liquidation since August 2001.

19 The company has a licence condition not to undertake or renew insurance contracts in Ontario after October 20, 1992.

20 No financial information was reported for The Home Insurance Company in 2009. Company has been in liquidation since November 1997.

21 The company has a licence condition not to undertake or renew insurance contracts in Ontario after June 20, 2007.

22 The company has a licence condition not to undertake or renew insurance contracts in Ontario after June 5, 1996.

23 The company has a licence condition not to undertake or renew insurance contracts in Ontario after November 20, 2006.

24 The former name of BMO Life Assurance Company was AIG Life Insurance Company of Canada.

25 No financial information was reported in 2009 for Confederation Life Insurance Company. Company has licence condition not to take on new contracts and it is being wound up.

26 The company has a licence condition limited to servicing insurance contracts issued prior to June 1, 2009

27 The company has a licence condition not to undertake or renew insurance contracts in Ontario after March 9, 2006.

28 The company has a licence condition not to undertake or renew insurance contracts in Ontario after August 8, 2007.

29 The company has a licence condition limited to servicing existing insurance contracts.

30 The former name of Colisee Re. was AXA RE.

31 The company has a licence condition limited to servicing insurance contracts issued prior to November 14, 2006.

32 The company has a licence condition not to undertake or renew insurance contracts in Ontario after March 27, 2006.

33 The company has a licence condition not to undertake or renew insurance contracts in Ontario after October 31, 1989.

Notes

Financial Services Commission of Ontario
5160 Yonge Street, Box 85
Toronto, Ontario
M2N 6L9

Telephone: (416) 250-7250
Toll-free: 1-800-668-0128
TTY (416) 590-7108, 1-800-387-0584

FSCO website: www.fsco.gov.on.ca

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