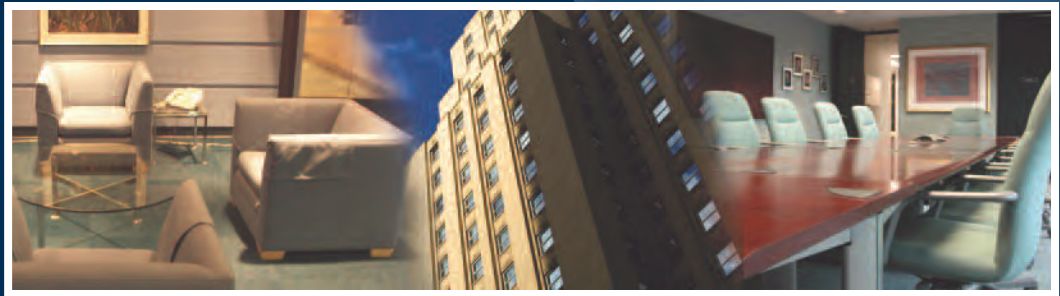




ANNUAL REPORT •

FINANCIAL SERVICES COMMISSION OF ONTARIO

Protecting
financial services
consumers and
pension plan
beneficiaries
while supporting
a healthy and
competitive
financial services
industry.



2007 - 2008

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Message from the Chair



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

It is a pleasure to present the 10th annual report of the Financial Services Commission of Ontario (FSCO). Spanning the fiscal year from April 1, 2007, to March 31, 2008, this report outlines FSCO's achievements to protect consumers and pension plan beneficiaries and to sustain a vibrant, competitive financial services industry.

FSCO regulates pension plans, insurance, credit unions, caisses populaires, mortgage brokers, co-operative corporations, and loan and trust companies in Ontario. These sectors form part of the infrastructure for a modern economy and are vital to the financial security of businesses and consumers. As a vigilant, fair-minded and forward-looking regulatory agency, FSCO is committed to maintaining a constructive and responsive presence in Ontario's financial services marketplace.

A Changing Regulatory Climate

The regulation of financial services takes place in an increasingly complex, rapidly changing environment.

Globalization driven by trade agreements and technology continues. Financial services providers can now reach customers

through the Internet and e-commerce tools, and are less reliant on bricks-and-mortar business models. This development lends impetus to mergers and other forms of consolidation and the rise of multinational financial services firms. Companies are no longer tied to one or two business lines but can offer a range of services that may be subject to different regulatory regimes.

Technological innovation has also led to new financial products and more convenient access to services. Today's consumers face more choices, and more complicated choices, than ever before. Moreover, as the baby boom generation ages, retirement planning and pension issues are in the spotlight. Consumer protection and education are essential.

During 2007-2008, the Ontario economy faced uncertain market conditions that have led to slower projected growth rates. In such times it is particularly crucial for regulators to use resources efficiently and measure and manage risks effectively.

FSCO is responding to this challenging environment by promoting a coordinated national approach to regulation, working to modernize Ontario's regulatory framework, putting more emphasis on risk-based supervision, and improving the delivery of services to the industry and the public.

National Regulatory Coordination

To adapt to current market realities, Canadian financial services regulators are coordinating their supervisory efforts across jurisdictional and sectoral boundaries. For example, FSCO is participating in a national initiative by the Joint Forum of Financial Market Regulators to improve point-of-sale disclosure about segregated funds and mutual funds, overseen by insurance and securities regulators respectively. During the year, a proposed framework for consumer disclosure attracted more than 85 stakeholder submissions, which were under review at year end.

FSCO is taking part in a national project by the Canadian Association of Pension Supervisory Authorities to develop a new agreement on the regulation of multi-jurisdictional pension plans. Solid

progress was made in 2007-2008 and stakeholder consultations on a draft agreement are anticipated in the coming year.

The Canadian Council of Insurance Regulators has endorsed three principles to protect consumers from conflicts of interest involving insurance advice or transactions: priority of the client's interest, disclosure of actual or potential conflicts, and product suitability. During 2007-2008, FSCO led an extensive review of the industry's adherence to these principles, including surveys of companies and intermediaries. Findings are expected to be released in 2008-2009.

Updating Ontario's Regulatory Framework

At the provincial level, FSCO helped to modernize Ontario's regulatory framework to protect consumers and sustain a positive business climate.

In the automobile insurance field, a revised Pre-approved Framework Guideline for the treatment of Whiplash Associated Disorders Grade I and II injuries under the Statutory Accident Benefits Schedule took effect October 1, 2007. The new guideline was designed to speed access to rehabilitation while creating more certainty around cost and payment.

The *Mortgage Brokerages, Lenders and Administrators Act, 2006* goes into effect July 1, 2008 and, at that time, all businesses or individuals who deal or trade in mortgages will require a licence from FSCO. A home mortgage is the largest financial commitment most families ever make; the new legislation will improve consumer protection by making the mortgage broker industry more accountable.

During 2007-2008, FSCO supported implementation of the new legislation on several fronts. FSCO worked with the Ministry of Finance to develop regulations under the Act, released qualifying standards for mortgage brokers and agents, and put education programs in place. An industry working group provided advice on regulatory and operational issues. An aggressive outreach program was conducted to inform industry participants – many of whom had

no previous dealings with FSCO – about the new legislation and how to comply.

In early 2008, FSCO staff met with the Expert Commission on Pensions, which is conducting the first review of the *Pension Benefits Act* in more than 20 years. The meeting was part of the commission's stakeholder consultation process. FSCO also provided information and input in response to specific commission requests.

Focus on Risk-based Supervision

Increasingly, FSCO is investing regulatory resources where they promise the most impact.

In the pension sector, FSCO has been monitoring the funding of defined benefit plans since 2000 through the risk-based screening of actuarial information. In 2006, FSCO extended automated, risk-based oversight to investment management by defined benefit plans. These monitoring activities identify issues requiring follow-up, enabling FSCO to focus efforts on areas of higher risk.

Complaint review is a core component of a risk-based approach to market conduct supervision. FSCO and the Quebec Autorité des marchés financiers have established a web-based Complaint Reporting System that all other provincial insurance regulators have agreed to join in mid-2009. The nationwide system will provide a single window for insurance companies to submit biannual reports to all regulators on the complaints the companies have received.

Improving Services

FSCO is committed to continuously improving the quality of the services it delivers.

It is a priority to handle insurance-agent applications for licences and renewals efficiently. During the year, 99 per cent of complete and accurate applications were processed within five business days. Increased use of FSCO's Internet application system – Licensing Link, which is accessible on a 24/7 basis – contributed to the fast turnaround time.

FSCO's dispute resolution services are crucial to the operation of Ontario's no-fault

automobile insurance system. In 2007-2008, the settlement rate for mediation services increased. Sixty per cent of accident benefits disputes were either fully or partially settled, compared with 56 per cent a year earlier.

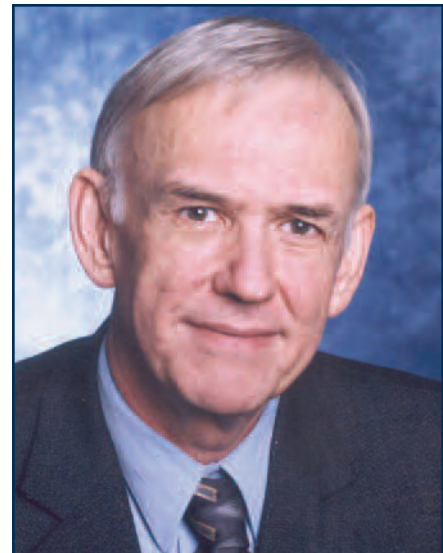
Keeping consumers informed is a key dimension of FSCO's consumer protection role. In early 2008, FSCO launched Monitoring and Enforcement Online. This new web service reports on FSCO's activities to monitor compliance and take enforcement action where violations are found. Consumers can use this online tool to check on enforcement actions against businesses or individuals with whom they may be doing business.

Culture of Partnership

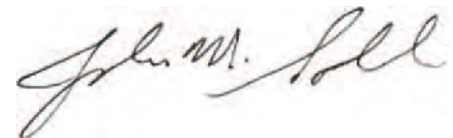
Throughout the past decade, FSCO has fostered a culture of partnership and dialogue with stakeholders. This approach has paid dividends as FSCO has benefited from strong collaboration with consumers, the industry and other interested groups. We would like to take this opportunity to thank the many stakeholders who have invested time and energy in consulting with FSCO or taking part in projects over the past year. Their input has been appreciated as we keep the regulatory process in step with a rapidly changing marketplace.

We also want to salute the expertise and dedication of FSCO staff. Without their solid performance, day in and day out, FSCO's mission could not be achieved.

With the support of stakeholders and employees, we are confident that FSCO will continue to build public confidence in the regulated sectors by protecting consumers and pension plan beneficiaries, and sustaining a healthy and dynamic financial services industry.



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



Chair
Financial Services Commission of Ontario
Financial Services Tribunal



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

FSCO's Mandate, Governance & Resources

The Financial Services Commission of Ontario (FSCO) is a regulatory agency reporting to the Minister of Finance. It oversees pension plans, insurance, credit unions, caisses populaires, mortgage brokers, co-operative corporations, and loan and trust companies in Ontario.

Safeguarding the Public Interest

FSCO was established by the *Financial Services Commission of Ontario Act, 1997* (FSCO Act) with a mandate to protect the public interest and enhance public confidence in its regulated sectors. FSCO provides regulatory services that protect financial services consumers and pension plan beneficiaries, while supporting a healthy and competitive financial services industry. FSCO is committed to realizing its vision as a vigilant, fair-minded and forward-looking regulatory agency with a constructive and responsive presence in Ontario's financial services marketplace.

STRUCTURE AND GOVERNANCE

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

Commission Members and Role

The Commission consists of 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).

As set out in 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 Tribunal.

The Commission meets at least quarterly. The members during 2007-2008 and their terms were:

Colin H. H. McNairn (Chair) –

August 10, 2006 to August 8, 2007

John M. Solursh (Chair) –

August 9, 2007 to August 8, 2008

Anne Corbett (Vice Chair) –

August 10, 2006 to August 9, 2009

Florence Holden (Acting Vice-Chair) –

October 2, 2007 to August 9, 2009

David Draper (Director of Arbitrations) –

August 30, 2001 to May 2, 2009

Bob Christie (Superintendent of Financial Services and CEO) –

Appointed September 6, 2005.

Superintendent and Staff

The powers and duties of the Superintendent of Financial Services are to:

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

In performing these roles, the Superintendent is supported by a staff of public servants. The Superintendent may delegate any of his powers or duties to staff.

FSCO has established a series of internal staff committees on various policy and operational issues. The committees play a vital role in FSCO's daily operations.

FSCO Staff Committees

Committee	Functions
Senior Management	Provides leadership and direction on corporate administrative matters, management issues, operations and corporate strategy and tactics.
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.
Corporate Policy Coordination	Coordinates policy issues across sectors, leads policy development items through the conceptual stages, and coordinates the flow of items 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.

Financial Services Tribunal

The Financial Services Tribunal (FST) is an adjudicative body that conducts hearings about decisions made or proposed by the Superintendent of Financial Services under legislation affecting the regulated sectors. The Chair and Vice-Chairs of the Commission are also the Chair and Vice-Chairs of the FST.

HUMAN AND FISCAL RESOURCES

In 2007-2008, FSCO had an annual spending authority of \$54.6 million, compared with \$53.4 million in 2006-2007. FSCO's staff remained at 484 full-time positions, consistent with the staffing level over the previous three years. FSCO's offices are located at 5160 Yonge Street in Toronto.

Recovering FSCO's Costs

FSCO's costs are recovered from the regulated sectors through a combination of fees and assessments. Under the FSCO Act, the Lieutenant Governor in Council may assess all entities that form part of a regulated sector with respect to all expenses and 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 services it provides to the regulated sectors.

Pension Sector

Effective April 1, 2007, FSCO began recovering its costs from the pension sector through an assessment, replacing the previous Annual Information Return filing fee. The total pension assessment is calculated by including all costs for

regulating the pension sector for a fiscal year, less the aggregate of all fees (such as registration fees) collected for the year.

An assessment-based process enables FSCO to recover the exact amount of the costs required to regulate the pension sector. This is preferable to a fee-based system, where recoveries vary with transaction volumes and over- or under-recovery often occurs.

Maintaining Accountability

Under the FSCO Act, FSCO must deliver a Statement of Priorities for the current fiscal year to the Ministry of Finance and publish it in *The Ontario Gazette* by June 30 each year. The Statement of Priorities highlights FSCO's key challenges and sets out strategic priorities and initiatives, together with a summary of the reasons behind them. The Statement also includes a report-back to stakeholders on key results from the previous year. FSCO posts the draft Statement on its website each spring and invites interested parties to provide written input on the proposed directions.

As well, the FSCO Act requires FSCO to file an annual report with the minister each year. This is FSCO's 10th annual report.

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

FSCO Staff Committees	
Committee	Functions
Human Resources	Ensures that FSCO's human resources practices, policies and initiatives are aligned with its business and organizational priorities; provides support to management on key human resources issues.
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.
Excellence	Provides advice and recommendations on corporate employee initiatives – such as Recognition, Bright Ideas, Common Service Standards and Quality Service – to meet FSCO's strategic objectives and promote a culture of innovation.
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 Regulated Sectors in Profile

Together, the financial services sectors regulated by FSCO represent a large, dynamic and evolving industry that underpins the strength of the provincial economy as well as the security of individuals and families. The industry sustains economic growth by channeling capital from savings to investment. It is a major employer. And it provides services that enable business and commerce and support modern lifestyle choices, from planning for retirement to buying a home or operating an automobile.

PENSION PLANS

Employment pension plans contribute to income security in retirement and are a crucial aspect of retirement planning for many employees now in the workforce. As pools of funds, pension plans also affect capital markets and hence the overall economic health of the province.

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 established mainly in industries or trades where workers tend to change employers frequently. MEPPs can be either defined benefit or defined contribution plans.

In 2007-2008, the number of pension plans increased by three per cent to 7,761. Total active plan membership increased by one per cent to 2,130,000. Active plan members are those currently earning pension benefits through their own or employer contributions. Plan membership also includes pensioners and other beneficiaries.

While MEPPs represented only about two per cent of registered plans, they accounted for 46 per cent of active plan

members – a slight increase from 45 per cent in previous years. Defined benefit plans, both single-employer and multi-

employer, accounted for 84 per cent of active plan members, consistent with prior years.

ONTARIO-REGISTERED ACTIVE PENSION PLANS AND MEMBERSHIP				
Type	As of March 31, 2008		As of March 31, 2007	
	#	% of Total	#	% of Total
Single-Employer Plans				
Defined Benefit Plans	4,273	55%	4,036	54%
Members	1,537,000	41%	1,538,000	43%
Active Members	827,000	39%	841,000	40%
Pensioners and Other Beneficiaries	710,000	45%	698,000	46%
Defined Contribution Plans	3,361	43%	3,380	45%
Members	359,000	10%	352,000	10%
Active Members	317,000	15%	313,000	15%
Pensioners and Other Beneficiaries	42,000	3%	39,000	3%
Multi-Employer Plans				
Defined Benefit Plans	87	1%	82	1%
Members	1,773,000	48%	1,684,000	47%
Active Members	959,000	45%	927,000	44%
Pensioners and Other Beneficiaries	814,000	51%	757,000	50%
Defined Contribution Plans	40	1%	41	1%
Members	44,000	1%	40,000	1%
Active Members	26,000	1%	23,000	1%
Pensioners and Other Beneficiaries	18,000	1%	17,000	1%
Total Pension Plans	7,761	100%	7,539	100%
Total Members	3,713,000	100%	3,615,000	100%
Active Members	2,130,000	100%	2,104,000	100%
Pensioners and Other Beneficiaries	1,583,000	100%	1,511,000	100%

- Notes: (1) Membership numbers have been rounded to the nearest thousand.
 (2) Percentages express a percentage of the total number of all plans or of the total number of members, active members, or pensioners and other beneficiaries in all plans.
 (3) Percentages may not add due to rounding.

ONTARIO-REGISTERED ACTIVE PENSION PLANS AND MEMBERSHIP

Type	Market Value of Assets at March 31, 2008		Market Value of Assets at March 31, 2007	
	\$ Billion	%	\$ Billion	%
Single-Employer Pension Plans				
Defined Benefit	154.3	42.1	157.1	44.8
Defined Contribution	10.7	2.9	9.5	2.7
Multi-Employer Pension Plans				
Defined Benefit	200.0	54.6	182.7	52.2
Defined Contribution	1.2	0.4	1.0	0.3
Total	366.2	100.0	350.3	100.0

INSURANCE

Insurance is a \$35.3 billion a year business in Ontario. In 2007, total premium volume increased by four per cent from the previous year. Life insurance accounted for 49 per cent of the total premium dollar while property and casualty (including automobile) insurance took 51 per cent – virtually the same split as the year before. Overall, the industry showed a strong financial position at year end, with almost all insurers reporting positive net results.

As of March 31, 2008, 392 insurance companies held licences to do business in the province. Approximately 39,881 insurance agents, 4,040 corporate insurance agencies and 1,145 insurance adjusters were also licensed.

Insurance Companies Licensed in Ontario

Business Type	As of March 31, 2008	As of March 31, 2007
	#	#
Life	94	95
Property & Casualty	222	221
Other	76	78
Total	392	394

Direct Insurance Premium Volume in Ontario

Business Type	2007	2006
	\$ Billion	\$ Billion
Life	17.1	16.2
Property & Casualty	18.0	17.3
Other	0.36	0.37
Total	35.3	33.9

DEPOSIT INSTITUTIONS, MORTGAGE BROKERS, CO-OPERATIVE CORPORATIONS

As of March 31, 2008, Ontario's 202 credit unions and caisses populaires held total assets of \$26.8 billion. The total assets of credit unions and caisses populaires increased while their number decreased in 2007-2008, reflecting the continuing trend toward amalgamation.

Regulatory capital* in support of deposits represented 7.19 per cent of system assets in 2008, down slightly from 7.21 per cent in 2007 and up slightly from 7.1 per cent in 2006. These levels indicate a financially sound industry. Total membership in credit unions and caisses populaires remained steady at about 1.6 million, in line with the past few years.

As of March 31, 2008, 55 loan and trust companies were registered to operate in Ontario, up from 51 a year earlier. All were federally incorporated.

During 2007-2008, the number of mortgage brokers registered in Ontario rose to 1,300 from 1,116. Mortgage brokers employed approximately 10,050 agents at year end, up from about 8,200 a year before.

There were 1,610 co-operative corporations in Ontario as of March 31, 2008. Seventeen new co-operatives incorporated during the year – 11 in services, one in housing, one in housing development and one in farming, plus three worker co-operatives.

Ontario Credit Unions and Caisses Populaires

Measure	As of March 31, 2008	As of March 31, 2007
All Institutions		
Number	202	217
Assets	\$26.8 billion	\$25.2 billion
Institutions with Assets over \$10 Million		
Number	145	153
Assets	\$26.5 billion	\$24.9 billion

* Under Ontario Regulation 76/95 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 five per cent of total assets. This is determined by FSCO using a set of rules based upon standards developed by the Bank for International Settlements.

FSCO delivers regulatory services that protect financial services consumers and pension plan beneficiaries while sustaining a vibrant, competitive financial services industry. The following overview covers FSCO's activities during 2007-2008 in seven key areas:

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

OVERSEEING PENSION PLANS

The *Pension Benefits Act* and Regulations establish minimum standards for the administration and funding of pension plans for employees in Ontario. FSCO monitors and enforces compliance with the legislation and regulations.

Under the *Pension Benefits Act*, the Superintendent of Financial Services makes regulatory decisions on specific plan transactions, from initial registration to partial or full wind-up. Some of these powers have been delegated to staff. FSCO also processes routine pension plan filings, which totaled 22,732 during the year – up seven per cent from the year before. The chart on this page lists some of the pension plan transactions processed by FSCO during 2007-2008.

In cases where a company becomes insolvent, the Superintendent normally appoints a third-party administrator to ensure pension plans are wound up properly. As of March 31, 2008, FSCO was coordinating the administration of 228 plans for insolvent companies, a slight increase from 216 the previous year.

Pension Plan Transactions		
Type	2007 – 2008 #	2006-2007 #
New Plans Registered		
Defined Benefit	298	570
Defined Contribution	105	109
Total	403	679
Plan Amendments Registered		
	2,138	2,681
Full Wind-Ups Processed		
Defined Benefit	24	22
Defined Contribution	33	81
Total	57	103
Partial Wind-Ups Processed		
Defined Benefit	86	60
Defined Contribution	53	64
Total	139	124
Plan Mergers/Asset Transfers Approved		
Defined Benefit	47	53
Defined Contribution	26	44
MEPP	-	10
Total	73	107
Surplus Refunds to Employers on Full Wind-Up Applications		
Defined Benefit	12	7
Defined Contribution	-	-
Total	12	7

Performance Targets Met

FSCO continues to work on its commitment to provide efficient pension regulatory services. For example, in 2007-2008, FSCO's Pension Division received a total of 2,709 inquiries from stakeholders. Of these, 1,130 were from plan members about their pension entitlements. The average response time was eight days – well below the target of 15 days.

The average cost of all pension regulatory activities combined – such as monitoring plan funding, processing transactions and filings, and responding to inquiries – met the target of \$3.33 per plan member (including active members, pensioners and other beneficiaries).

Risk-Based Supervision in Action

FSCO has adopted a risk-based approach to the supervision of pension plans to protect the interests of plan members while making the best use of regulatory resources.

Monitoring Plan Funding

Since 2000, FSCO has monitored the funding of defined benefit pension plans through an electronic database of actuarial information and a risk-based review system. Data from summary reports filed with FSCO is screened to select specific plans for further analysis.

Highlights of risk-based monitoring of plan funding in 2007-2008 include:

- Actuarial information summary reports for 2,018 plans were entered and screened through the system.
- The system flagged potential problems with 579 of the plans screened.
- FSCO took action on 158 plans where material compliance concerns were found; compliance was achieved for most of these plans through steps by plan sponsors, administrators and actuaries, with FSCO taking enforcement measures on plans that remained noncompliant.
- FSCO uncovered a total of \$2.8 million in unpaid contributions in respect of 14 plans, funds that sponsors have since remitted to the plans.

Monitoring Plan Investment

The risk-based system strengthens FSCO's ability to secure compliance with funding requirements under the legislation. Since the long-term health of plans is also tied to investment returns, FSCO has extended risk-based supervision to include the monitoring of investment management by defined benefit plans. An automated risk assessment system has been developed for this purpose.

In 2007-2008, FSCO completed the second investment monitoring cycle, using improved assessment criteria and

up-to-date market data. This monitoring cycle covered plan fiscal years ending between July 1, 2006, and June 30, 2007.

Highlights of risk-based investment monitoring during 2007-2008 include:

- Investment information summary filings for 4,019 plans were received and entered into the system.
- The system flagged investment-related issues in 543 of the plans screened.
- FSCO reviewed all flagged issues and conveyed concerns to 262 plans.
- Plan administrators were given the opportunity to resolve the concerns, with FSCO following up as needed.

Designated pension plans are a type of defined benefit plan set up mainly for connected persons (for example, those owning at least 10 per cent of a class of a company's shares) or other highly compensated employees. During the year, FSCO conducted a study of designated plans, comparing their nature and lower risk with non-designated plans. The study was based on the experience of the first two investment monitoring cycles. The findings led FSCO to exempt designated plans from the requirement to file the investment information summary for fiscal years ending on or after December 31, 2007. This decision will streamline the pension investment monitoring process and make the risk-based investment monitoring program more effective and efficient.

Pension Regulatory Policy Activities

Follow-up on Monsanto Ruling Continues

In July 2004, the Supreme Court of Canada dismissed the appeal in the case of Monsanto Canada Inc. v. Superintendent of Financial Services. The court's ruling 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.

Approximately 336 partial wind-ups were affected by the Monsanto decision. Since the ruling was handed down, 183 of these have been addressed. FSCO is working to ensure that the remaining 153 partial wind-ups are processed in accordance with the legislative requirements in a timely fashion.

New Life Income Fund Introduced

In 2007-2008, FSCO issued new policies on locked-in accounts to reflect the new Life Income Fund (LIF) that came into effect on January 1, 2008. Announced in the 2007 Ontario Budget, the new LIF gives pensioners more flexibility to manage locked-in retirement savings transferred from registered pension plans.

Safeguarding Pension Benefits

The Pension Benefits Guarantee Fund (PBGF) guarantees payment of a minimum level of benefits by most single-employer defined benefit pension plans with members in Ontario. This protection applies when a plan is wound up without enough assets to cover liabilities and the employer is unable to fund the deficit, normally because of insolvency. Pension plans with guaranteed benefits pay an assessment into the PBGF.

The Superintendent of Financial Services is responsible for the administration of the PBGF and the investment of its assets. Financial statements for the PBGF may be found later in this annual report.

Pension Benefits Guarantee Fund		
Claims Paid	2007-2008	2006-2007
Number	13	14
Total Value*	\$38,302,008	\$36,964,765

* The total values are reported on a cash basis.

Access to Locked-In Accounts

In general, money transferred from a registered pension plan into a locked-in account can be used only to provide retirement income. However, individuals may obtain special access to their locked-in funds if they are facing specific types of financial hardship. FSCO processes applications for the Superintendent's consent to financial-hardship unlocking.

LICENSING, MONITORING & ENFORCEMENT ACROSS SECTORS

FSCO licenses and registers individuals and businesses that provide financial services in Ontario. It also monitors market conduct and compliance with legislation and regulations and takes enforcement action – up to and including prosecution – where violations are found. These regulatory services protect the public interest 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.

Applications Processed Quickly

In 2007-2008, FSCO received approximately 23,000 licensing, registration and other applications respecting the provision of financial services. To practise in the industry, applicants must meet requirements under the relevant statutes, which may include a qualifying examination and continuing education.

FSCO exceeded its service target for processing applications for insurance-agent licences and renewals. During the year, 99 per cent of complete and accurate applications were processed within five business days, surpassing the target of 85 per cent. This result was consistent with the 98 per cent level recorded the year before.

Increased use of Licensing Link – FSCO's Internet application system accessible 24 hours a day, seven days a

Financial Hardship Unlocking Applications Processed

Applications	2007-2008	2006-2007
# Received	11,208	10,764
# Approved	9,943	9,601
# Refused	1	4

week – contributed to the fast turnaround time by eliminating paper-based processing. Since July 2006, insurance agents have been required to complete all licensing transactions

online via Licensing Link. Approximately 96 per cent of life-agent licence renewals in 2007-2008 were processed over the Internet – up from 92 per cent a year earlier.

Licensing and Registration Activity

Activity	2007-2008 #	2006-2007 #
Individuals		
<i>New Licences Issued</i>		
Life Insurance Agents	4,897	4,015
General Insurance Agents	965	861
Accident and Sickness Insurance Agents	287	254
Insurance Adjusters	114	89
<i>Licences Renewed</i>		
Life Insurance Agents*	9,916	14,134
General Insurance Agents*	2,379	2,324
Accident and Sickness Insurance Agents	149	151
Insurance Adjusters	1,021	874
<i>Moves from Life Agent Level I to Level II**</i>	-	2,078
<i>New Registrations Issued</i>		
Statutory Accident Benefits Schedule Representatives	-	28

* Licences are issued for a two-year term. There are high-year and low-year renewal cycles; 2007-2008 was a low year.

** Under O.Reg. 347/04, the life insurance agent examination under the Life Licence Qualification Program replaced the Level I & Level II examinations. The last moves from life agent Level I to Level II occurred before April 1, 2007.

Licensing and Registration Activity (cont'd)		
Activity	2007-2008	2006-2007
	#	#
Companies		
<i>New Licences Issued</i>		
Life and General Insurance Agencies	300	327
Corporate Insurance Adjusters	5	2
Insurance Companies	8	10
<i>New Registrations Issued</i>		
Mortgage Brokers	273	329
Loan and Trust Companies	4	1
<i>Licences Renewed</i>		
Life and General Insurance Agencies*	1,256	2,146
Corporate Insurance Adjusters	97	90
<i>Registrations Renewed</i>		
Mortgage Brokers	869	620
Co-operatives		
Offering Statements	15	15
New Incorporations	17	21
Dissolutions/Cancellations	5	3
Conversion to Corporation	2	1
Credit Unions/Caisses Populaires		
New Incorporations	1	-
Applications to Change Line of Business	113	332***
Mergers	7	4

*** Due to amendments to O.Reg. 76/95, all credit unions and caisses populaires were deemed either class 1 or class 2, depending on their asset size and whether they intended to continue making commercial loans. As a result, 221 new lending licences were sought and issued.

Proactive Oversight Protects Public Interest

FSCO takes a forward-looking approach to ensure compliance with legislation and regulations. Seeking to protect the public interest and enhance public confidence in the regulated sectors, FSCO monitors the solvency of financial institutions, assesses industry business practices and responds to complaints. Staff employ a range of tools. They analyse industry filings, circulate market conduct surveys and questionnaires, evaluate media reports, review complaints, analyse company complaint data, and perform desk and on-site examinations.

FSCO's approach to monitoring is risk-based. Resources are focused on issues with the most potential for harm to consumers or public confidence.

Overseeing Financial Compliance

FSCO monitors the solvency of Ontario-incorporated insurance companies, credit unions and caisses populaires to ensure that obligations to policyholders and depositors can be met.

Examinations are targeted based on an assessment of risk profiles, financial conditions, risk management systems and compliance records. FSCO conducted six solvency examinations in 2007-2008. The results indicated a high degree of compliance with a low risk of financial failure. Any prudential issues raised were addressed promptly.

FSCO also performed 20 examinations of pension plans during the year. Staff documented business processes and prepared new working papers for risk-based pension examinations. A more effective examination process is expected to lead to stronger plan governance, higher compliance rates and improved protection of beneficiaries.

Mortgage Broker Supervision

One objective of supervision in the mortgage broker sector is to ensure that borrowers' and lenders' funds are used only for the purposes intended. In 2007-2008, FSCO had discussions with several brokerages that were having financial difficulty. The purpose was to confirm that client funds were not at risk and that the brokerages were capable of continuing as going concerns. In one case, principals injected a significant amount of capital in response to FSCO's inquiries.

FSCO also worked to see that mortgage brokers were meeting financial reporting requirements. These efforts included support for the Superintendent's position in one of the first mortgage brokering matters heard by the FST.

A further priority in the mortgage broker sector was to address unlicensed activity. A number of unlicensed agents were uncovered either through complaints or by a comprehensive review of print media sources conducted by FSCO staff. Enforcement action was taken where warranted.

Monitoring Auto Insurers' Practices

In May 2007, FSCO issued a market conduct questionnaire to auto insurers to assess the risk of non-compliance with rate, risk classification and underwriting requirements under the *Insurance Act*. Insurers received a summary of the responses to the questionnaire in November 2007 and FSCO followed up with individual insurers as appropriate.

Also during the year, FSCO continued to review automobile insurers' compliance with various orders issued and undertakings accepted by the Superintendent. FSCO confirmed a high overall compliance level.

Responding to Consumer Complaints

Complaints indicate customer dissatisfaction and are a key market conduct signal for both the industry and regulators. This is why FSCO considers the review of complaints the cornerstone of a risk-based approach to market oversight.

In Ontario, each insurance company must refer unresolved complaints to an independent third party for review. Most insurance companies are members of an ombudservice established by the industry. Where this is not the case, FSCO is normally the independent third party. During the year, FSCO worked with the Ministry of Finance to develop similar complaint-handling requirements for other regulated sectors.

FSCO provides consumers with a final avenue for resolving insurance complaints not settled through the industry process. Moreover, FSCO itself inquires into complaints alleging non-compliance with legislative or regulatory requirements in any of the regulated sectors.

FSCO and the Quebec Autorité des marchés financiers have established a web-based Complaint Reporting System for life and health and property and casualty insurers. The system provides a single window for companies to submit biannual reports to both regulators, thereby reducing duplication. By the end of 2007, all other provincial regulators had agreed to participate in a national rollout of the system in mid-2009.

In line with continuous quality improvement efforts, FSCO centralized its complaint reporting in the Market Conduct Branch, bringing together this activity from various program areas. This shift revealed that a high volume of matters coming to FSCO must be referred to other agencies, jurisdictions or ministries. As FSCO examines this trend further, it may be possible to intercept these kinds of inquiries on the website so the customer goes directly to the right place.

Monitoring Activities		
Examinations Conducted	2007-2008	2006-2007
	#	#
Insurance Companies - Solvency	6	24
Pension Plans	20	27
Mortgage Brokers	22	31
Credit Unions/Caisses Populaires	2	3
Police Checks of Insurance Agent Licence Applications	7,819	7,242
Life Insurance Agent Audits		
Continuing Education	-	50
Errors & Omissions Insurance	2,072	2,045
Statutory Accident Benefits Schedule (SABS) Representatives Audits		
Errors & Omissions Insurance	-	20
Complaint Reviews		
Insurance Companies	83	87
Insurance Agents	148	194
Mortgage Brokers	80	81
Credit Unions	28	64
Loan & Trust Companies	-	3
Co-operatives	3	-
SABS Representatives	22	36
Health Care Providers	5	4

Enforcing Laws and Regulations

In 2007-2008, FSCO found that 96 per cent of all insurance companies and sales intermediaries that were audited, examined or reviewed were in compliance with legal requirements. Other monitoring activities – from the review of media coverage to industry surveys to the analysis of complaints data – confirmed that the marketplace was generally functioning as expected. FSCO's proactive oversight, along with positive economic conditions in the industry, contributed to the high compliance rate and low proportion of cases requiring intervention.

When the monitoring process finds deficiencies, FSCO moves quickly. Allegations of misconduct, unfair practices and non-compliance with legislation or regulations in any of the regulated sectors are investigated. If warranted, FSCO takes enforcement action – such as revoking a licence, requiring the institution or intermediary to implement a compliance plan, issuing a cease-and-desist order or undertaking a prosecution.

In the automobile insurance dispute resolution 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 information on the system.) A special award may be made against an insurer that has unreasonably withheld or delayed the payment of benefits, while a person representing an insured person or insurer can be ordered to pay expenses personally in certain situations.

Cease-and-Desist Orders

In 2007-2008, FSCO inquired into several allegations of unfair or deceptive practices by insurance companies or individuals. These investigations led the Superintendent of Financial Services to issue seven cease-and-desist orders.

Four of these orders were directed to automobile insurers. Two involved charging rates for coverages or categories of insurance not approved by the Superintendent. One dealt with writing non-fleet insurance business for which the insurer was not authorized. And one concerned writing non-fleet insurance business at fleet rates, using unauthorized policy endorsements and failing to implement an approved rate filing.

A further order was issued against an individual and his company for selling insurance, including automobile insurance, while not licensed in any capacity and without being underwritten by legitimate insurers. The final two orders required individuals to cease advertising or holding out to the public the ability to represent claimants for statutory accident benefits.

Insurance Licensing Matters

Many matters involving the licences of insurance agents and adjusters are resolved by Minutes of Settlement. For example, during the year a life insurance agent who had misappropriated client funds agreed to the revocation of his licence.

However, if an agent or adjuster or licence applicant requests a hearing, the Superintendent 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 then prepares a written report on the licence application or status. The Superintendent considers the report and makes a decision by issuing an order. Eight Advisory Board hearings were held in 2007-2008, compared with two the previous year.

Enforcement Actions		
Type	2007-2008	2006-2007
	#	#
Insurance Agents		
Licences Revoked	11	18
Licences Surrendered	37	53
Licences Suspended	8	3
Letters of Censure	19	166
Revocation of Agent Sponsorship	1	1
SABS Representatives		
Minutes of Settlement	-	4
Letters of Caution	1	4
Dispute Resolution Penalties		
Special Awards against Insurers	7	10
Expense Orders against Representatives	6	2
Cease and Desist Orders		
	7*	4**
Prosecutions Completed		
	4	23

* These include: five permanent orders, one interim order that became permanent, and one extended interim order awaiting outcome.

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

SUPPORTING THE AUTOMOBILE INSURANCE SYSTEM

Automobile insurance is compulsory for Ontario drivers. To protect the public interest, FSCO reviews and approves automobile insurance premium rates, risk classification systems, underwriting rules, endorsements and forms. FSCO also works with insurers and other stakeholders to improve the operation of the system and operates a claims fund for victims of accidents involving uninsured or unidentified vehicles.

Consumers Benefit from Rate Review

Automobile insurers in Ontario must obtain FSCO's approval before changing their premium rates, risk classification systems or underwriting rules for denial of coverage.

In reviewing auto insurance rates, FSCO aims to ensure that rate changes are reasonable and justified, and that rates are in balance with insurers' ability to meet future claims costs. In 2007-2008, FSCO's rate review process saved Ontario drivers an estimated \$20 million, based on the difference between rates as originally filed and finally approved.

The average rate change for private-passenger auto insurance, weighted by market share, decreased slightly in the first quarter of 2007-2008 and increased in the last three quarters. The overall change in approved rates for 2007-2008 was an increase of 1.49 per cent.

The Canadian Loss Experience Automobile Rating (CLEAR) system groups vehicles by their actual claims experience to help insurers accurately align rates with risks. Companies using the system were required to submit filings reflecting the 2007 CLEAR vehicle rate group tables by July 2007.

Automobile Insurance Rate Filings Processed								
Private-Passenger Automobile	2007-2008				2006-2007			
	Major Filings #	Simplified Filings #	CLEAR Filings #	Total #	Major Filings #	Simplified Filings #	CLEAR Filings #	Total #
Rate Filings Processed	38	24	40	102	42	29	52	123
Filings with Rate Increases	25	-	-	25	12	-	-	12
Filings with Rate Decreases	7	18	14	39	23	12	10	45
Filings with No Change to Rate Levels	6	6	26	38	7	17	42	66
Average Number of Days to Review and Approve Filings	64	13	11	31	90	13	11	38

Automobile Insurance Rate Filings Processed		
Non-Private-Passenger Automobile	2007-2008 #	2006-2007 #
Rate Filings Processed	63	61
Filings with Rate Increases	17	19
Filings with Rate Decreases	24	26
Filings with No Change to Rate Levels	21	16
Average Number of Days Between Receipt of Filing and Filing Considered Complete	15	18
Average Number of Days to Review and Authorize Filings	18	19

Auto Insurance Regulatory Policy Initiatives

During 2007-2008, FSCO continued to work with the Ministry of Finance and stakeholders to ensure that the auto insurance system delivers the benefits and cost stability that consumers expect.

PAF Guideline Project

A revised Pre-approved Framework (PAF) Guideline for the treatment of Whiplash Associated Disorders Grade I and II (WAD I and II) injuries under the Statutory Accident Benefits Schedule was issued in July 2007 and became effective October 1. The revised Superintendent's guideline provides an overview of the anticipated course of treatment for minor whiplash injuries, previously addressed through two separate guidelines. The aim is to speed up access to rehabilitation for people injured in auto accidents while creating more certainty around cost and payment for insurers and health care providers.

The revised guideline is the result of a two-year FSCO project that examined current scientific literature and consulted extensively with insurance, health care, legal and consumer stakeholders. In August 2007, FSCO used an interactive webcast to provide training on the revised PAF Guideline.

Electronic Health Claims System

Under a guideline issued by the Superintendent of Financial Services, all auto insurers and health care providers billing auto insurers were required to use the Health Claims for Auto Insurance (HCAI) system as of February 1, 2008. This new electronic system was developed to improve claims processing and generate timely data on health care costs. Operated by a not-for-profit corporation, the system enables the electronic exchange of information between health care providers and insurance companies.

Due to technical problems, the Superintendent temporarily suspended operation of the HCAI system on March 12, 2008, at the operator's request. FSCO is supportive of efforts to restart the system once technical issues are resolved.

Oversight of SABS Representatives

Under the *Access to Justice Act, 2006*, independent paralegals in Ontario will be regulated by the Law Society of Upper Canada as of May 1, 2008. The Law Society's new oversight role includes the activities of paralegals who represent claimants for statutory accident benefits – that is, SABS representatives. On or after this date, paralegals must hold a licence from the Law Society to represent claimants in FSCO's dispute resolution process. Prior to this change, SABS representatives were required to file a declaration with FSCO confirming that they met the requirements of the *Insurance Act* and agreed to adhere to a code of conduct issued by the Superintendent.

During 2007-2008, FSCO worked with the Law Society on a smooth transition of regulatory oversight. FSCO will continue to deal with complaints regarding contravention of the *Insurance Act* and its regulations – including complaints regarding unfair or deceptive acts or practices – after May 1, 2008.

Last-Resort Fund for Accident Victims

FSCO administers the Motor Vehicle Accident Claims Fund (MVACF), which provides compensation to victims of automobile accidents involving uninsured or unidentified vehicles where no insurance is available to respond to the claim.

MVACF is financed by a levy of \$15 (three dollars per year) on the issue or renewal of each five-year Ontario driver's licence. MVACF also recovers third-party liability payments from uninsured motorists found responsible for accidents. The driver's licences of

those in default are suspended. MVACF arranges for licence reinstatement when the debt is paid in full or a satisfactory payment schedule is in place.

In 2007-2008, MVACF paid out \$19.2 million in claims, up from \$18 million the year before. Claims liabilities of \$185.6 million were outstanding at year end, compared with \$174.5 million at the end of 2006-2007. MVACF periodically settles large statutory accident benefits claims. Depending on the timing of opportunities to resolve claims, cash payouts fluctuate from year to year.

MVACF's financial statements appear later in this annual report.

Motor Vehicle Accident Claims Fund		
Measure	2007-2008	2006-2007
New Claims Reported (#)	587	546
Total Cash Payouts	\$19.2 million	\$18 million
Total Statutory Accident Benefits Claims Paid (#)	429	442
Total Statutory Accident Benefits Payments	\$14.1 million	\$13.3 million
Total Third Party Liability Claims Paid (#)	94	111
Total Third-Party Liability Payments for Bodily Injury and Property Damage	\$5.1 million	\$4.7 million
Collection of Repayments	\$1.6 million	\$1.5 million
Suspended Driver's Licences (#)	389	355
Reinstated Driver's Licences (#)	267	233
Repayments Processed (#)	8,113	8,730
Debtors Making Payments (#)	974	995
Active Accounts Receivable (#)	1,215	1,294

RESOLVING DISPUTES OVER AUTOMOBILE ACCIDENT BENEFITS

FSCO provides a series of fair, timely and cost-effective services to help claimants and insurers resolve automobile accident benefits disputes outside the courtroom. The services offered are mediation, arbitration, neutral evaluation, appeal, and variation or revocation.

The mandatory first step in resolving a dispute about entitlement to accident benefits or the amount of benefits is mediation at FSCO. 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 or 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. There is no appeal from a decision of the Director or delegate, although judicial review may be available. An arbitration order can be varied or revoked where it contains an error, the claimant's condition has changed or new evidence has arisen.

Mediation and Arbitration Trends

Mediation Applications Up

After decreasing for two years and then increasing slightly in 2006-2007, the volume of mediation applications rose sharply in 2007-2008. The number of applications totalled 14,920 – up 14 per cent.

The settlement rate for mediation increased in 2007-2008. Sixty per cent of cases settled either fully or partially, compared with 56 per cent a year earlier.

The number of pending mediation files grew in 2007-2008 in part due to the increase in applications. FSCO continues to monitor the pending volume to keep it within manageable levels.

Arbitration Applications Up

In 2007-2008, the number of arbitration applications rose by 4 per cent to 2,740. The upswing contrasted with a 15 per cent decrease in 2006-2007 and marked a return to the steady increases of the previous few years.

Despite the growth in arbitration applications, the volume of pending cases dropped by 5 per cent in 2007-2008, as more cases were closed than received. Ninety-two per cent of the closed arbitration cases were settled before a decision was rendered, the same level as in the previous year.

FSCO continued to release most arbitration decisions promptly. In 2007-2008, 71 per cent of decisions were issued within the published time frame of 85 days after the hearing's conclusion, up from 69 per cent in 2006-2007 and 66 per cent the year before. The median time for issuing a decision was 56 days.

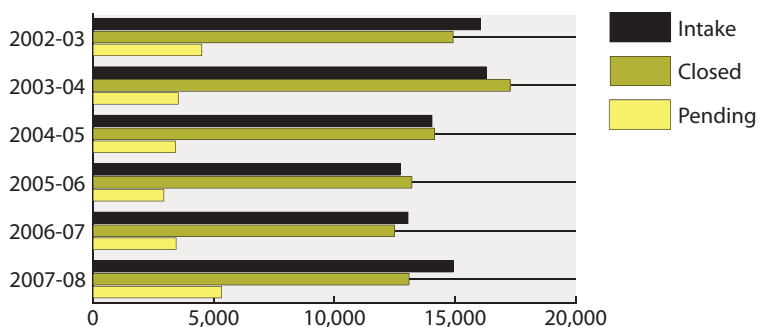
More Appeals Closed

Forty-one appeals were filed in 2007-2008, virtually unchanged from 42 the previous year. Thirty appeal decisions were issued and 38 cases closed – both double the previous year's level.

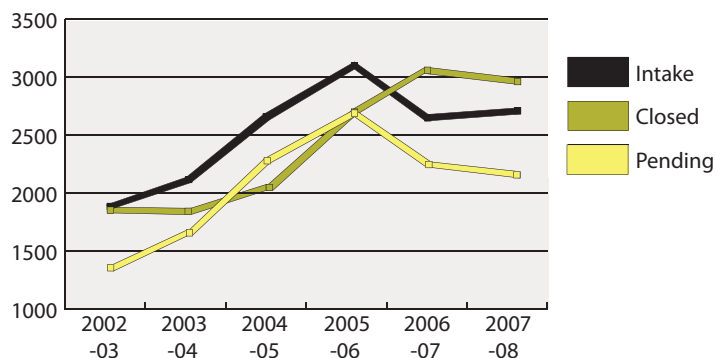
Decisions Posted

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

Mediation - Intake, Closed & Pending 2002 - 2008



Arbitration - Intake, Closed & Pending 2002 - 2008



Dispute Resolution Services Activities

Measure	2007-2008	2006-2007
Mediation		
New Applications Received	14,920	13,053
Cases Closed	13,094	12,498
Settlement Rate — Full	46%	39%
Settlement Rate — Partial	14%	17%
Arbitration		
New Applications Received	2,740	2,645
Cases Closed	2,912	3,056
Settled	2,683	2,817
Decisions Issued	219	217
Appeals		
New Applications Received	41	42
Cases Closed	38	19
Settled	6	2
Decisions Issued	30	15

DEVELOPING POLICY

FSCO recommends legislative and policy changes to the government to keep the regulatory framework in line with market trends. As well, FSCO develops regulatory policies to guide the ongoing administration of the legislation in its mandate. (*Regulatory policies for the pension sector and the automobile insurance industry were discussed above in the sections on Overseeing Pension Plans and Supporting the Automobile Insurance System, respectively.*)

In shaping policy, FSCO relies on open communication with the industry, consumers and other stakeholders. Consultations are ongoing, through both Advisory Committees and informal channels. Stakeholder input is invaluable to FSCO in highlighting emerging issues and developing practical responses.

National Regulatory Coordination

FSCO strongly supports a coordinated national approach to regulatory issues, both across jurisdictions and across sectors. The objective is to align regulatory efforts with market realities.

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) and the Joint Forum of Financial Market Regulators. The Joint Forum includes representatives of CCIR, CAPSA, the Canadian Securities Administrators and the Canadian Insurance Services Regulatory Organizations.

Joint Forum Highlights

During 2007-2008, FSCO continued to participate in a Joint Forum initiative to harmonize and improve point-of-sale disclosure about segregated funds (also known as individual variable insurance contracts) and mutual funds. FSCO is working with securities and other insurance regulators on this project. A proposed framework for consumer disclosure attracted more than 85

stakeholder submissions, which were under review at year end. The aim of this initiative is to present investors with easily understandable information on these products before they make a decision to buy.

Three industry ombudservices provide Canadian consumers with an avenue for resolving complaints about financial services: the Ombudsman for Banking Services and Investments, the Canadian Life and Health Insurance OmbudService and the General Insurance OmbudService (for property and casualty insurance). In 2007-2008, FSCO took part in Joint Forum efforts to implement a framework for ongoing collaboration among the regulators and the three ombudservices. The framework includes guidelines for assessing the ombudservices against public interest objectives, such as independence, accessibility, fairness and accountability.

The Joint Forum identified problems stemming from differences in the investment rules for pension funds, mutual funds and segregated funds, and developed recommendations to harmonize some of these rules

CAPSA Highlights

CAPSA is developing a model pension law for consideration by governments across the country, in response to industry requests for harmonization. FSCO is making a major contribution to this project. During 2007-2008, the focus was on principles identified during earlier consultations as needing further policy work. These principles cover such areas as phased retirement, simplified pension plans, flexible pension plans and determining pension location.

FSCO is also participating in CAPSA's initiative to formulate a new agreement for the regulation of multi-jurisdictional pension plans. In 2007-2008, CAPSA made significant progress in drafting a proposed agreement to replace the 1968 reciprocal pact. Consultation with

stakeholders on the draft agreement is expected in fall 2008.

CCIR Highlights

CCIR and the Canadian Insurance Services Regulatory Organizations have created the joint Industry Practices Review Committee on relationships between insurers and sales intermediaries including brokers and agents. In spring 2006, CCIR endorsed the three principles recommended by the committee to protect consumers from conflicts of interest involving insurance advice or transactions. These principles are: priority of the client's interest; disclosure of any actual or potential conflict; and product suitability. Since spring 2007, FSCO has been leading CCIR's comprehensive review to determine the degree to which the industry has implemented the three principles. Surveys of companies and intermediaries were conducted to gauge their knowledge of and adherence to the principles. CCIR expects to release the findings of the review in September 2008.

FSCO chairs CCIR's Risk-based Market Conduct Regulation Committee, created to explore common approaches to risk-based supervision of market conduct in Canada. The committee prepared a regulatory framework that includes such principles as: developing an understanding of the market; reliance on corporate governance; an emphasis on assessing and managing risks; and closer collaboration on market conduct reviews. The framework was approved by CCIR at its spring 2008 meeting.

As well, FSCO chairs CCIR's Privilege of Information Working Group, which is addressing two aspects of risk-based regulation – privilege and whistleblower protection. Privilege refers to the exemption of documents created during an insurer self-assessment from production in civil court, while whistleblower protection refers to protection of persons who volunteer information

about wrongdoing in the insurance industry. CCIR endorsed a privilege model and an approach to whistleblower protection in spring 2008. It is now up to each jurisdiction to decide whether or not to legislate these concepts into its insurance regime.

Improving Ontario's Regulatory Framework

The Ontario government is modernizing business and financial regulation to maintain an attractive business climate, keep pace with global markets and build the province's economic advantage. A competitive regulatory framework protects consumers and investors and supports a growing economy.

Paving the Way for New Mortgage Broker Legislation

The *Mortgage Brokerages, Lenders and Administrators Act, 2006* takes effect on July 1, 2008. At that time, a business that deals or trades in mortgages or lends money for mortgages must be licensed by FSCO as a mortgage brokerage. Individuals who are remunerated for dealing in or trading in mortgages, as employees or otherwise, must be licensed as a mortgage broker or agent. Anyone who administers mortgages must also have a licence. There are some exemptions to these provisions. To obtain a licence, applicants must meet qualifying standards established by regulations, including educational requirements for individuals. Licensed brokerages will ensure that all brokers and agents working on their behalf comply with the legislation.

A home mortgage is the largest financial commitment most families undertake. The new legislation improves consumer protection by making the mortgage broker industry more accountable.

During the year, FSCO continued to work with the Ministry of Finance to finalize regulations to support the new Act. In July 2007, regulations were

made to create a transition period from March 1 to June 30, 2008. During this time frame, brokerages, brokers, agents and administrators can obtain licences that will take effect on July 1, 2008, when the new legislation comes into full force.

FSCO also worked with the ministry on further regulations that will come into effect with the Act or in 2009. The new regulations will cover standards of practice, reporting requirements, administrative penalties and other business rules licensees must follow. Draft regulations were released for consultation in January 2008.

In May 2007, FSCO published Mortgage Broker Qualifying Standards and Mortgage Agent Qualifying Standards that set out the learning objectives for the respective education programs. FSCO reviewed and approved submissions made by organizations seeking to become providers of the new mortgage-agent education program. Submissions were assessed using the process and criteria developed in consultation with stakeholders. FSCO also released a Request for Proposal for the single provider of the mortgage-broker education program to be in place by December 2008.

Internally, FSCO used existing technological platforms to build mortgage broker licensing and case management database systems. FSCO also conducted extensive staff training on the new law and regulations, preparing staff to implement the new processes, monitor conduct in the sector and respond to questions from stakeholders and the public

Reaching Out to Mortgage Broker Stakeholders

As well, in 2007-2008, FSCO undertook an extensive outreach program to inform mortgage broker stakeholders about what the new legislation means for them and how to comply. The outreach was especially challenging as

critical information had to be relayed quickly to thousands of industry members, many of whom had no previous dealings with FSCO.

FSCO created an online portal for industry participants at www.fSCO.gov.on.ca and built a database of online subscribers to receive special publications, news alerts, and invitations to events. FSCO developed and continuously updated and circulated an extensive listing of frequently asked questions responding to stakeholder concerns as they arose.

FSCO also published a series of six Mortgage Broker e-Info Newsletters as well as a Mortgage Broker Tool Kit with instructions on key steps to meet the new requirements. Industry associations were enlisted to distribute newsletters and brochures and to provide communications opportunities at conferences, meetings and trade shows. FSCO embarked on its own "road show" in centres across Ontario from Sault Ste. Marie to Windsor to Ottawa and conducted three information sessions in Toronto. In all, FSCO reached about 5,000 sector participants through these events and distributed about 7,000 tool kits and other information pieces.

Industry Working Group Supports Implementation

In early 2007-2008, FSCO established a Mortgage Broker Industry Implementation Working Group with a mandate to provide advice about the regulatory and operational processes to implement the new legislation. Comprised of members of mortgage broker, real estate and related sector associations, along with FSCO and ministry staff, the working group met monthly and will continue to do so until the effective date of the Act and for a period of time thereafter.

During the year, the efforts of the working group centred on the licensing processes and systems for mortgage agents and brokers to enter the new

regulatory regime. Going forward, the working group will provide input on operational matters affecting agents and brokers, such as licensing and compliance, and will help ensure that communications on the new processes are timely and easily understood by the industry.

Credit Unions and Caisses Populaires Amendments

During the year, FSCO continued to work with the ministry, the Deposit Insurance Corporation of Ontario and stakeholders to modernize the regulation of credit unions and caisses populaires. In spring 2007, amendments to the *Credit Unions and Caisses Populaires Act, 1994* were enacted and FSCO proceeded to finalize draft regulations for public consultation. Once implemented, the changes will enable credit unions and caisses populaires to better serve their customers and continue to compete effectively in the financial services marketplace.

Classes of Insurance Harmonized

In fall 2003, CCIR agreed on a harmonized set of classes of insurance and corresponding definitions for adoption by all Canadian jurisdictions. Since then, FSCO has assisted the ministry to develop amendments to legislation and regulations to implement the recommended approach. A key aspect of this initiative is that classes of insurance will no longer be defined in the *Insurance Act*, but rather by way of an order of the Superintendent of Financial Services. The first order of this type was issued effective April 30, 2007, bringing the harmonized classes of insurance and definitions into force in Ontario.

Expert Commission on Pensions

In late 2006, the Ontario government established the Expert Commission on Pensions to examine the legislation that governs the funding of defined benefit pension plans, the rules on pension

deficits and surpluses and other issues relating to the security, viability and sustainability of the pension system in Ontario. This is the first review of the *Pension Benefits Act* in more than 20 years. The commission held extensive consultations in 2007 and early 2008, including public hearings in five Ontario cities.

The commission met with FSCO and Ministry of Finance staff in February 2008 as a part of the stakeholder consultation process. FSCO also provided information and input to the commission in response to requests.

PROTECTING CONSUMERS THROUGH INFORMATION

Today's financial services marketplace offers consumers an extraordinary range of products and services and ways to access them. While there are more options than ever, the choices are harder to understand. Whether taking out a home mortgage, purchasing insurance or getting ready for retirement, consumers are faced with increasingly complex decisions that can have lasting consequences.

For these reasons, FSCO has made consumer education a crucial aspect of its consumer protection mission. FSCO provides access to current, accurate and balanced information to help consumers make choices that are right for them. With better access to information, consumers are better equipped to protect their own best interests.

Website Use Intensifies

FSCO's website – www.fSCO.gov.on.ca – remains FSCO's primary channel for reaching the public. In 2007-2008, the number of daily visitors to the website held steady at about 6,000, while the average number of page views rose to 33,000 per day, up slightly from the previous year. The most popular pages visited dealt with licensing and regulation, entities regulated by FSCO, auto claims forms and auto insurance.

Visitors are also obtaining more copies of documents through the website.

In January 2008, the top 10 documents recorded 21,451 downloads – nearly double the January 2007 volume of 10,973.

New Life Event Bundle

ServiceOntario.ca connects consumers to the growing array of online government services. To make access more convenient, the site has assembled resources and services from different ministries and governments into bundles centring on key life events.

In fall 2007, FSCO partnered with the Ministry of Government and Consumer Services to create a new life event bundle for ServiceOntario – “After an Auto Accident.” Consisting mainly of FSCO content, the bundle provides a one-stop information source on the steps to take both immediately after an auto accident and while making an auto insurance claim. As well, it presents related information on topics like auto repair tips and avoiding auto insurance scams. The new bundle can also be viewed through the FSCO website.

Monitoring and Enforcement More Transparent

In January 2008, FSCO launched a new online tool to deliver useful information on its oversight role to financial services providers and consumers. Accessible through FSCO's website, Monitoring and Enforcement Online replaces the former paper quarterly bulletin and covers all the regulated sectors except pensions. (The Pension Bulletin Online provides similar information about the pension sector.)

The new web feature tabulates statistics on FSCO's monitoring and enforcement activities and lists enforcement actions including investigations, prosecutions, hearing decisions, awards and orders. Consumers can use Monitoring and Enforcement Online to check on enforcement actions against industry participants with whom they may be doing business.

New and Old Media Deliver Consumer Messages

FSCO arranged for a series of consumer articles to be distributed to daily and community newspapers. A range of themes were covered, including:

- Rules in determining fault in an auto accident
- Travel medical insurance
- Home insurance appraisals
- Critical illness insurance
- Disability insurance
- Locked-in retirement accounts.

These helpful inserts reached an estimated audience of 4.5 million. The articles were also posted on financial and community web portals, gaining exposure to an estimated 11.7 million online readers through 159 websites.

Consumer Publications Widely Distributed

FSCO offers a host of consumer brochures and other public information materials. In 2007-2008, requests for these publications from industry associations, consumer groups and MPP constituency offices numbered about 5,000. The print materials are also distributed to the public free of charge through Publications Ontario's two bookstores, 63 Government Information Centres and public libraries. Electronic versions of all titles are posted on FSCO's website.

New brochures released during the year included *Understanding Title Insurance* and an updated version of *FSCO's Dispute Resolution Services: A Real Alternative*.

Exhibits Draw Visitors

Consumer shows bring FSCO into direct contact with the public. In February 2008, FSCO maintained a strong presence at the Canadian International Auto Show in Toronto with an exhibit booth on *Auto Insurance: Get the Facts!* Staff answered questions, handed out print materials and demonstrated online products. During the show FSCO interacted with more than 3,000 consumers and

distributed about 22,000 print items.

Earlier in the fiscal year, in April 2007, FSCO participated in the National Home Show in Toronto, billed as North America's largest home show. About 2,500 consumers visited FSCO's exhibit booth on the theme *Regulating Financial Services*. Staff answered questions and provided consumer publications on insurance and pensions.

2008 Smart Consumer Calendar

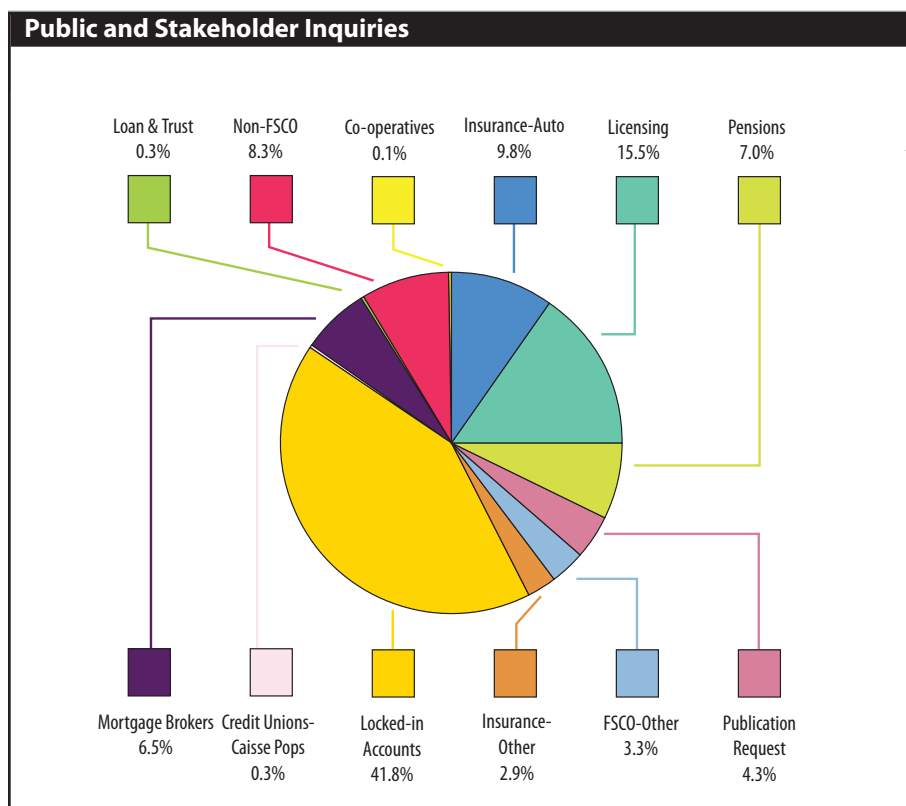
Along with other government ministries and agencies, FSCO contributed to the 2008 Smart Consumer Calendar released by the Ministry of Government and Consumer Services. The calendar devotes one page each month to a specific consumer topic. FSCO's page presented tips on what to do after an auto accident and included FSCO's contact information. Approximately 286,000 print copies of the calendar were distributed.

Public and Stakeholder Inquiries Up

For stakeholders and the public, the Consumer Services Unit is the first point of contact with FSCO. Staff respond to telephone inquiries and handle correspondence. They provide information and advisory services on FSCO's procedures as well as information on the legislation and regulations FSCO administers.

During 2007-2008, staff responded to 70,000 inquiries – up seven per cent from the previous year. The largest number of inquiries – more than 29,000 – involved questions about how to access locked-in retirement funds in case of financial hardship or requests for application forms for unlocking.

More than 4,500 inquiries concerned the mortgage broker sector, reflecting interest in the new legislation to take effect July 1, 2008. A sharp increase in inquiries about the new Act occurred late in the year, reaching more than 800 for the month of March 2008.



GETTING THE MOST FROM ORGANIZATIONAL RESOURCES

FSCO recognizes that it is accountable to stakeholders for the efficiency and quality of the services it delivers, since the regulated sectors pay its costs. FSCO is committed to obtaining the best value from its human, financial, technological and physical resources.

Integrating Finance and Accounting Systems

In 2007-2008, FSCO continued to develop an integrated finance and accounting system that will replace various legacy systems. Undertaken to gain operational efficiencies and to respond to recommendations by the Auditor General of Ontario, this project is expected to complete the first phase of implementation in 2009.

As part of this initiative, FSCO will adopt activity-based costing. This model will give FSCO a tool to measure costs by activity and by sector, leading to more effective cost recovery from the regulated sectors.

Information Technology Innovations

FSCO completed several large information technology initiatives in 2007-2008 – including development and implementation of an Internet-based licensing system to support the *Mortgage Brokerages, Lenders and Administrators Act, 2006* and enhancement of the risk-based pension investment monitoring system.

In addition, state-of-the-art collaborative software was installed. With this new tool, FSCO staff were able to rapidly develop and launch a consolidated compliance and enforcement tracking system, initially focused on automobile insurance. It will ultimately replace several enforcement systems currently in use for other sectors. This software will also enable FSCO staff to exchange and manage information more effectively.

A Focus on People

FSCO is committed to staff development. During the year a learning portal was set up on the employee intranet site and numerous courses were delivered to staff and managers. FSCO held its first Managers' Forum in November 2007

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 the Commission), 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 be also be found there. In 2007-2008, the FST developed an information page on the site presenting answers to frequently asked questions. This new feature is intended to help parties who are unrepresented or unfamiliar with the FST's rules, practices and procedures.

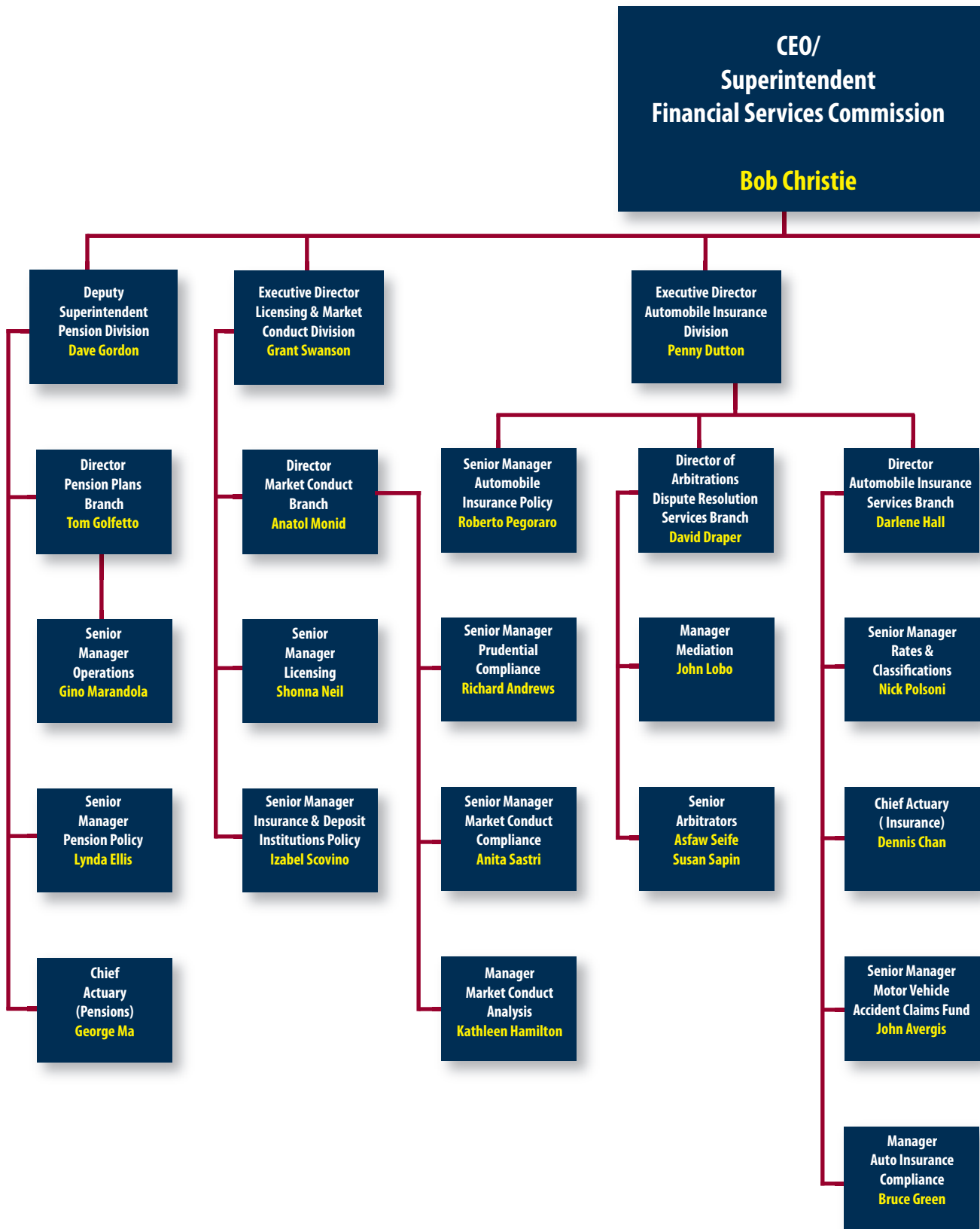
Financial Services Tribunal Activities 2007-2008

Activity	Pension Matters (Excluding Financial Hardship)	Pension Matters (Financial Hardship)	Mortgage Brokers Matters	Insurance Matters	Credit Union Matters	Loan & Trust Matters	Total 2007-2008	Total 2006-2007
Number of Cases Pending at Beginning of Fiscal Year	22	-	1	2	-	-	25*	32
Number of New Cases Received	12	1	-	1	-	-	14	20
Number of Oral Hearing Days	9	-	2	2	-	-	13	32
Number of Written Hearings	-	1	-	-	-	-	1	-
Number of Other Activity Days – Including: Pre-Hearing Conferences, Telephone Conferences, Settlement Conferences and Motions	34	-	-	5	-	-	39	56
Total Hearing (Oral and Written) and Activity Days before FST	43	1	2	7	-	-	53	88
Files Closed	22	1	1	2	-	-	26	25
Number of Cases Pending at End of Fiscal Year	12	-	-	1	-	-	13	27

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 2007-2008 fiscal year.
3. Written hearings may relate to financial hardship matters, motions, requests for costs or requests for a review of a decision.

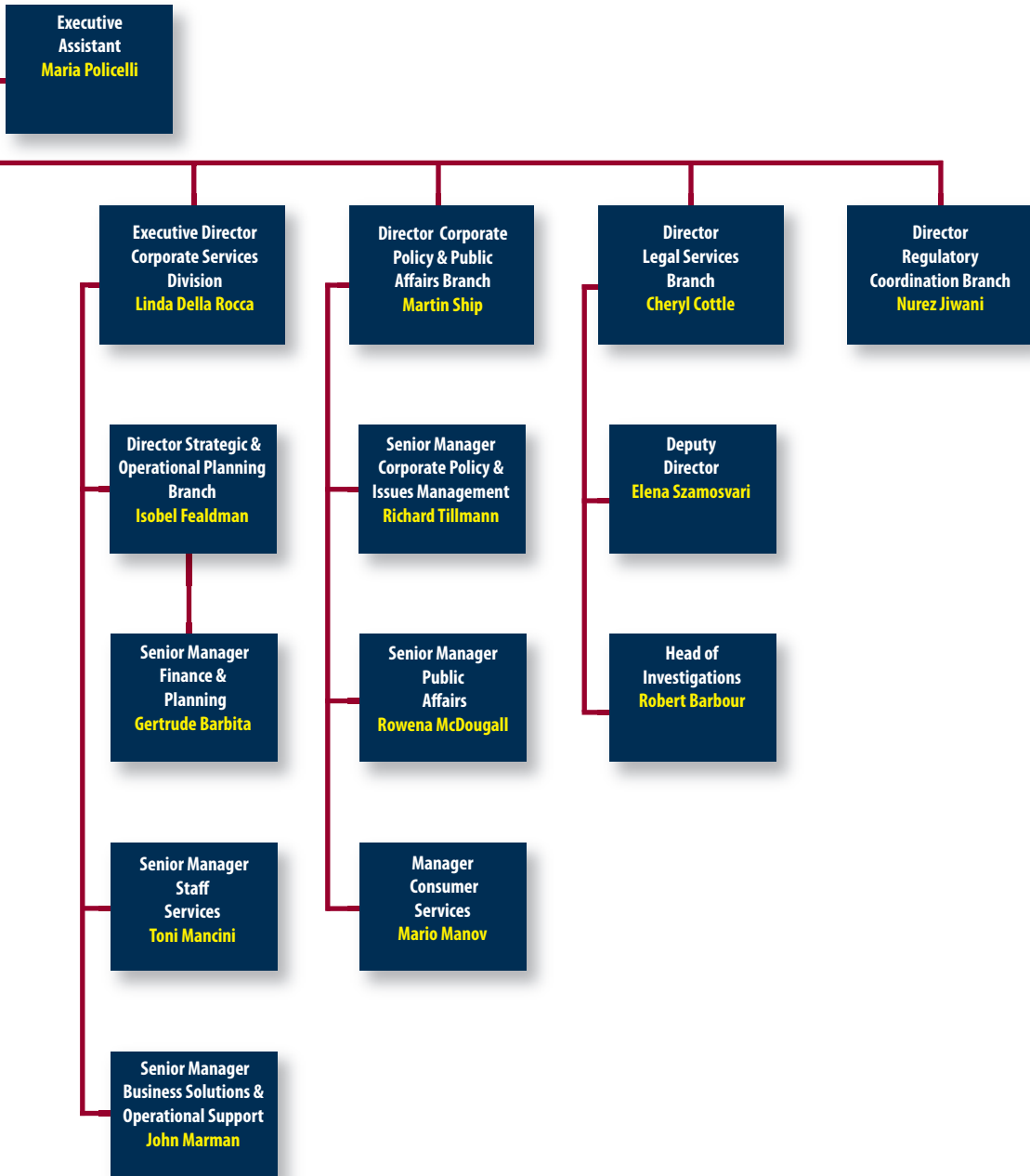
* Total from 2006-2007 year end reduced by 2 cases due to resolution of appeals to court.

Financial Services Commission of Ontario



Organization Chart

As at March 31, 2008







FINANCIAL SERVICES COMMISSION OF ONTARIO



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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2008

Management's Statement

**Financial Services
Commission
of Ontario**

**Commission des
services financiers
de l'Ontario**



September 26, 2008

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 judgement 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 Committee. The Auditor's report follows.

Handwritten signature of Bob Christie in black ink.

Bob Christie
Chief Executive Officer and
Superintendent of Financial Services

Handwritten signature of Isobel Fealdman in black ink.

Isobel Fealdman
Director, Strategic & Operational Planning



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, 2008 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, 2008 and the results of its operations and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

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Toronto, Ontario
September 26, 2008



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

Balance Sheet

As at March 31, 2008

	2008 (\$ 000)	2007 (\$ 000)
ASSETS		
Current		
Cash	7	6
Accounts receivable	1,590	23,307
Prepaid expenses	113	117
Due from the Province (Note 6b)	18,901	—
	<u>20,611</u>	<u>23,430</u>
Capital assets, net (Note 3)	4,696	4,378
	<u>25,307</u>	<u>27,808</u>
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	9,354	6,263
Due to the Province (Note 6b)	—	5,907
	<u>9,354</u>	<u>12,170</u>
Employee future benefits obligation (Note 6a)	6,902	5,875
Deferred revenue (Note 4)	4,355	5,385
Net assets		
Invested in capital assets	4,696	4,378
	<u>25,307</u>	<u>27,808</u>

Commitment and Contingencies (Note 8)

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, 2008



	2008 (\$ 000)	2007 (\$ 000)
Revenue (Note 5)		
Assessments	42,258	39,789
Fees and licences	7,178	6,791
Registrations	2,834	2,572
Other	124	526
	<u>52,394</u>	<u>49,678</u>
Expenses		
Salaries and wages	31,666	30,485
Employee benefits (Note 6a)	7,202	6,926
Transportation and communication	684	755
Services	13,370	12,906
Supplies and equipment	758	772
Amortization	1,306	963
	<u>54,986</u>	<u>52,807</u>
Less: Recoveries (Note 7)	3,042	2,997
	<u>51,944</u>	<u>49,810</u>
Excess (Deficiency) of revenue over expenses	<u>450</u>	<u>(132)</u>

See accompanying notes to financial statements

Statement of Cash Flows

For the Year Ended March 31, 2008

	2008 (\$ 000)	2007 (\$ 000)
Net inflow (outflow) of cash related to the following activities		
Cash flows from operating activities		
Excess (deficiency) of revenue over expenses	450	(132)
Items not affecting cash		
Amortization	1,306	963
Changes in non-cash working capital		
Accounts receivable	21,717	19,204
Prepaid expenses	4	(48)
Accounts payable and accrued liabilities	3,091	(346)
Contribution to the Province	(24,940)	(19,038)
Employee future benefits obligation (Note 6a)	1,027	622
Deferred revenue	(1,030)	969
	<u>1,625</u>	<u>2,194</u>
Cash flows from investing activity		
Purchase of capital assets	(1,624)	(2,200)
	<u>(1,624)</u>	<u>(2,200)</u>
Net change in cash position	1	(6)
Cash position, beginning of year	6	12
Cash position, end of year	<u><u>7</u></u>	<u><u>6</u></u>

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 is to enhance consumer confidence and public trust in Ontario's regulatory activities governing 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.

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

c) Financial Instruments

The Canadian Institute of Chartered Accountants (CICA) issued new accounting standards effective October 2007 pertaining to financial instruments. These standards establish guidance for the recognition and measurement of financial assets and liabilities and how financial instruments gains and losses should be accounted for. Under these new standards, all financial instruments are classified into one of the following five categories: held-for-trading, held to maturity, loans and receivables, available for sale financial assets, or other financial liabilities.

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.

Under these standards, all financial instruments are required to be measured at fair value upon initial recognition except for certain related party transactions. After initial recognition, financial instruments should be measured at their fair values, except for financial assets classified as held to maturity or loans and receivables and other financial liabilities, which are measured at cost or amortized cost.

(a) 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 or in the year following substantial completion of custom developed software. During fiscal 2008 the Commission increased the amortization period of its computer hardware and software from a period of two years to a three to five year range to better reflect the economic life of the assets. The change has been adopted on a prospective basis. This change in estimate did not have a significant impact on the financial statements. The estimated useful life of the Commission's capital assets have been estimated as follows:

These new standards did not have an impact on the carrying values of the Commission's financial assets and liabilities because:

Office furniture and equipment	5 years
Computer hardware and purchased software	3 years
Custom developed software	3 to 5 years
Leasehold improvements	over the term of the lease

i. Accounts receivable are classified as loans and receivables 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, 2008. A fair value estimate based on actuarial assumptions about the when these benefits will actually be paid has not been made.

(b) 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.

It is management's opinion that the Commission is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Notes to Financial Statements

March 31, 2008

(d) 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. CAPITAL ASSETS

	2008 (\$ 000)		2007 (\$ 000)	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Leasehold improvements	4,504	3,339	1,165	1,318
Computer hardware and purchased computer software	4,152	2,737	1,415	656
Custom developed software	2,242	1,092	1,150	1,916
Computer software under development	924		924	481
Office furniture and equipment	75	33	42	7
	11,897	7,201	4,696	4,378

4. 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 2007-08 are summarized as follows:

	Balance, beginning of year	Received during year	Recognized during year	Balance, end of year
2007-08	(\$ 000)			
Insurance Agents	3,298	2,781	3,132	2,947
Adjusters	17	90	87	20
Mortgage Brokers	1,204	2,165	2,705	664
Corporations	866	677	819	724
	5,385	5,713	6,743	4,355

Notes to Financial Statements

March 31, 2008



5. REVENUE

During the year, the Commission implemented a pension assessment by amending *Ontario Regulation 11/01* under the *Financial Services Commission of Ontario Act, 1997* to replace the Annual Information Return fee structure. The regulation requires the Commission to collect pension revenues on a full cost recovery basis rather than on an annual fee basis.

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

	2008 (\$ 000)	2007 (\$ 000)
Insurance Act		
Insurer assessment	27,615	25,746
Fees, licenses and other	4,485	4,570
Pension Benefits Act		
Pension plan assessment	12,866	12,413
Registrations and other	219	293
Pension unlocking fees and other	2,573	2,404
Credit Unions and Caisses Populaires Act		
Credit Union assessment	1,552	1,425
Fees and other	133	126
Loan and Trust Corporations Act		
Loan and Trust assessment	225	205
Fees, licenses and registrations	10	3
Mortgage Brokers Act		
Registrations and other	2,706	2,471
Co-operative Corporations Act		
Fees and other	10	22
	52,394	49,678
	52,394	49,678

6. 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 provides pension benefits for all its permanent employees through participation in the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU Pension Fund) which are both multi-employer defined benefit pension plans established by the Province of Ontario. The pension expense represents the Commission's contributions to the plans during the fiscal year. The Commission's contributions related to the pension plans for the year were \$2.153 million (2007 \$2.038 million) and are included in employee benefits in the Statement of Operations.

ii. Employee Future Benefits Obligation

While the province continues to accrue for the costs of any severance entitlements and unused vacation entitlements earned by employees and to fund them when due, the liability for these is also recognized in these financial statements when earned by eligible employees. 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. Unused vacation entitlements have been estimated using attendance records. These costs for the year amount to \$1.141 million (2007 \$0.869 million) and are included in employee benefits and salaries in the Statement of Operations. Amounts due within one year 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.

Notes to Financial Statements

March 31, 2008

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 by 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 \$1.134 million (2007 \$0.985 million).

7. 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:

	2008 (\$ 000)	2007 (\$ 000)
Motor Vehicle Accident Claims Fund (Related Party)	1,644	1,641
Pension Benefits Guarantee Fund (Related Party)	375	370
General Insurance Statistical Agency	404	324
Joint Forum of Financial Market Regulators	250	279
Canadian Association of Pension Supervisory Authorities	166	188
Canadian Council of Insurance Regulators	187	182
Canada Revenue Agency	16	13
	<u>3,042</u>	<u>2,997</u>

8. COMMITMENT AND CONTINGENCIES

(a) 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, no base rent payable for the first ten months of the lease extension and other operating and maintenance improvements. As a result the Commission is committed to minimum lease payments for office space as follows:

	(\$ 000)
2008/09	3,512
2009/10	3,544
2010/11	4,630
2011/12	4,756
2012/13	4,902
thereafter	<u>12,663</u>
	<u>34,007</u>

(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.

9. 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, 2008, the face value of the securities held by the Commission under the *Insurance Act* was \$1.655 million (2007 \$3.2 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.

10. COMPARATIVE FIGURES

Certain of the prior year's comparative figures have been reclassified to conform with the financial statement presentation adopted for 2008





FINANCIAL SERVICES COMMISSION OF ONTARIO



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

PENSION BENEFITS GUARANTEE FUND FINANCIAL STATEMENTS

AS AT MARCH 31, 2008

Management's Statement

**Financial Services
Commission
of Ontario**

**Commission des
services financiers
de l'Ontario**



May 30, 2008

**Pension Benefit 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 Benefit 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 Benefit 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 Committee. The Auditor's report follows.

Handwritten signature of K. David Gordon in black ink.

K. David Gordon
Deputy Superintendent, Pensions

Handwritten signature of Darlinka Pejic in black ink.

Darlinka Pejic
Chief Accountant



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, 2008 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, 2008 and the results of its operations and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

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www.auditor.on.ca

Toronto, Ontario
May 30, 2008



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

PBGF Balance Sheet

As at March 31, 2008

	2008 (\$ '000)	2007 (\$ '000)
ASSETS		
Current		
Cash	100	66
Accounts receivable	46,600	54,151
Investments (Note 4)	128,457	98,026
	175,157	152,243
LIABILITIES AND FUND DEFICIT		
Current		
Accounts payable and accrued liabilities	3,394	5,499
Current portion of loan payable	11,000	11,000
Claims payable	116,452	99,138
	130,846	115,637
Loan payable (Note 5)	146,529	149,447
	277,375	265,084
Fund deficit	(102,218)	(112,841)
	175,157	152,243

See accompanying notes to financial statements

Approved by:



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

PBGF Statement of Operations & Fund Deficit For the year ended March 31, 2008



	2008 (\$ '000)	2007 (\$ '000)
Revenue		
Premium revenue	31,939	45,571
Investment income (Note 4)	5,411	4,254
Recoveries (Note 6)	37,819	8,125
	75,169	57,950
Expenses		
Claims	55,616	31,995
Pension management fees (Note 6)	430	859
Investment management fees (Note 7)	41	42
Administration fee (Note 7)	375	370
Unrealized loss / (gain) in the market value of investments	3	(160)
Amortization of loan discount	8,081	8,221
	64,546	41,327
Excess of revenue over expenses	10,623	16,623
Fund deficit, beginning of year	(112,841)	(274,238)
Prospective change in accounting policy for loan payable (Note 5)		144,774
Fund deficit, beginning of year as restated		(129,464)
Fund deficit, end of year	(102,218)	(112,841)

See accompanying notes to financial statements

PBGF Statement of Cash Flows

For the year ended March 31, 2008

	2008 (\$ '000)	2007 (\$ '000)
Net inflow (outflow) of cash related to the following activities		
Cash flows from operating activities		
Excess of revenue over expenses	10,623	16,623
Add items not affecting cash:		
Unrealized loss (gain) on investments	3	(160)
Amortization of loan discount	8,081	8,221
	<hr/> 18,707	<hr/> 24,684
Changes in non cash working capital		
Accounts receivable	7,551	9,826
Accounts payable	(2,105)	97
Claims payable	17,314	(4,926)
	<hr/> 41,467	<hr/> 29,681
Cash flows from investing activities		
Purchases of investments	(2,387,106)	(1,624,425)
Proceeds from sale of investments	2,356,673	1,605,652
	<hr/> (30,433)	<hr/> (18,773)
Cash flows from financing activities		
Loan repayment	(11,000)	(11,000)
	<hr/> (11,000)	<hr/> (11,000)
Change in cash position	34	(92)
Cash position, beginning of year	66	158
Cash position, end of year	<hr/> <hr/> 100	<hr/> <hr/> 66

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 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 plus any loans 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 and the investment of the assets of the Fund. The Fund reimburses FSCO for the cost of the services provided.

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.

- Accounts receivable is classified as loans and 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.
- 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 (Note 5).

(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. Claims payable are based on information provided by appointed pension plan administrators. These estimates represent the present value of future payments to settle claims for benefits and expenses by pension plans.

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.

The actual claims are reviewed and verified by FSCO's Chief Actuary and approved by FSCO's management before any funds are paid out of the PBGF.

(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

PBGF Notes to Financial Statements

March 31, 2008

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 PBGF Management Committee, developed 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 bi-annually.

Investments consist of:

	2008 (\$'000)		2007 (\$'000)	
	Market Value	Cost	Market Value	Cost
Short term deposits	128,457	128,458	89,824	89,824
Government and corporate bonds	-	-	8,202	8,200
	<u>128,457</u>	<u>128,458</u>	<u>98,026</u>	<u>98,024</u>

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 1.9% to 3.7% (2007 – 4.2% to 4.6%) and there are no government and corporate bonds for the current year (2007 – yields in the range of 4.4% to 4.5%). At March 31, 2008, a 1% move in interest rates could impact the market value by approximately \$300 thousand. Short term deposits represent instruments in highly liquid investments that are readily converted into known amounts of cash.

Investment income includes interest earned from interest bearing securities and realized gains/losses from the sale of securities. The realized gain on the sale of securities amounted

to \$180 (2007 – realized gain of \$304 thousand). Unrealized changes in the market value of investments are reflected separately on the statement of operations and fund deficit.

5. LOAN PAYABLE

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.

Effective April 1, 2006, the Fund adopted the new CICA standard on Financial Instruments. The new standard requires that loans payable be reflected at their fair value. As the loan from the Province confers a benefit to the Fund in that it is interest free, a fair value is determined by discounting future cash flows using the Provincial cost of borrowing (5.04%). The resulting benefit (the difference between the face value of the loan and the net present value) is accounted for as a grant in the year the loan was received and is amortized to loan discount expense over the term of the loan.

As required by the standard, this accounting change was applied prospectively from April 1, 2006. Accordingly, as of April 1, 2006, the carrying value of Loan Payable was decreased by \$144,774 thousand to recognize the amount of the unamortized discount, and the opening balance of the Fund Deficit was decreased by the same amount.

The face value of this non-interest bearing loan has been discounted to reflect its fair value outstanding as of March 31, 2008 as follows:

	2008 (\$'000)	2007 (\$'000)
Face Value	286,000	297,000
Less: Discount	<u>(128,471)</u>	<u>(136,553)</u>
Fair Value	<u>157,529</u>	<u>160,447</u>
Classified as:		
Current Portion	11,000	11,000
Long Term Portion	<u>146,529</u>	<u>149,447</u>
Balance	<u>157,529</u>	<u>160,447</u>



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:

	(\$'000)
2008	8,081
2009	7,934
2010	7,780
2011	7,618
2012	7,447

6. PENSION MANAGEMENT FEES AND RECOVERIES

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. During fiscal 2008, \$430 thousand was paid to such experts related to negotiations involving one company (2007 - \$859 thousand involving three companies).

Following distribution of claims and submission of a final wind up report any remaining funds are recovered by the Fund. During fiscal 2008, \$37,819 thousand (2007 - \$8,125 thousand) in recoveries were made by the Fund.

7. ADMINISTRATION FEE AND RELATED PARTY TRANSACTIONS

For fiscal 2008, an administration fee of \$375 thousand (2007 - \$370 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 \$36 (2007 - \$36) were paid to the Ontario Financing Authority. The Fund and Ontario Financing Authority are related parties.

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

8. CONTINGENCIES AND SUBSEQUENT EVENT

In the ordinary course of the Fund's business, there are a number of companies operating under CCAA protection whose plans could make claims upon the Fund. The outcome and the amount of such potential claims are not determinable at this time.

A substantial recovery of funds for the PBGF is expected in 2009. Neither the amount nor the timing of the recovery can be determined at this point of time with any degree of certainty.





**FINANCIAL SERVICES
COMMISSION OF ONTARIO**

**MOTOR VEHICLE ACCIDENT CLAIMS FUND
FINANCIAL STATEMENTS**

AS AT MARCH 31, 2008

Management's Statement

Financial Services
Commission
of Ontario

Commission des
services financiers
de l'Ontario



MOTOR VEHICLE ACCIDENT CLAIMS FUND

Management's 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 Management's 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.

A handwritten signature in black ink, appearing to read "John Avgeris".

John Avgeris
Senior Manager
Motor Vehicle Accident Claims Fund

A handwritten signature in black ink, appearing to read "P. McGuinness".

Peter McGuinness
Manager of Accounting & Administration
Motor Vehicle Accident Claims Fund



Deloitte.

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Canada

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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, 2008 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, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A stylized signature of "Deloitte & Touche LLP" in a cursive script.

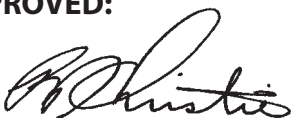
Chartered Accountants
Licensed Public Accountants
June 13, 2008

MVACF Statement of Financial Position

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

	As at March 31, 2008 \$	As at March 31, 2007 \$
ASSETS		
CURRENT		
Funds on Deposit	31,678,894	28,536,531
Accounts Receivable - License Fees	2,922,686	2,211,763
Accounts Receivable - Debtors	41,221,441	42,211,934
Less: Allowance for Doubtful Accounts	25,035,193	26,516,964
	16,186,248	15,694,970
Prepaid Expenses	4,018	-
LONG TERM		
Fixed Assets (Note 3)	551,387	561,861
Less: Accumulated Amortization	205,000	140,294
	346,387	421,567
Unpaid Claims Recoverable (Note 4)	6,984,679	6,867,698
	6,984,679	6,867,698
Total Assets	58,122,912	53,732,529
LIABILITIES & FUND DEFICIT		
Accounts Payable and Accrued Expenses	1,343,878	1,870,762
Employee Future Benefits Obligation (Note 3)	502,094	429,720
Deferred Revenue	61,876,776	54,963,437
Unpaid Claims and Adjustment Expenses (Note 4)	185,613,817	174,545,555
	249,336,565	231,809,474
Fund Deficit	(191,213,653)	(178,076,945)
	(191,213,653)	(178,076,945)
Total Liabilities & Fund Deficit	58,122,912	53,732,529

APPROVED:



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

MVACF Statement of Operations & Fund Deficit



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

	Year ended March 31, 2008 \$	Year ended March 31, 2007 \$
REVENUE		
Fee on Issue or Renewal of Driver's Licences	26,825,641	26,513,868
Change in Deferred Revenue	(6,913,339)	(10,337,879)
Fees Earned	19,912,302	16,175,989
Prior Year Recoveries	1,827,725	605,816
Other Revenue	372	552
Total Revenue	21,740,399	16,782,357
EXPENSES		
Change in Net Unpaid Claims and Adjustment Expenses	10,951,281	33,744,561
Accident Benefits Claims Payments	14,138,021	13,348,394
Administrative Expenses		
Salaries and Wages	1,544,047	1,394,221
Employees' Benefits	276,133	216,694
Transportation and Communication	28,657	27,538
Services:		
Claims (Solicitors' Fees, etc.)	2,009,649	2,048,979
Accident Benefit Claims Expense	1,674,533	1,568,127
Other Services	1,098,297	1,093,262
Bad Debts Expense	3,029,172	1,790,004
Supplies and Equipment	22,317	20,121
Amortization Expense	105,000	113,431
Total Expenses	34,877,107	55,365,332
Excess of Expenses over Revenue	(13,136,708)	(38,582,975)
Fund Deficit, Beginning of Year	(178,076,945)	(139,493,970)
Fund Deficit, End of Year	(191,213,653)	(178,076,945)

MVACF Statement of Cash Flows

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

	Year ended March 31, 2008 \$	Year ended March 31, 2007 \$
OPERATING ACTIVITIES		
Cash Inflows		
Fee on Issue or Renewal of Driver's Licences	26,114,718	26,955,315
Repayment by Debtors	1,629,197	1,496,470
Prior Year Recoveries	1,824,189	605,816
Other Revenue	372	552
Cash Outflows		
Statutory Payments	(19,839,097)	(18,325,135)
Payments to Employees	(1,736,557)	(1,568,537)
Administrative Expenses	(4,820,639)	(4,720,898)
Net Cash Inflow from Operating Activities	3,172,183	4,443,583
INVESTING ACTIVITIES		
Cash Outflows		
Acquisition of Computer Equipment	(23,176)	(5,151)
Acquisition of Furniture	-	(16,416)
Acquisition of Office Equipment	(6,644)	-
Net Cash Outflow from Investing Activities	(29,820)	(21,567)
Net Increase in Funds on Deposit with Minister of Finance	3,142,363	4,422,016
Funds on Deposit with Minister of Finance, Beginning of Year	28,536,531	24,114,515
Funds on Deposit with Minister of Finance, End of Year	31,678,894	28,536,531



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. SUMMARY OF 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. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Fair values are not determinable for Accounts Receivable – Debtors (net) and Unpaid Claims and Adjustment Expenses (net). For all other financial instruments fair value is equal to book value.

MVACF Notes to Financial Statements

March 31, 2008

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

a) Leasehold Improvements

Leasehold Improvements are carried at cost, less accumulated amortization. The Fund provides for amortization on a straight line basis over the term of the lease.

Leasehold Improvements 5 years

b) Computer Equipment

Computer equipment is carried at cost, less accumulated amortization. The Fund provides for amortization on a straight-line basis over the estimated useful life of the assets.

Computer equipment 3 years

c) Furniture & Fixtures

Furniture and Fixtures are carried at cost, less accumulated amortization. The Fund provides for amortization on a straight-line basis over the estimated useful life of the assets.

Furniture & Fixtures 5 years

d) Office Equipment

Office Equipment is carried at cost, less accumulated amortization. The Fund provides for amortization on a straight-line basis over the estimated useful life of the assets.

Office Equipment 3 years

Fixed Assets	2008		2007	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Leasehold Improvements	\$500,000	\$200,000	\$300,000	\$400,000
Computer Equipment	28,327	1,717	26,610	5,151
Furniture & Fixtures	16,416	3,283	13,133	16,416
Office Equipment	6,644	-	6,644	-
	<u>\$551,387</u>	<u>\$205,000</u>	<u>\$346,387</u>	<u>\$421,567</u>

e) Drivers' Licence Fees and Deferred Revenue

The amount the Fund earns changed as of September 2004 from a fee of \$5.00 to \$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.

f) 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.

g) 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 \$5.0 million (2007 - \$6.2 million) were processed. Additionally, in the current year \$0.7 million of the Accounts Receivable was reinstated through the bad debt expense account.

h) 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

MVACF Notes to Financial Statements

March 31, 2008



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.

i) 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, 2008. 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.

j) 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.

k) a) 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.

	2008	Increase (Decrease)	2007
Employee Future Benefits Obligation	\$502,094	\$72,374	\$429,720

b) 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

MVACF Notes to Financial Statements - March 31, 2008

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, 2008		March 31, 2007	
	Gross (000's)	Recoverable (000's)	Gross (000's)	Recoverable (000's)
ACCIDENT BENEFITS				
Statutory accident benefits	\$110,578	-	\$98,093	-
THIRD PARTY LIABILITY (TPL)				
Property damage	1,511	81	1,115	60
Bodily injury	73,525	6,904	75,338	6,808
Total TPL	75,036	6,985	76,453	6,868
Totals	\$185,614	\$6,985	\$174,546	\$6,868

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

	March 31, 2008 (000's)	March 31, 2007 (000's)
Unpaid claims and adjustment expenses, beginning of the year	\$174,546	\$141,177
Increase (decrease) in provision for losses that occurred in prior years	3,280	23,887
Amounts paid during the year on claims of prior years		
Statutory Payments	(17,572)	(17,388)
Claims Expenses	(6,195)	(6,130)
Amount paid during the year on claims of the current year		
Statutory Payments	(392)	(576)
Claims Expenses	(138)	(203)
Provision for losses on claims that occurred in the current year	32,085	33,779
Unpaid claims and adjustment expenses, end of year	\$185,614	\$174,546



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, 2008 for information purposes.

As at March 31, 2008, the amount paid out of the Fund for accident benefit claims in the form of structured settlements was approximately \$14.2 million (2007 - \$12.4 million) with applicable reversionary interest of approximately \$10.3 million (2007- \$8.7 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.





**FINANCIAL SERVICES
COMMISSION OF ONTARIO**

**SUPERINTENDENT'S REPORT
ON INSURANCE
2007**





Ontario

Superintendent's Report 2007

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.

Summary Financial Information	67
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Reciprocal or Interinsurance Exchanges	85
Fraternal Societies	86
Financial Summary Notes	88

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 129th annual report under Section 36 of the Insurance Act for the year ended December 31, 2007. 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,

A handwritten signature in black ink, appearing to read "Bob Christie".

Bob Christie
Chief Executive Officer and
Superintendent of Financial Services

Summary Financial Information



SUMMARY OF COMPANIES LICENSED BY TYPE OF BUSINESS ACTIVITY as of December 31, 2007, and December 31, 2006

Analysis of 2007 total

Business Type	Total 2006	Additions	Withdrawals	Total 2007	Ontario	Extra Provincial	Federal
Property & Casualty Insurance Companies	218	5	3	220	58	13	149
Life Insurance Companies	101	0	6	95	3	16	76
Reinsurance Companies	42	3	0	45	2	1	42
Reciprocal Exchanges	10	0	0	10	8	1	1
Fraternal Societies	24	0	2	22	3	0	19
Totals	395	8	11	392	74	31	287

Notes:

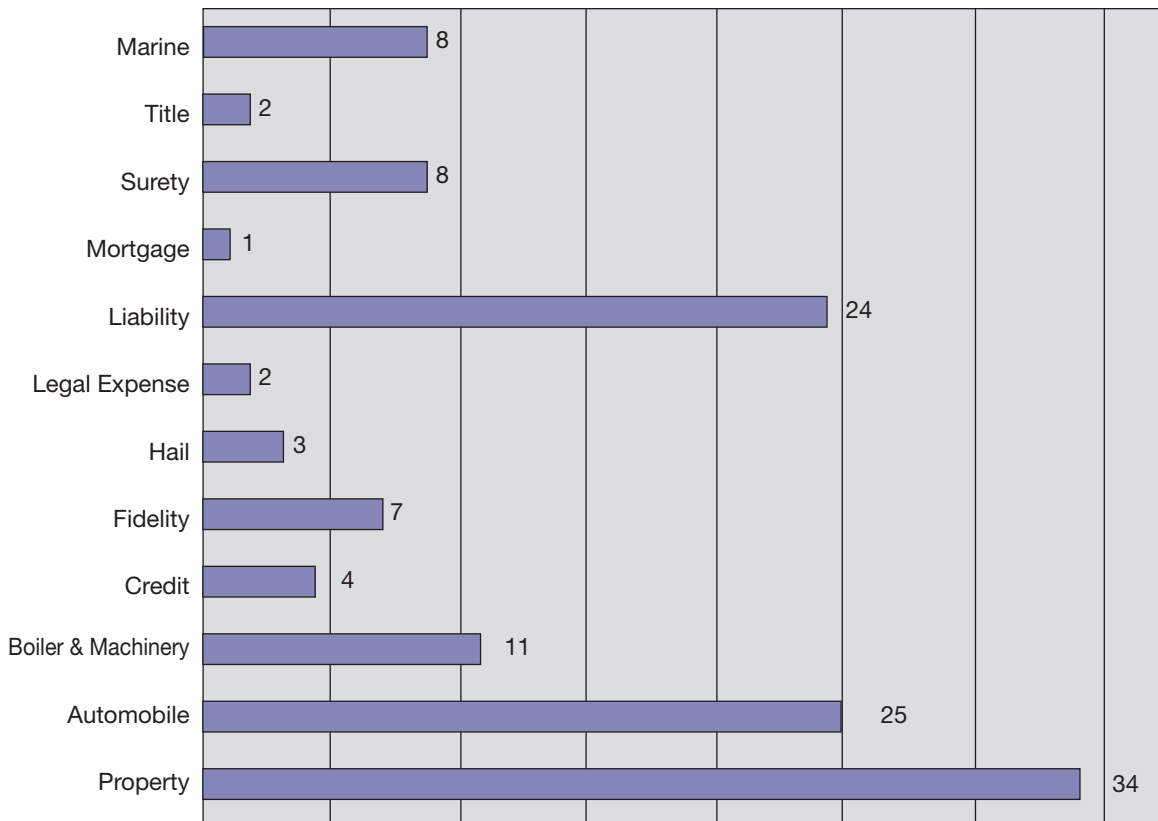
- 1 Companies writing both property & casualty and life insurance business are listed under Life Insurance Companies in the above summary. Their financial performance is shown separately by business type in the following report.
- 2 Branch operations are included in the Federal totals.
- 3 The Superintendent's Report 2007 records figures as of the end of the calendar year (December 31, 2007), based on the company's annual filings. The Financial Services Commission of Ontario Annual Report 2007-2008 records figures as of the end of the fiscal year (March 31, 2008).

Insurer Statistics

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

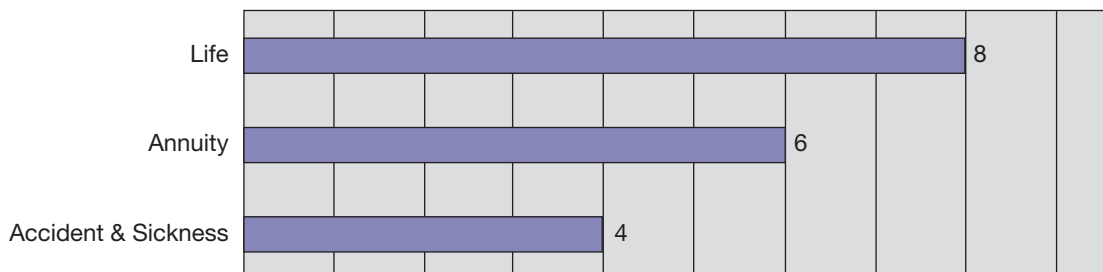
2007 Property and Casualty Insurers

Number of Companies Representing 80% of Ontario Market Share



2007 Life Insurers

Number of Companies Representing 80% of the Ontario Market Share

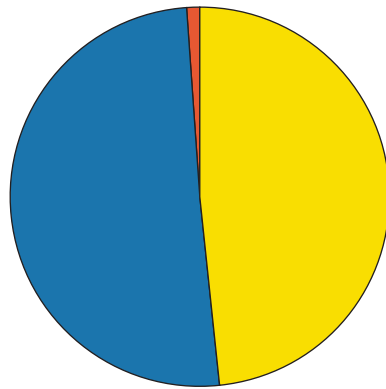


Premium Statistics



Insurance is a \$35 billion a year business in Ontario. In 2007, of the the total premium dollar, 48.4 per cent went to the life insurance industry and 50.6 per cent went to the property and casualty (including automobile) insurers.

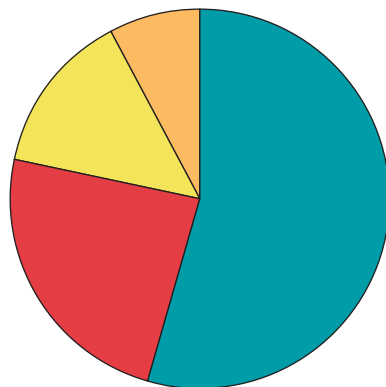
**2007
Direct Premium
Volume
in Ontario
Total \$35,101
(in millions)
in Ontario**



- Life Insurance Companies - \$16,997 (48.4%)
- Property & Casualty Insurers - \$17,747 (50.6%)
- Other - \$357 (1.0%)

P&C insurers received \$17.7 billion in premiums in 2007. The split among automobile, property and liability insurance remained consistent compared to the previous year.

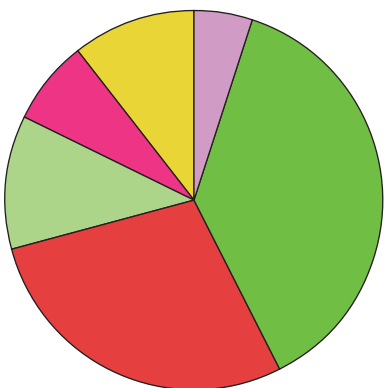
**2007
Property & Casualty
Companies -
Direct Written
Premiums in
Ontario -
By Line Total
Premiums Written
\$17,747 (millions)**



- Automobile - \$9,697 (54.6%)
- Property - \$4,232 (23.8%)
- Liability - \$2,460 (13.9%)
- Others - \$1,358 (7.7%)

The broad pattern among life insurance companies likewise remained constant. Of the \$16.9 billion spent on premiums to the life insurers, 17.5 per cent went to buy annuities, 39.7 per cent to purchase individual and group life coverage and 42.8 per cent to obtain accident and sickness insurance.

**2007
Life Companies -
Direct Written
Premiums in
Ontario Total
Premiums Written
\$16,697 (million)**



- Accident & Sickness - Individual \$869 (5.2%)
- Accident & Sickness - Group \$6,386 (37.6%)
- Life - Individual \$4,812 (28.3%)
- Life - Group \$1,945 (11.4%)
- Annuities - Individual \$1,228 (7.2%)
- Annuities - Group \$1,757 (10.3%)

Property & Casualty Insurance Companies

Financial Summary Year Ended December 31, 2007 (In Thousands)	ONTARIO BUSINESS		TOTAL COMPANY				
	Direct Written Premiums	Direct Claims Incurred	Total Assets	Total Liabilities	Excess of Assets Over Liabilities	Claims Incurred to Earned Premium	Net Income/ (Loss)
	\$	\$	\$	\$	\$	%	\$
ONTARIO							
Algoma Mutual Insurance Company	8,442	3,167	15,120	9,456	5,664	36%	982
Amherst Island Mutual Insurance Company	536	422	1,964	677	1,287	34%	96
Ayr Farmers Mutual Insurance Company	15,034	12,425	47,642	26,972	20,670	75%	1,322
Bay of Quinte Mutual Insurance Co.	14,433	7,608	32,287	13,357	18,930	45%	2,449
Bertie and Clinton Mutual Insurance Company	8,598	3,987	40,254	15,915	24,339	51%	1,342
Brant Mutual Insurance Company	5,776	3,530	18,325	10,665	7,660	53%	746
CAA Insurance Company (Ontario)	107,161	69,469	351,985	282,069	69,916	69%	5,517
Caradoc Delaware Mutual Fire Insurance Company	1,332	766	7,111	1,044	6,067	75%	(100)
Cayuga Mutual Insurance Company	5,379	2,589	19,589	7,960	11,629	44%	991
Coachman Insurance Company	26,702	15,912	116,792	81,890	34,902	56%	7,103
Commerce and Industry Insurance Company of Canada	42,577	65,449	892,592	731,002	161,590	45%	24,596
Coronation Insurance Company, Limited	0	0	4,040	848	3,192	n/a	6
Culross Mutual Insurance Company	1,389	1,053	4,167	3,158	1,009	35%	(7)
Dufferin Mutual Insurance Company	6,983	6,851	21,843	16,361	5,482	43%	444
Dumfries Mutual Insurance Company	11,308	8,222	39,467	17,594	21,873	61%	1,333
Erie Mutual Fire Insurance Company	4,722	2,452	23,030	8,476	14,554	35%	709
Farmers' Mutual Insurance Company (Lindsay)	61,037	46,862	178,190	121,627	56,563	66%	4,002
Fenchurch General Insurance Company	494	195	9,187	3,325	5,862	29%	(32)
GCAN Insurance Company	69,173	30,264	722,146	561,098	161,048	31%	40,567
Germania Farmers' Mutual Fire Insurance Company	9,885	4,864	22,883	12,629	10,254	50%	1,227
Glengarry Mutual Insurance Company	8,296	4,983	18,999	8,682	10,317	56%	346
Grenville Mutual Insurance Company	13,304	6,502	51,295	18,411	32,884	48%	2,570
Grey & Bruce Mutual Insurance Company	1,633	1,194	3,920	1,455	2,465	64%	(47)

Property & Casualty Insurance Companies

Financial Summary Year Ended December 31, 2007 (In Thousands)	ONTARIO BUSINESS		TOTAL COMPANY				
	Direct Written Premiums	Direct Claims Incurred	Total Assets	Total Liabilities	Excess of Assets Over Liabilities	Claims Incurred to Earned Premium	Net Income/ (Loss)
	\$	\$	\$	\$	\$	%	\$
Halwell Mutual Insurance Company	12,992	8,757	34,212	17,454	16,758	60%	1,240
Hamilton Township Mutual Insurance Company	15,536	8,126	34,796	18,749	16,047	49%	1,540
Hay Mutual Insurance Company	7,148	4,658	35,352	11,518	23,834	65%	1,008
Howard Mutual Insurance Company	7,250	4,052	36,449	10,184	26,265	45%	1,739
Howick Mutual Insurance Company	10,799	8,153	22,063	13,501	8,562	72%	413
Kent & Essex Mutual Insurance Company	14,286	11,981	55,619	23,089	32,530	68%	1,396
Kingsway General Insurance Company	253,657	176,340	1,049,829	910,297	139,532	80%	16,398
L&A Mutual Insurance Company	5,964	2,984	11,829	6,654	5,175	57%	603
Lambton Mutual Insurance Company	14,126	11,389	52,467	26,849	25,618	69%	1,030
Lanark Mutual Insurance Company	19,860	11,001	59,380	23,286	36,094	56%	2,468
Lawyers' Professional Indemnity Company	96,852	72,480	481,552	345,732	135,820	80%	17,610
1 Markham General Insurance Company	0	0	0	0	0	n/a	0
Max Canada Insurance Company	4,051	2,036	13,084	6,054	7,030	49%	208
Mckillop Mutual Insurance Company	7,249	4,746	19,865	9,944	9,921	47%	1,076
Middlesex Mutual Insurance Co.	8,418	7,089	28,413	14,065	14,348	70%	641
Norfolk Mutual Insurance Company	4,608	2,343	15,376	6,593	8,783	46%	824
North Blenheim Mutual Insurance Company	7,166	2,942	20,032	7,255	12,777	51%	1,032
North Kent Mutual Fire Insurance Company	5,785	3,526	29,383	10,415	18,968	59%	709
Oxford Mutual Insurance Company	8,758	4,463	23,150	12,858	10,292	54%	972
Peel Maryborough Mutual Insurance Company	12,780	7,161	31,947	17,345	14,602	58%	892
Peel Mutual Insurance Company	27,887	24,683	71,630	43,002	28,628	76%	190
Pro-demnity Insurance Company	17,930	6,269	84,580	62,458	22,122	64%	35
South Easthope Mutual Insurance Company	11,118	9,346	33,844	15,708	18,136	75%	737
The West Wawanosh Mutual Insurance Company	12,307	9,840	40,663	24,678	15,985	74%	405
The Westminster Mutual Insurance Company	6,803	6,485	16,803	12,054	4,749	65%	254

Property & Casualty Insurance Companies

Financial Summary Year Ended December 31, 2007 (In Thousands)	ONTARIO BUSINESS		TOTAL COMPANY				
	Direct Written Premiums	Direct Claims Incurred	Total Assets	Total Liabilities	Excess of Assets Over Liabilities	Claims Incurred to Earned Premium	Net Income/ (Loss)
	\$	\$	\$	\$	\$	%	\$
The Yarmouth Mutual Fire Insurance Company	5,357	4,223	14,643	5,496	9,147	76%	(50)
Town & Country Mutual Insurance Company	8,429	5,550	26,917	13,679	13,238	57%	631
Townsend Farmers' Mutual Fire Insurance Company	4,721	3,972	16,935	9,440	7,495	65%	134
Tradition Mutual Insurance Company	10,044	10,478	42,706	30,272	12,434	65%	1,011
Trillium Mutual Insurance Company	29,526	19,760	78,520	52,170	26,350	64%	2,418
TTC Insurance Company Limited	0	0	63,529	63,429	100	n/a	0
Usborne and Hibbert Mutual Fire Insurance Company	5,103	3,537	34,136	6,567	27,569	88%	471
Wabisa Mutual Insurance Company	5,446	4,425	17,727	12,599	5,128	63%	430
West Elgin Mutual Insurance Company	8,413	12,851	40,598	23,974	16,624	67%	951
York Fire & Casualty Insurance Company	114,955	75,212	273,366	232,379	40,987	68%	(582)
	1,209,518	849,624	5,554,223	4,054,418	1,499,805		154,996
EXTRA-PROVINCIAL							
Alberta Motor Association Insurance Company	82	0	403,162	309,935	93,227	78%	14,266
Associated Electric & Gas Insurance Services Limited	119	21	37,081	5,102	31,979	81%	(24)
Belair Insurance Company Inc.	42,163	19,026	854,613	656,527	198,086	66%	32,910
Canadian Farm Insurance Corp.	1,524	482	13,302	9,733	3,569	60%	0
Certas Home and Auto Insurance Company	0	0	9,402	3	9,399	n/a	(601)
GMS Insurance Inc.	1,812	1,035	11,965	6,333	5,632	75%	(1,635)
Innovative Insurance Corporation	16	0	5,560	2,473	3,087	49%	(108)
L'Unique General Insurance Inc.	31	0	133,846	82,398	51,448	54%	5,691
La Mutuelle d'église de l'Inter-Ouest	14	0	5,426	224	5,202	31%	295
Optimum Insurance Company Inc.	27,227	15,033	170,628	132,487	38,141	50%	4,235
SGL Canada Insurance Services Ltd.	120	76	135,891	60,736	75,155	63%	8,690
The Canadian Union Insurance Company	1,608	(169)	422,196	327,916	94,280	65%	8,514
Trans Global Insurance Company	8,100	1,589	17,803	11,355	6,448	9%	3,560
	82,816	37,093	2,220,875	1,605,222	615,653		75,793

Property & Casualty Insurance Companies

Financial Summary Year Ended December 31, 2007 (In Thousands)	ONTARIO BUSINESS		TOTAL COMPANY				
	Direct Written Premiums	Direct Claims Incurred	Total Assets	Total Liabilities	Excess of Assets Over Liabilities	Claims Incurred to Earned Premium	Net Income/ (Loss)
	\$	\$	\$	\$	\$	%	\$
FEDERAL							
Ace Ina Insurance	145,403	38,433	1,143,957	822,944	321,013	34%	83,978
AIG United Guaranty Mortgage Insurance Company of Canada	28,800	641	113,256	66,249	47,007	28%	(2,212)
Allstate Insurance Company of Canada	329,634	180,163	1,688,624	1,127,792	560,832	64%	108,118
2 Alta Surety Company	0	0	0	0	0	n/a	0
Ascentus Insurance Ltd.	3,526	1,507	46,943	31,271	15,672	30%	1,627
Aviva Insurance Company of Canada	494,291	333,139	3,428,821	2,803,525	625,296	61%	209,813
Axa Insurance (Canada) Axa Assurances (Canada)	322,036	173,154	1,337,893	1,063,268	274,625	58%	43,437
Axa Pacific Insurance Company	9,061	(1,448)	1,051,586	821,554	230,032	53%	45,838
Canadian Direct Insurance Incorporated	0	0	174,745	131,857	42,888	67%	7,773
Canadian Northern Shield Insurance Company	506	335	249,929	201,110	48,819	57%	11,735
Certas Direct Insurance Company	92,177	76,163	490,596	400,615	89,981	82%	11,733
Chubb Insurance Company of Canada	331,496	195,109	2,201,117	1,526,778	674,339	49%	122,552
Commonwealth Insurance Company	29,137	(9,343)	1,163,467	824,041	339,426	54%	23,533
Constitution Insurance Company of Canada	0	12	2,975	587	2,388	n/a	0
Co-operators General Insurance Company	681,487	407,087	3,580,902	2,347,241	1,233,661	66%	148,171
Coseco Insurance Company	155,021	107,954	455,350	367,525	87,825	77%	7,718
CUMIS General Insurance Company	34,783	20,471	137,149	108,488	28,661	57%	7,375
Echelon General Insurance Company	116,928	65,229	335,375	244,279	91,096	60%	13,168
Economical Mutual Insurance Company	977,726	696,119	4,166,284	2,910,608	1,255,676	69%	117,555
Elite Insurance Company	69,848	44,257	326,337	255,680	70,657	61%	30,695
Everest Insurance Company of Canada	0	(57)	4,236	131	4,105	n/a	(155)
FCT Insurance Company Ltd.	58,056	19,181	143,676	95,749	47,927	27%	16,987
Federated Insurance Company of Canada	49,548	23,580	451,535	322,136	129,399	63%	33,953
Federation Insurance Company of Canada	39,626	60,193	558,972	463,655	95,317	69%	9,373
First North American Insurance Company	1,071	352	7,733	1,610	6,123	22%	557

Property & Casualty Insurance Companies

Financial Summary Year Ended December 31, 2007 (In Thousands)	ONTARIO BUSINESS		TOTAL COMPANY				
	Direct Written Premiums	Direct Claims Incurred	Total Assets	Total Liabilities	Excess of Assets Over Liabilities	Claims Incurred to Earned Premium	Net Income/ (Loss)
	\$	\$	\$	\$	\$	%	\$
Genworth Financial Mortgage Insurance Company Canada	447,792	57,919	4,289,561	2,517,210	1,772,351	19%	308,211
Gold Circle Insurance Company	0	0	4,440	16	4,424	n/a	115
Gore Mutual Insurance Company	154,872	92,501	454,710	308,296	146,414	61%	20,209
Grain Insurance and Guarantee Company	9,633	2,179	83,725	51,954	31,771	44%	5,323
3 Granite Insurance Company	0	0	0	0	0	n/a	0
Industrial-Alliance Pacific General Insurance Corporation	2,233	916	58,296	41,532	16,764	86%	1,267
ING Insurance Company of Canada	1,314,164	902,641	6,443,287	5,575,707	867,580	66%	159,082
ING Novex Insurance Company of Canada	108,436	73,426	768,040	602,027	166,013	66%	21,740
Jevco Insurance Company	19,637	8,134	585,863	449,620	136,243	57%	28,906
Legacy General Insurance Company	22,861	3,470	46,120	(3,796)	49,916	16%	7,640
Lombard General Insurance Company of Canada	395,388	244,750	2,530,868	1,848,248	682,620	63%	170,536
Lombard Insurance Company	116,630	87,112	419,549	297,051	122,498	76%	8,530
London and Midland General Insurance Company	34,048	4,474	304,980	152,266	152,714	16%	49,809
Markel Insurance Company of Canada	141,081	101,104	818,798	597,236	221,562	68%	50,479
Old Republic Insurance Company of Canada	29,514	22,991	180,693	132,245	48,448	58%	5,314
Omega General Insurance Company	240	8	14,980	2,703	12,277	27%	(1,122)
Pafco Insurance Company	58,620	47,525	219,628	162,736	56,892	60%	10,471
Pembridge Insurance Company	65,586	39,832	485,550	255,008	230,542	70%	19,968
Perth Insurance Company	106,234	71,461	414,922	358,942	55,980	69%	5,098
Pilot Insurance Company	618,643	467,527	1,811,505	1,522,805	288,700	73%	64,102
PMI Mortgage Insurance Company Canada	0	0	75,208	1,829	73,379	n/a	(2,193)
Primum Insurance Company	172,907	104,243	994,086	862,193	131,893	68%	30,455
Quebec Assurance Company	0	0	102,686	70,497	32,189	57%	3,676
RBC General Insurance Company	276,698	182,395	806,589	599,307	207,282	69%	36,021
RBC Insurance Company of Canada	98,561	39,988	253,843	98,856	154,987	37%	20,034
Royal & Sun Alliance Insurance Company of Canada	383,593	278,948	3,360,530	2,494,234	866,296	57%	101,124
S & Y Insurance Company	64,706	45,744	165,484	135,982	29,502	73%	1,094

Property & Casualty Insurance Companies

Financial Summary Year Ended December 31, 2007 (In Thousands)	ONTARIO BUSINESS		TOTAL COMPANY				
	Direct Written Premiums	Direct Claims Incurred	Total Assets	Total Liabilities	Excess of Assets Over Liabilities	Claims Incurred to Earned Premium	Net Income/ (Loss)
	\$	\$	\$	\$	\$	%	\$
Safety National Casualty Corporation	3,692	2,248	19,001	5,637	13,364	64%	1,128
Scotia General Insurance Company	0	0	7,204	11	7,193	n/a	96
Scottish & York Insurance Co. Limited	180,581	162,352	752,209	625,824	126,385	77%	7,448
Securican General Insurance Company	11,483	6,309	29,091	20,016	9,075	52%	1,570
Security National Insurance Company	580,190	387,759	2,734,128	1,979,769	754,359	69%	163,926
TD Direct Insurance Inc.	0	0	13,490	189	13,301	n/a	355
TD General Insurance Company	192,908	154,030	548,804	461,263	87,541	72%	14,308
TD Home and Auto Insurance Company	198,792	149,847	1,130,516	910,861	219,655	70%	31,036
Temple Insurance Company	78,811	11,565	773,226	625,728	147,498	32%	32,911
The Boiler Inspection and Insurance Company of Canada	15,679	8,046	187,621	110,570	77,051	23%	19,704
The Dominion of Canada General Insurance Company	705,079	497,658	2,817,259	2,009,256	808,003	72%	144,589
The Guarantee Company of North America	199,598	118,727	1,017,819	498,658	519,161	55%	48,985
The Missisquoi Insurance Co.	326	13	472,610	375,337	97,273	69%	8,963
The Mortgage Insurance Company of Canada	0	11	37,136	10,578	26,558	0%	2,741
The Nordic Insurance Company of Canada	187,376	145,294	3,228,612	2,351,085	877,527	66%	215,846
The North Waterloo Farmers Mutual Insurance Company	50,306	30,360	94,323	61,515	32,808	63%	2,010
The Personal Insurance Company	317,134	270,858	1,227,234	1,025,651	201,583	81%	25,225
The Portage La Prairie Mutual Insurance Company	20,997	14,913	284,782	186,002	98,780	65%	7,011
The Sovereign General Insurance Company	58,994	40,725	558,422	440,968	117,454	61%	8,495
The Wawanesa Mutual Insurance Company	431,929	327,562	4,533,036	2,579,890	1,953,146	75%	115,776
Traders General Insurance Company	329,355	253,966	1,067,132	890,696	176,436	72%	21,009
Trafalgar Insurance Company of Canada	105,801	75,159	676,930	529,848	147,082	66%	19,026
4 Travelers Guarantee Company of Canada	68,850	32,328	753,574	514,531	239,043	28%	36,725
5 Triad Guaranty Insurance Corporation Canada	0	0	0	0	0	n/a	0
Trisura Guarantee Insurance Company	9,592	4,259	41,316	16,873	24,443	46%	(329)

Property & Casualty Insurance Companies

Financial Summary Year Ended December 31, 2007 (In Thousands)	ONTARIO BUSINESS		TOTAL COMPANY				
	Direct Written Premiums	Direct Claims Incurred	Total Assets	Total Liabilities	Excess of Assets Over Liabilities	Claims Incurred to Earned Premium	Net Income/ (Loss)
	\$	\$	\$	\$	\$	%	\$
Unifund Assurance Company	309,182	229,179	1,137,715	918,054	219,661	69%	37,238
Waterloo Insurance Company	56,886	35,011	285,952	228,324	57,628	69%	5,095
Western Assurance Company	79,630	65,055	631,191	503,916	127,275	57%	16,960
Western Surety Company	2,918	112	30,576	16,266	14,310	-0%	1,429
XL Insurance Company Limited	50,753	17,669	379,172	255,877	123,295	40%	24,833
Zenith Insurance Company	41,601	26,055	155,359	94,967	60,392	56%	6,602
	12,900,681	8,378,589	74,580,839	54,321,557	20,259,282		
BRANCH							
Affiliated FM Insurance Company	29,103	26,527	193,235	116,996	76,239	35%	24,276
Allianz Global Risks US Insurance Company	75,788	20,648	503,421	412,644	90,777	66%	4,444
Allstate Insurance Company	0	0	0	0	0	n/a	0
American Bankers Insurance Company of Florida	130,018	10,177	313,423	185,369	128,054	18%	10,858
American Home Assurance Company	333,634	187,969	3,513,483	2,532,136	981,347	57%	136,660
Arch Insurance Company	14,744	5,647	100,288	72,246	28,042	55%	3,872
Atradius Credit Insurance N.V.	2,778	1,092	17,574	9,465	8,109	41%	(1,061)
Avemco Insurance Company	0	0	2,840	58	2,782	n/a	(85)
Aviation & General Insurance Company Limited	0	0	1,054	74	980	n/a	(47)
Aviva International Limited	(6)	(413)	32,943	8,082	24,861	1481%	1,502
Axa Corporate Solutions Assurance	2,852	237	4,499	1,334	3,165	50%	2,686
Berkley Insurance Company	0	0	39,863	8,737	31,126	64%	1,002
Centennial Insurance Company	0	(654)	10,829	1,232	9,597	n/a	981
Chicago Title Insurance Company	9,597	2,275	26,432	11,395	15,037	17%	2,770
Compagnie Francaise d'Assurance pour le Commerce Exterieur	12,407	4,602	47,680	26,454	21,226	53%	49
Continental Casualty Company	95,060	55,501	893,408	640,008	253,400	55%	36,128
Daimlerchrysler Insurance Company	2,996	1,266	20,564	8,708	11,856	53%	3,526
Eagle Star Insurance Company Limited	(1)	(1,972)	21,602	9,902	11,700	619%	2,235
Ecclesiastical Insurance Office Public Limited Company	11,694	2,520	118,322	68,778	49,544	40%	2,146

Property & Casualty Insurance Companies

Financial Summary Year Ended December 31, 2007 (In Thousands)	ONTARIO BUSINESS		TOTAL COMPANY				
	Direct Written Premiums	Direct Claims Incurred	Total Assets	Total Liabilities	Excess of Assets Over Liabilities	Claims Incurred to Earned Premium	Net Income/ (Loss)
	\$	\$	\$	\$	\$	%	\$
Electric Insurance Company	1,797	673	18,305	10,538	7,767	74%	901
Employers Insurance Company of Wausau	(2)	29	53,150	7,109	46,041	-10,200%	1,199
Employers Reinsurance Corporation	46,318	29,438	1,093,491	766,825	326,666	97%	20,641
Euler American Credit Indemnity Company	17,895	8,602	87,238	46,185	41,053	61%	2,978
Factory Mutual Insurance Company	84,736	15,312	743,292	362,759	380,533	39%	96,292
Federal Insurance Company	1,937	369	137,557	57,394	80,163	-5%	4,942
First American Title Insurance Company	12,516	1,861	28,785	12,596	16,189	19%	8,269
General Reinsurance Corporation	0	0	512,014	369,989	142,025	20%	33,580
Great American Insurance Company	32,884	27,522	236,979	114,795	122,184	72%	21,856
Great American Insurance Company of New York	0	(13)	2,279	200	2,079	n/a	87
Hartford Fire Insurance Company	7,547	1,724	313,129	62,797	250,332	39%	14,710
Icarom Public Limited Company	0	0	3,291	521	2,770	n/a	36
Jewelers Mutual Insurance Company	2,361	1,123	6,719	1,823	4,896	52%	184
Lawyers Title Insurance Corporation	172	643	6,246	2,441	3,805	40%	(224)
Liberty Mutual Insurance Company	78,531	23,966	1,288,933	629,896	659,037	74%	36,578
Lloyd's Underwriters	380,205	140,344	3,199,948	2,082,978	1,116,970	38%	641,499
Lumbermens Mutual Casualty Company	0	170	45,261	20,937	24,324	-139%	966
Mitsui Sumitomo Insurance Company, Limited	0	0	0	0	0	n/a	0
Motors Insurance Corporation	182,629	125,026	644,502	456,862	187,640	65%	43,523
Munich Reinsurance America, Inc.	0	1,319	245,935	127,517	118,418	82%	(1,248)
National Liability & Fire Insurance Company	12,045	23,302	214,921	91,979	122,942	57%	18,588
Nipponkoa Insurance Company, Limited	973	250	29,575	3,725	25,850	16%	1,562
North American Specialty Insurance Company	(543)	56	24,666	8,184	16,482	20%	4,749
Pearl Assurance Public Limited Company	0	0	1,626	164	1,462	n/a	(2)
Progressive Casualty Insurance Company	0	(1,782)	64,650	10,677	53,973	17,338%	3,260

Property & Casualty Insurance Companies

Financial Summary Year Ended December 31, 2007 (In Thousands)	ONTARIO BUSINESS		TOTAL COMPANY				
	Direct Written Premiums	Direct Claims Incurred	Total Assets	Total Liabilities	Excess of Assets Over Liabilities	Claims Incurred to Earned Premium	Net Income/ (Loss)
	\$	\$	\$	\$	\$	%	\$
Protective Insurance Company	321	425	9,008	1,741	7,267	157%	(93)
Providence Washington Insurance Company	0	255	1,830	121	1,709	n/a	(72)
6 Reliance Insurance Company	0	0	0	0	0	n/a	0
Security Insurance Company of Hartford	3	1,497	145,569	56,537	89,032	6213%	409
Sentry Insurance A Mutual Company	637	(2)	30,268	5,641	24,627	0%	1,754
Sompo Japan Insurance Inc.	2,921	1,441	37,639	7,388	30,251	37%	2,069
St. Paul Fire and Marine Insurance Company	86,961	37,973	1,308,632	705,351	603,281	55%	65,840
State Farm Fire and Casualty Company	342,216	233,375	1,020,513	560,551	459,962	69%	25,857
State Farm Mutual Automobile Insurance Company	1,012,599	947,955	3,797,529	2,491,845	1,305,684	91%	29,851
Stewart Title Guaranty Company	62,977	21,978	118,777	72,252	46,525	35%	10,657
T.H.E. Insurance Company	61	21	2,724	346	2,378	23%	(242)
The American Road Insurance Company	2,598	1,910	19,234	2,201	17,033	120%	(1,236)
The British Aviation Insurance Company Limited	(3)	(111)	5,183	1,858	3,325	1538%	104
The Hanover Insurance Company	0	0	3,208	47	3,161	n/a	40
7 The Home Insurance Company	0	0	0	0	0	n/a	0
TIG Insurance Company	0	1,171	35,911	7,249	28,662	n/a	3,290
Tokio Marine & Nichido Fire Insurance Co., Ltd.	13,174	4,382	104,031	59,572	44,459	101%	(4,275)
Uap-Newrotterdam Insurance Company N.V.	0	(792)	4,316	580	3,736	n/a	761
Utica Mutual Insurance Company	2	441	7,076	2,759	4,317	-4414%	279
Virginia Surety Company, Inc.	96	456	32,475	2,648	29,827	85%	1,241
XL Reinsurance America Inc.	26,504	10,100	527,278	283,764	243,514	39%	31,674
Zurich Insurance Company	421,338	258,994	2,487,846	1,877,883	609,963	72%	53,523
	3,555,070	2,236,825	24,562,999	15,502,843	9,060,156		
TOTAL	17,748,085	11,502,131	106,918,936	75,484,040	31,434,896		4,839,010

Life Insurance Companies

ONTARIO BUSINESS			TOTAL COMPANY			
Financial Summary Year Ended December 31, 2007	Direct Written Premiums	Benefits and Payments to Policyholders	Total Assets	Total Liabilities	Excess of Assets Over Liabilities	Net Income / (Loss)
(In Thousands)	\$	\$	\$	\$	\$	\$
ONTARIO						
CT Financial Assurance Company	3,834	598	30,711	20,679	10,032	624
8 Revios Reinsurance Canada Ltd.	0	0	0	0	0	0
Union of Canada Life Insurance	738	1,015	77,355	65,890	11,465	(60)
	4,572	1,613	108,066	86,569	21,497	564
EXTRA PROVINCIAL						
Acadia Life	0	0	70,871	47,448	23,423	2,917
Assumption Mutual Life Insurance Company	7,190	4,276	556,559	478,645	77,914	4,011
AXA Insurance Inc.	25,007	6,195	780,905	678,283	102,622	6,989
Canassurance Insurance Company	2,297	715	80,519	47,755	32,764	546
Desjardins Financial Security Life Assurance Company	432,967	449,051	15,193,929	14,274,798	919,131	211,121
First Canadian Insurance Corporation	18,672	2,645	238,178	152,508	85,670	18,432
Industrial Alliance Insurance and Financial Services Inc.	789,699	445,197	13,000,781	11,189,715	1,811,066	247,961
La Capitale Insurance and Financial Services Inc.	1,070	983	153,473	111,172	42,301	1,334
La Survivance, Compagnie Mutuelle d'Assurance Vie	164	128	199,029	167,262	31,767	1,660
L'Entraide Assurance Mutual Company	25	0	76,602	67,440	9,162	1,360
National Bank Life Insurance Company	10,762	2,770	136,710	51,791	84,919	17,087
Promutuel Life Inc.	0	0	7,124	3,467	3,657	(797)
SSQ, Life Insurance Company Inc.	309	3,997	2,050,433	1,814,922	235,511	27,992
The International Life Insurance Company	0	0	32,649	18,640	14,009	1,986
The Union Life, A Mutual Assurance Company	2,933	0	612,913	515,897	97,016	11,465
Trans Global Life Insurance Company	2,952	154	8,765	2,232	6,533	1,510
	1,294,047	916,111	33,199,440	29,621,975	3,577,465	555,574
FEDERAL						
Ace Ina Life Insurance	57,741	22,922	79,652	47,546	32,106	9,295
ALG Assurance Canada	98,151	35,645	742,745	662,502	80,243	16,131

Life Insurance Companies

Financial Summary Year Ended December 31, 2007 (In Thousands)	ONTARIO BUSINESS		TOTAL COMPANY			
	Direct Written Premiums	Benefits and Payments to Policyholders	Total Assets	Total Liabilities	Excess of Assets Over Liabilities	Net Income / (Loss)
	\$	\$	\$	\$	\$	\$
AIG Life Insurance Company of Canada	387,417	73,543	2,097,632	1,795,615	302,017	48,254
Allstate Life Insurance Company of Canada	0	0	3,520	35	3,485	65
Assurant Life of Canada	70,097	21,218	635,457	586,824	48,633	24,053
BMO Life Insurance Company	20,435	1,019	70,729	(3,915)	74,644	19,307
Blue Cross Life Insurance Company of Canada	21,695	11,647	289,200	219,458	69,742	5,380
Canadian Premier Life Insurance Company	80,699	9,383	133,398	20,247	113,151	21,261
CIBC Life Insurance Company Limited	15,063	4,286	29,459	(38,852)	68,311	10,338
Cigna Life Insurance Company of Canada	0	2,003	37,740	26,349	11,391	2,315
Compcorp Life Insurance Company	0	0	10,000	246	9,754	(45)
9 Confederation Life Insurance Company	0	0	0	0	0	0
Co-operators Life Insurance Company	273,214	201,745	2,636,979	2,030,056	606,923	23,504
Crown Life Insurance Company	0	0	454,812	353,709	101,103	6,800
CUMIS Life Insurance Company	80,483	58,898	601,821	492,453	109,368	33,288
Fidelity Investments Insurance Company Of Canada	0	0	11,446	2,053	9,393	(3,723)
Industrial-Alliance Pacific Life Insurance Company	103,645	51,174	2,339,236	2,035,804	303,432	53,767
London Life Insurance Co.	1,157,376	1,288,420	23,426,934	20,940,489	2,486,445	365,985
Manulife Canada Ltd.	30,063	13,332	4,478,258	3,906,370	571,888	10,080
MD Life Insurance Company	21,503	1,294	331,075	290,045	41,030	4,918
Penncorp Life Insurance Company	25,227	7,909	326,422	244,669	81,753	12,996
Primerica Life Insurance Company Of Canada	102,788	35,721	455,593	19,105	436,488	55,809
RBC Life Insurance Company	489,373	236,467	5,470,822	4,165,688	1,305,134	59,054
Reliable Life Insurance Co.	29,380	14,877	54,432	28,006	26,426	2,907
Scotia Life Insurance Company	10,868	1,986	64,684	(35,984)	100,668	12,199
Sun Life Assurance Company of Canada	3,145,984	2,919,257	64,842,854	54,959,915	9,882,939	1,388,915
Sun Life Insurance (Canada) Limited	70,308	3,402	10,885,010	10,025,760	859,250	89,301
TD Life Insurance Company	25,583	7,114	27,487	(1,139)	28,626	1,448
The Canada Life Assurance Company	1,570,943	1,246,217	18,350,105	14,035,205	4,314,900	771,568
The Canada Life Insurance Company of Canada	0	0	8,826,602	8,141,570	685,032	48,720

Life Insurance Companies

Financial Summary Year Ended December 31, 2007 (In Thousands)	ONTARIO BUSINESS		TOTAL COMPANY			
	Direct Written Premiums	Benefits and Payments to Policyholders	Total Assets	Total Liabilities	Excess of Assets Over Liabilities	Net Income / (Loss)
	\$	\$	\$	\$	\$	\$
The Empire Life Insurance Company	361,789	253,088	3,867,411	3,159,489	707,922	53,587
The Equitable Life Insurance Company of Canada	232,160	172,956	1,189,288	981,897	207,391	21,420
The Great-West Life Assurance Company	2,052,971	1,621,983	20,288,822	9,506,867	10,781,955	1,647,450
The Manufacturers Life Insurance Company	3,842,524	3,315,909	55,181,168	39,707,291	15,473,877	3,651,102
The Standard Life Assurance Company of Canada	613,469	764,310	16,576,887	15,226,799	1,350,088	196,201
The Wawanesa Life Insurance Company	17,513	13,931	496,704	405,015	91,689	4,457
Transamerica Life Canada	283,990	179,957	5,907,994	4,943,719	964,275	(307,318)
Unity Life of Canada	72,625	46,346	566,373	515,525	50,848	4,227
Western Life Assurance Co.	15,263	6,660	73,221	50,447	22,774	3,333
	15,380,340	12,644,619	251,861,972	199,446,878	52,415,094	8,368,349
BRANCH						
Aetna Life Insurance Company	764	1,139	56,029	16,153	39,876	2,669
Allianz Life Insurance Company Of North America	2,219	914	79,755	18,737	61,018	3,654
American Bankers Life Assurance Company of Florida	95,570	9,519	215,115	111,740	103,375	10,159
American Health and Life Insurance Company	11,965	2,289	154,357	42,622	111,735	15,123
American Income Life Insurance Company	18,718	2,786	138,835	62,237	76,598	15,543
Amex Assurance Company	1,036	100	7,050	62	6,988	698
AXA Equitable Life Insurance Company	40	68	38,408	21,218	17,190	862
Combined Insurance Company of America	40,737	7,626	615,753	309,901	305,852	81,567
Connecticut General Life Insurance Company	4,191	4,470	77,318	55,546	21,772	(1,101)
CUNA Mutual Insurance Society	168	480	21,624	15,398	6,226	285
First Allmerica Financial Life Insurance Company	7	6	2,201	1,165	1,036	(103)
Forethought Life Insurance Company	781	5,668	113,547	94,760	18,787	8,604
General American Life Insurance Company	0	0	1,409,158	564,593	844,565	114,866
Gerber Life Insurance Company	1,349	168	20,365	5,804	14,561	402
Hartford Life Insurance Company	0	182	23,302	3,826	19,476	(2,830)

Life Insurance Companies

Financial Summary Year Ended December 31, 2007 (In Thousands)	ONTARIO BUSINESS		TOTAL COMPANY			
	Direct Written Premiums	Benefits and Payments to Policyholders	Total Assets	Total Liabilities	Excess of Assets Over Liabilities	Net Income / (Loss)
	\$	\$	\$	\$	\$	\$
Household Life Insurance Company	13,545	3,594	174,348	63,917	110,431	5,112
John Hancock Life Insurance Company	22	(4)	14,217	6,260	7,957	885
Liberty Life Assurance Company of Boston	170	288	13,960	2,064	11,896	794
Life Insurance Company of North America	2,343	2,083	41,490	23,397	18,093	1,825
Life Investors Insurance Company of America	3,458	1,361	196,753	113,365	83,388	6,047
Massachusetts Mutual Life Insurance Company	231	237	46,139	11,710	34,429	2,151
Metlife Canada	735	13,881	368,551	330,811	37,740	(6,730)
Metlife Insurance Company of Connecticut	0	0	5,734	0	5,734	48
Metropolitan Life Insurance Company	0	0	1,249,397	84,523	1,164,874	47,264
Minnesota Life Insurance Company	148	2	5,984	159	5,825	123
New York Life Insurance Company	22,913	25,116	302,576	101,725	200,851	11,334
Pennsylvania Life Insurance Company	0	0	1,299	0	1,299	47
Phoenix Life Insurance Company	0	25	2,357	358	1,999	40
Principal Life Insurance Company	0	216	8,475	5,030	3,445	247
Reassure America Life Insurance Company	3	31	8,294	4,663	3,631	483
Standard Life Assurance Limited	1,887	42,864	60,569	55,090	5,479	263
State Farm International Life Insurance Company Ltd	94,191	46,973	997,734	794,387	203,347	17,816
Stonebridge Life Insurance Company	27	3	44,225	2,135	42,090	1,719
The Prudential Insurance Company of America	0	0	35,930	0	35,930	1,532
The Standard Life Assurance Company 2006	0	34,736	1,167	0	1,167	207
United American Insurance Company	337	363	11,308	5,336	5,972	395
Washington National Insurance Company	333	69	6,188	2,410	3,778	49
	317,888	207,253	6,569,512	2,931,102	3,638,410	342,049
Total	16,996,847	13,769,596	291,738,990	232,086,524	59,652,466	9,266,536

Reinsurance Companies

		ONTARIO BUSINESS		TOTAL COMPANY				
Financial Summary Year Ended December 31, 2007		Premiums Assumed	Net Losses Incurred	Total Assets	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								
(In Thousands)		\$	\$	\$	\$	\$	%	\$
ONTARIO								
	Farm Mutual Reinsurance Plan Inc.	104,728	118,386	621,497	420,516	200,981	113%	(16,320)
	Global Reinsurance Company	30	1,037	116,432	78,514	37,918	2365%	4,417
		104,758	119,423	737,929	499,030	238,899		(11,903)
EXTRA PROVINCIAL								
	Optimum Reassurance Inc.	32,752	4,374	316,364	268,639	47,725	n/a	6,309
FEDERAL								
	Aspen Insurance UK Limited	36,714	30,402	206,675	118,573	88,102	86%	1,806
13	AXA General Insurance Co.	(24,903)	18,085	117,491	90,800	26,691	68%	9,517
	Munich Reinsurance Company of Canada	176,840	85,993	1,325,737	1,029,959	295,778	64%	58,958
	RGA Life Reinsurance Company of Canada	327,195	13,515	3,208,338	2,795,645	412,693	n/a	13,094
	Scor Canada Reinsurance Co.	35,772	19,797	470,531	291,461	179,070	64%	13,200
	Suecia Reinsurance Co.	(32)	(169)	10,224	4,343	5,881	528%	(43)
	Swiss Re Life & Health Canada	315,854	52,217	3,302,777	2,950,423	352,354	n/a	22,265
	Swiss Reinsurance Company Canada	81,904	10,313	938,551	819,431	119,120	31%	27,680
		949,344	230,153	9,580,324	8,100,635	1,479,689		146,477
BRANCH								
	Alea Europe Ltd.	43	(175)	60,536	24,555	35,981	-577%	1,706
	American Agricultural Insurance Company	8,600	2,390	58,761	21,021	37,740	60%	4,360
	AXA RE	32,998	2,433	1,067,572	926,266	141,306	n/a	10,649
	Caisse Centrale de Reassurance	15,992	12,799	159,949	116,081	43,868	62%	5,036
	Cavell Insurance Company Ltd.	3	323	14,075	3,020	11,055	10767%	172
	Converium Reinsurance (North America) Inc.	12	40	42,956	4,970	37,986	564%	1,325
	Employers Reassurance Corp.	64,020	47,131	1,022,980	546,072	476,908	n/a	79,518
	Endurance Reinsurance Corporation of America	392	(984)	56,448	12,410	44,038	-107%	3,492
	Everest Reinsurance Company	97,713	35,113	682,305	478,530	203,775	46%	46,571

Reinsurance Companies

Financial Summary Year Ended December 31, 2007	ONTARIO BUSINESS		TOTAL COMPANY				
	Premiums Assumed	Net Losses Incurred	Total Assets	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							
(In Thousands)	\$	\$	\$	\$	\$	%	\$
Folksamerica Reinsurance Company	4,570	(1,297)	125,149	64,176	60,973	31%	8,616
General Re Life Corporation	0	0	10,888	2,863	8,025	n/a	287
Hannover Ruckversicherung AG	67,946	42,942	514,907	307,105	207,802	59%	25,088
Mapfre Re, Compania de Reaseguros, S.A.	3,720	417	37,245	8,748	28,497	28%	4,445
Mapfre Reinsurance Corp.	0	0	1,165	15	1,150	n/a	40
Munich Reinsurance Company	714,435	337,174	5,022,864	3,645,424	1,377,440	n/a	10,778
Nationwide Mutual Insurance Company	0	(22)	13,363	4,768	8,595	n/a	227
Nederlandse Reassurantie Groep N.V.	0	(241)	2,808	0	2,808	n/a	80
NRG Victory Reinsurance Ltd	0	3,772	13,878	6,295	7,583	n/a	(4,217)
Odyssey America Reinsurance Corporation	49,176	26,364	249,803	141,087	108,716	54%	11,083
Paris Re	31,877	10,379	592,597	444,489	148,108	55%	(792)
Partner Reinsurance Co. Ltd.	37,973	20,695	362,482	265,543	96,939	57%	16,848
Partner Reinsurance Europe Limited	0	0	5,025	0	5,025	n/a	25
Partner Re SA	46,177	25,008	594,690	432,267	162,423	57%	12,105
Pohjola Non-Life Insurance Company Ltd.	0	181	2,211	531	1,680	n/a	(212)
Reliastar Life Insurance Co.	14,001	7,321	111,737	65,960	45,777	n/a	7,616
Scor Global Life	10,888	5,608	303,748	208,776	94,972	n/a	8,637
Seaton Insurance Company	0	0	6,965	1,236	5,729	n/a	170
Sorema North America Reinsurance Company	0	59	10,258	1,244	9,014	n/a	1,306
14 Swiss Re Frankona Ruckversicherungs- Aktiengesellschaft	0	0	8,016	11	8,005	n/a	2,093
Swiss Reinsurance Co.	295,609	21,438	2,100,665	1,130,090	970,575	23%	55,339
Terra Nova Insurance Company Limited	32	(156)	40,336	19,053	21,283	-488%	1,691
The Insurance Corporation Of New York	0	(398)	6,265	101	6,164	n/a	650
The TOA Reinsurance Company Of America	24,582	10,856	211,573	137,958	73,615	51%	10,550
Transatlantic Reinsurance Co.	97,809	16,148	708,230	517,903	190,327	44%	30,441
	1,618,568	625,318	14,222,450	9,538,568	4,683,882		355,723
Total	2,705,422	979,268	24,857,067	18,406,872	6,450,195		496,606

Reciprocal or Interinsurance Exchanges

Financial Summary Year Ended December 31, 2007 (In Thousands)	ONTARIO BUSINESS		TOTAL COMPANY				
	Direct Written Premiums	Direct Claims Incurred	Total Assets	Total Liabilities	Excess of Assets Over Liabilities	Claims Incurred to Earned Premium	Net Income / (Loss)
	\$	\$	\$	\$	\$	%	\$
ONTARIO							
Canadian Lawyers Liability Assurance Society	27,040	1,882	120,122	104,556	15,566	44%	5,492
Canadian Universities Reciprocal Insurance Exchange	9,065	7,259	76,813	59,989	16,824	98%	64
Community Newspapers Reciprocal Insurance Exchange	119	29	838	188	650	25%	43
Healthcare Insurance Reciprocal of Canada	102,990	94,840	516,466	397,564	118,902	92%	23,164
Municipal Electric Association Reciprocal Insurance Exchange	8,992	2,933	45,931	16,289	29,642	33%	4,232
Ontario Municipal Insurance Exchange	21,743	17,287	74,464	64,330	10,134	121%	(3,258)
Ontario School Boards' Insurance Exchange	34,212	27,610	163,801	121,115	42,686	87%	7,946
Poultry Insurance Exchange Reciprocal Of Canada	373	245	1,970	601	1,369	83%	46
	204,534	152,085	1,000,405	764,632	235,773		37,729
EXTRA PROVINCIAL							
Canadian Airports Reciprocal Insurance Exchange (CARIE)	153	(3)	3,555	1,305	2,250	-3%	359
BRANCH							
Lumbermen's Underwriting Alliance	9,787	26,086	106,673	60,177	46,496	83%	8,959
TOTAL	214,474	178,168	1,110,633	826,114	284,519		29,129

Fraternal Societies

Financial Summary Year Ended December 31, 2007 (In Thousands)	ONTARIO BUSINESS		TOTAL COMPANY			
	Direct Written Premiums	Benefits and Payments to Policyholders	Total Assets	Total Liabilities	Excess of Assets Over Liabilities	Net Income / (Loss)
	\$	\$	\$	\$	\$	\$
ONTARIO						
Guaranteed Funeral Deposits of Canada (Fraternal)	23,280	25,274	185,154	182,011	3,143	452
Teachers Life Insurance Society (Fraternal)	8,441	4,707	42,913	36,282	6,631	1,336
Toronto Police Widows and Orphans Fund	1,418	1,956	71,911	63,407	8,504	(767)
	33,139	31,937	299,978	281,700	18,278	1,021
FEDERAL						
ACTRA Fraternal Benefit Society	7,785	5,151	66,236	42,066	24,170	51
10 Canadian Professional Sales Association	0	0	0	0	0	0
11 Canadian Slovak Benefit Society	0	0	0	0	0	0
12 Canadian Slovak League	0	0	0	0	0	0
Lutheran Life Insurance Society of Canada	9,696	13,115	298,881	263,196	35,685	699
Sons of Scotland Benevolent Association	1,155	489	13,655	9,881	3,774	116
The Grand Orange Lodge of British America	1,269	939	23,067	19,195	3,872	(17)
The Independent Order of Foresters	16,612	22,114	4,540,982	3,124,651	1,416,331	138,835
The Order of Italo-Canadians	21	103	1,492	1,062	430	(248)
Ukrainian Fraternal Society of Canada	26	63	7,084	5,830	1,254	12
Ukrainian Mutual Benefit Association of St. Nicholas of Canada	3	4	5,141	4,020	1,121	28
	36,567	41,978	4,956,538	3,469,901	1,486,637	139,476
BRANCH						

Fraternals Societies

Financial Summary Year Ended December 31, 2007 (In Thousands)	ONTARIO BUSINESS		TOTAL COMPANY			
	Direct Written Premiums	Benefits and Payments to Policyholders	Total Assets	Total Liabilities	Excess of Assets Over Liabilities	Net Income / (Loss)
	\$	\$	\$	\$	\$	\$
Aca Assurance	374	40	30,473	14,333	16,140	(364)
Croatian Fraternal Union of America	423	226	12,078	9,936	2,142	308
Knights of Columbus	71,837	34,581	1,689,192	1,359,093	330,099	33,396
The Royal Arcanum, Supreme Council of	123	131	12,474	9,048	3,426	(92)
Ukrainian Fraternal Association of America	22	95	3,920	2,028	1,892	(4)
Ukrainian National Association	65	144	11,015	6,111	4,904	423
United Commercial Travelers of America, Order of	48	150	5,076	3,156	1,920	169
Woman's Life Insurance Society	216	337	10,326	8,334	1,992	431
	73,108	35,704	1,774,554	1,412,039	362,515	34,267
TOTAL	142,814	109,619	7,031,070	5,163,640	1,867,430	174,764

Financial Summary Notes

- 1 No financial information was reported for Markham General Insurance Company in 2007. The company was ordered into liquidation effective July 24, 2002.
- 2 No financial information was reported for Alta Surety Company in 2007. Company has been in liquidation since June 2002.
- 3 No financial information was reported for Granite Insurance Company in 2007. Company has been inactive since November 1992.
- 4 The former name of Travelers Guarantee Company of Canada is St. Paul Guarantee Insurance Company.
- 5 No financial information was reported for Triad Guaranty Insurance Corporation Canada in 2007. Company became licenced in August of 2007.
- 6 No financial information was reported for Reliance Insurance Company in 2007. Company has been in liquidation since August 2001.
- 7 No financial information was reported for The Home Insurance Company in 2007. Company has been in liquidation since November 1997.
- 8 No financial information was reported for Revios Reinsurance Canada Ltd. in 2007. Company's licence was cancelled in February of 2008.
- 9 No financial information was reported in 2007 for Confederation Life Insurance Company. Company has licence condition not to take on new contracts and it is being wound up.
- 10 No financial information was reported for Canadian Professional Sales Association in 2007. Company's licence was cancelled in January of 2008.
- 11 No financial information was reported in 2007 for Canadian Slovak Benefit Society. Company has been inactive since April 2006.
- 12 No financial information was reported in 2007 for Canadian Slovak League. The company has been inactive since December 31, 2003.
- 13 The former name of AXA General Insurance Company is Anglo Canada General Insurance Company.
- 14 The former name of Swiss Re Frankona Ruckversicherungs- Aktiengesellschaft is GE Frankona.



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