Financial Services
Commission
of Ontario

Ontario

ANNUAL REPORT •

FINANCIAL SERVICES COMMISSION OF ONTARIO

Working

to deliver

appropriate

and efficient

regulatory

responses to

the realities

of the financial

and economic

environment.

2008 - 2009

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

We are pleased to submit the 11th annual report of the Financial Services Commission of Ontario (FSCO). This publication outlines FSCO's activities to regulate insurance, pension plans, credit unions, caisses populaires, mortgage brokerages, co-operative corporations and loan and trust companies in Ontario during the fiscal year from April 1, 2008 to March 31, 2009.

An Uncertain Global Environment

The year under review was not one of business as usual at FSCO, as we responded to the financial and economic crisis that emerged in fall 2008. Broad economic pressures have had a negative impact on the financial services industry, including insurance, pension plans and lending institutions. Moreover, the various financial services sectors have become highly intertwined, so that weakness in one sector can harm other sectors worldwide.

The Ontario economy faced an increasingly challenging and uncertain global economic environment. The cyclical nature of financial markets, coupled with the unpredictability imposed by current market conditions, has made it especially hard to forecast changes in the regulated sectors. It is therefore critical for FSCO to remain vigilant and flexible in its response to the financial and economic climate.

This is what FSCO has done since the onset of the crisis. We have worked to deliver appropriate and efficient regulatory responses to the realities of the current environment.

A Risk-Based Culture

FSCO's well-established culture of risk-based regulation has placed us in a solid position to cope with the crisis. For some time, FSCO has been targeting compliance and enforcement resources to areas of highest risk to regulatory objectives. In the latter half of 2008-2009, we focused on identifying and then addressing those risks most directly tied to economic and financial conditions.

For example, FSCO increased solvency monitoring of regulated insurers and pension plans. We also intensified our monitoring of the market practices of insurance companies to ensure that consumer protection standards are upheld.

Looking forward, we have conducted extensive contingency planning to anticipate further risks to the regulated sectors, the real economy and FSCO's own operations that could result from the financial and economic situation. We have developed plans to ensure that FSCO has a capacity to act if necessary.

Our response to the economic crisis paralleled and in some cases shaped our ongoing core business activities during the year.

Modernizing the Regulatory Framework

One of FSCO's key roles is to make recommendations to the Ministry of Finance to keep the regulatory system in line with market realities. In 2008-2009, we completed the first five-year review of Ontario's automobile insurance legislation, as required by statute. Extensive consultations with industry stakeholders and members of the public resulted in 39 recommendations to improve consumer protection while ensuring an affordable auto insurance product.

FSCO also worked with the ministry, the Deposit Insurance Corporation of Ontario and stakeholders to develop regulations to accompany amendments to the *Credit Unions and Caisses Populaires Act, 1994* enacted in 2007. Once in force, the new legislation and regulations will both streamline regulatory requirements and preserve the soundness of the regulatory system.

Pension plans have been hard hit by the financial turmoil. In response, FSCO assisted the Ministry of Finance to develop measures to strengthen pension regulation, including temporary solvency funding relief for defined benefit plans.

FSCO also helps the ministry implement changes to the regulatory framework once enacted. The *Mortgage Brokerages, Lenders and Administrators Act, 2006* came into force on July 1, 2008, with standards of practice for mortgage brokerages effective six months later. FSCO continued an extensive multi-media outreach program to prepare mortgage broker stakeholders to meet their obligations under the new Act and regulations. A consumer portal was launched on FSCO's website to inform consumers what the new measures mean to them.

Supporting the transition to the new regulatory regime, FSCO took action to ensure that mortgage brokerages complied with the requirement to have errors and omissions insurance. The licences of 91 brokerages were suspended, and each received a notice of proposal to revoke their licence and impose a $1,000 administrative penalty, for failure to comply. Administrative penalties are a new enforcement option provided to FSCO under the new legislation as a tool for promoting compliance.

National Regulatory Coordination

At the national level, several long-term initiatives to coordinate regulatory approaches across jurisdictional, and in some cases sectoral, borders reached important milestones during the year.

For example, the Joint Forum of Financial Market Regulators, which includes insurance, pension and securities regulators across Canada, released a framework for point of sale disclosure for mutual funds and segregated funds. The goal is to give investors meaningful information before they make the decision to buy a fund. FSCO chairs a national working group that is collaborating with the Canadian Life and Health Insurance Association to implement the framework for segregated funds. This work takes on added urgency because of the need to help consumers understand the risks the current market might pose.

On the pension front, a proposed new Agreement Respecting Multi-Jurisdictional Pension Plans was released, containing clear rules for the regulation of pension plans with members in more than one jurisdiction. The impact is potentially significant, as an estimated 40 per cent of all pension plan members in Canada belong to multi-jurisdictional plans. The Canadian Association of Pension Supervisory Authorities, the national body of pension regulators, is revising the document following consultations and expects to finalize the terms in 2009.

Improving Regulatory Services

FSCO is committed to steady improvement in the quality of the services it delivers.

In 2008-2009, the success rate for mediation of automobile insurance disputes continued to rise. Sixty-four per cent of cases settled either fully or partially, up from 56 per cent two years earlier.

Between March 31, 2008 and January 31, 2009, FSCO reduced outstanding pension plan applications relating to asset transfers, plan mergers and surplus distributions involving wind-ups by 75 per cent. The 2009 Budget confirmed that FSCO will receive increased resources over a three-year period to further improve pension regulatory services.

The recession has forced many Ontarians into financial hardship. FSCO staff kept pace with a significant increase in the volume of inquiries and applications to unlock retirement funds on financial hardship grounds.

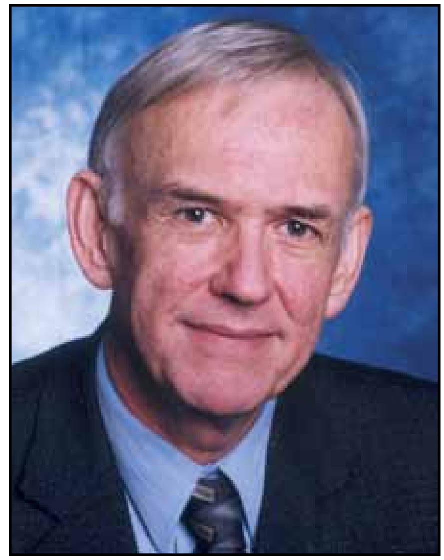
Licensing Link, FSCO's Internet system for licensing transactions, is contributing to the fast turnaround of applications for insurance-agent licences and renewals. During the year, 99 per cent of complete and accurate applications were processed within five business days.

Partnership and Dialogue

Since its creation, FSCO has fostered and thrived on a culture of partnership and dialogue with stakeholders – from the industry that provides financial services to the consumers and pension beneficiaries who rely on them. We would like to thank the many individuals and organizations who invested time and effort in FSCO's initiatives during the year. Their input has guided our efforts to keep the regulatory system in step with changes in the marketplace. FSCO anticipates that these positive relationships will grow stronger as we work together to meet the challenges of the current financial and economic environment.

We would also like to take this opportunity to salute FSCO's employees. Their dedication to the public interest and commitment to excellence are FSCO's most valuable assets.

FSCO's mandate is to protect the public interest and enhance public confidence in the regulated sectors. FSCO's vision is to be a progressive and fair regulator working with stakeholders to support a strong financial services industry. With input from the regulated sectors, we will continue to safeguard the financial system and earn the confidence of Ontarians.



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

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Chair
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FSCO's

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

FSCO has a mandate to safeguard the public interest and enhance public confidence in the regulated sectors. It does this through regulatory services that protect consumers and pension plan beneficiaries, while supporting a dynamic and competitive financial services industry.

STRUCTURE AND GOVERNANCE

FSCO has a three-part structure comprising:

- the Commission;
- the Superintendent of Financial Services and staff; and
- the Financial Services Tribunal.

Commission Members and Role

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

As indicated 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 members of the Commission during 2008-2009 and their terms were:

John M. Solursh (Chair) –
August 9, 2007 to August 7, 2013
Anne Corbett (Vice-Chair) –
August 10, 2006 to August 9, 2009
Florence Holden (Vice-Chair) –
October 2, 2007 to August 9, 2009
David Draper (Director of Arbitrations) –
August 30, 2001 to May 1, 2008
Asfaw Seife (Director of Arbitrations) –
May 2, 2008 to May 3, 2009
Bob Christie (Superintendent of Financial Services and CEO) –
appointed September 6, 2005.

FSCO Staff Committees

Committee	Functions
Senior Management	Provides leadership and direction on corporate administrative matters, management issues, operations and corporate strategy and tactics.
Corporate Policy Coordination	Coordinates policy issues across sectors, leads policy development items through the conceptual stages, and coordinates the flow of corporate policy items to the CEO.
Auto Insurance Policy	Examines auto insurance policy issues and makes recommendations to the CEO.
Licensing and Market Conduct Policy	Reviews and discusses policy issues concerning licensing and market conduct and makes recommendations to the CEO.
Pension Policy	Discusses issues involving pension policy and makes recommendations to the CEO.
Compliance Coordination	Shares information between FSCO's program areas and coordinates regulatory efforts concerning market conduct in the financial services industry.
Audit	Oversees the quality of FSCO's internal controls to ensure compliance with policies and procedures; ensures FSCO has implemented appropriate systems of internal control over financial reporting.
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.

Superintendent and Staff

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

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

A staff of public servants supports the Superintendent in performing these roles. 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 make a key contribution to FSCO's day-to-day activities.

Financial Services Tribunal

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

HUMAN AND FISCAL RESOURCES

In 2008-2009, FSCO's expenditures were $54.3 million, compared with $51.9 million in 2007-2008. FSCO's information and information technology (I&IT) staff were transferred to the Central Agencies Cluster in the government I&IT organization, but continue to provide services to FSCO. FSCO's offices are located at 5160 Yonge Street in Toronto.

Recovering FSCO's Costs

Under the FSCO Act, the Lieutenant Governor in Council may assess all entities that form part of a regulated sector with respect to expenditures incurred by the Ministry of Finance, the Commission and the Tribunal. Most of FSCO's costs are recovered from the regulated sectors through assessments, and the remainder through fees.

Maintaining Accountability

Reporting Requirements

The FSCO Act requires FSCO to file an annual report with the Minister of Finance each year. This is FSCO's 11th annual report.

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

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

Statement of Priorities

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

As expressed in the June 2008 Statement, FSCO's strategic priorities for 2008-2009 were to:

- Promote a coordinated national approach to regulatory issues.
- Enhance the risk-based approach to regulation.
- Review and recommend amendments to the regulatory framework to keep pace with changes in the marketplace.
- Improve delivery of services.

Comprehensive Planning Process

Each year, in developing the Statement of Priorities, FSCO conducts a planning process that engages stakeholders, including consumers, pension plan beneficiaries and members of the financial services industry.

In 2008-2009, as part of the planning process, FSCO undertook a comprehensive review of its mandate and vision statements as well as its strategic priorities. Stakeholder consultations were organized by regulated sector, with participants invited to give their perspectives on the challenges facing their sector and how FSCO should respond. FSCO staff took part in the planning process through employee consultations and focus groups.

Recommendations from the stakeholder and staff sessions went to FSCO's senior management committee and the Commission. This effort led to updated mandate and vision statements and strategic priorities that were released for comment in the draft Statement of Priorities in spring 2009.

Contingency Planning in an Uncertain Environment

With the onset of the recession in fall 2008, FSCO's senior management team began considering the implications of the financial and economic crisis for FSCO's regulatory role. A more structured approach commenced in February 2009, with a series of bi-weekly discussions over a period of several months. During this period, FSCO received stakeholder input on the impact of the economic environment through the annual planning process. The management deliberations highlighted risks to the financial services sectors, to the real economy and to FSCO's own operations that would require FSCO to respond. While the chances of these events occurring are not high, contingency plans were developed to ensure that FSCO is prepared to act if necessary.

The Reg

The financial services sectors regulated by FSCO represent a large, dynamic and evolving industry that underpins Ontario's economy and contributes to the security of individuals and families. The industry promotes economic growth by channeling capital from savings to investment. It is a major employer. And it provides services that sustain business and commerce and support today's way of life, from buying a first home to planning for retirement.

The economic downturn that began in fall 2008 has affected virtually all industries, including the financial services sectors. FSCO's response to these challenges is detailed in the **FSCO at Work** section of this annual report.

PENSION PLANS

Employment pension plans contribute to the income of retirees and represent an important way of saving for retirement. A strong pension system also makes Ontario more competitive by helping to attract highly skilled labour. Moreover, pension plans bolster capital markets, representing the second-largest source of investment capital in Canada after the chartered banks.

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 customarily established in industries or trades where workers tend to change employers frequently and have a common union affiliation (for example, carpenters or painters). In the public sector, MEPPs cover groups like teachers or municipal workers and are based on legislation. MEPPs can be either defined benefit or defined contribution plans.

In 2008-2009, the number of pension plans increased by one per cent to 7,848. Total active plan membership increased by two per cent to 2,168,000. Active plan members are those currently earning pension benefits. Plan membership also includes pensioners and other beneficiaries.

While MEPPs represented only about two per cent of registered plans, they accounted for 47 per cent of active plan members – consistent with previous years. Defined benefit plans, both single-employer and multi-employer, accounted for 84 per cent of active plan members, also consistent with prior years.

The market value of assets in active Ontario-registered pension plans was estimated at $386 billion in 2007, with 97 per cent of assets in defined

ONTARIO-REGISTERED ACTIVE PENSION PLANS AND MEMBERSHIP

Type	As of March 31, 2009		As of March 31, 2008	
	#	% of Total	#	% of Total
Single-Employer Plans				
Defined Benefit Plans	4,362	55%	4,273	55%
Members	1,529,000	41%	1,537,000	41%
Active Members	821,000	38%	827,000	39%
Pensioners and Other Beneficiaries	707,000	44%	710,000	45%
Defined Contribution Plans	3,359	43%	3,361	43%
Members	378,000	10%	359,000	10%
Active Members	332,000	15%	317,000	15%
Pensioners and Other Beneficiaries	46,000	3%	42,000	3%
Multi-Employer Plans				
Defined Benefit Plans	88	1%	87	1%
Members	1,824,000	48%	1,773,000	48%
Active Members	989,000	46%	959,000	45%
Pensioners and Other Beneficiaries	835,000	52%	814,000	51%
Defined Contribution Plans	39	1%	40	1%
Members	45,000	1%	44,000	1%
Active Members	27,000	1%	26,000	1%
Pensioners and Other Beneficiaries	18,000	1%	18,000	1%
Total Pension Plans	7,848	100%	7,761	100%
Total Members	3,776,000	100%	3,713,000	100%
Active Members	2,168,000	100%	2,130,000	100%
Pensioners and Other Beneficiaries	1,608,000	100%	1,583,000	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.

benefit plans. In the latter months of 2008-2009, the vast majority of defined benefit pension plans faced a decline in solvency as a result of the substantial drop in the value of investment portfolios, as well as low long-term interest rates.

INSURANCE

Insurance is a $36 billion a year business in Ontario. In 2008, total premium volume increased by two per cent from the previous year. Fifty per cent of all premiums went to life insurance companies, while property and casualty (including automobile) insurers took 49 per cent – reversing the split the year before.

Overall, the industry's financial results weakened, largely as a result of losses in equity markets and deterioration in lines of business like personal property that have traditionally been profitable. Automobile insurers reported declining profitability due to significant rate inadequacy in the system.

As of March 31, 2009, 384 insurance companies held licences to do business in the province. Approximately 41,596 insurance agents – including 6,220 general insurance agents, 34,837 life insurance agents and 539 accident and sickness insurance agents – as well as 4,140 corporate insurance agencies and 1,252 insurance adjusters were also licensed.

Insurance Companies Licensed in Ontario

Business Type	As of March 31, 2009 #	As of March 31, 2008 #
Life	93	94
Property & Casualty	219	222
Other	72	76
Total	384	392

Direct Insurance Premium Volume in Ontario

Business Type	2008 $ Billion	2007 $ Billion
Life	18.1	17.1
Property & Casualty	17.6	18
Other	0.38	0.36
Total	36.1	35.5

DEPOSIT INSTITUTIONS, MORTGAGE BROKERS, CO-OPERATIVE CORPORATIONS

As of March 31, 2009, Ontario's 194 credit unions and caisses populaires held total assets of $28.2 billion. The trend toward amalgamation continued in 2008-2009, as the total assets of credit unions and caisses populaires increased while their number decreased.

Regulatory capital* in support of deposits represented 7.12 per cent of system assets on March 31, 2009, down only slightly from 7.19 per cent on the same date in 2008 and 7.21 per cent in 2007. These levels indicate a financially sound industry. Total membership in credit unions and caisses populaires remained at about 1.6 million, in line with the past few years.

As of March 31, 2009, 57 loan and trust companies were registered to operate in Ontario, up from 55 a year earlier. All were federally incorporated.

At year end, Ontario had 1,351 licensed mortgage brokerages, with 2,244 brokers and 8,069 agents. Sixty eight mortgage administrators were registered in the province.

There were 1,605 co-operative corporations in Ontario as of March 31, 2009, down slightly from 1,610 a year earlier. Twenty-one new co-operatives incorporated during the year – seven in services, five in housing, one in housing development, three in marketing and one in farming, plus one consumer and three worker co-operatives.

Ontario Credit Unions and Caisses Populaires

Measure	As of March 31, 2009	As of March 31, 2008
All Institutions		
Number	194	202
Assets	$28.2 billion	$26.8 billion
Institutions with Assets over $10 Million		
Number	142	145
Assets	$28.0 billion	$26.5 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 the public interest and build public confidence in the financial services industry. The following overview covers FSCO's core business activities during 2008-2009 in seven key areas:

- Overseeing pension plans
- Licensing, monitoring and enforcement
- 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

FSCO monitors and enforces compliance with the *Pension Benefits Act* and Regulations, which set minimum standards for the administration and funding of employee pension plans in Ontario. FSCO also advises the government on pension issues and operates a fund that guarantees a minimum level of benefits for most defined-benefit plans.

Pension Regulation Strengthened

FSCO assisted the Ministry of Finance to develop a series of measures to strengthen pension regulation in response to the current economic challenges.

The government has proposed rule changes to provide defined-benefit pension plans with temporary solvency funding relief. The initiative was announced in December 2008 and then confirmed in the 2009 Ontario Budget. The package includes temporary rules to allow businesses to spread solvency payments over an extended 10 year period, with the consent of members and retirees, freeing resources for operations. Also included are measures to increase transparency, so workers and retirees have clear information about the financial health of plans, as well as steps to protect the security of pension benefits through limits on contribution holidays.

The 2009 Budget announced that FSCO will receive increased resources over a three-year period to improve pension regulatory services. In all, FSCO will assign 25 additional full-time positions to support better regulatory efficiency and oversight.

Expert Commission on Pensions

Despite major economic and demographic shifts, Ontario's pension system has undergone no significant revision for more than 20 years. To assess the need for change, in late 2006, the government established the Expert Commission on Pensions chaired by Harry Arthurs, former president of York University. The commission was given a mandate 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.

The commission conducted extensive consultations – receiving 127 submissions from interested parties and stakeholder groups and holding public hearings in five Ontario cities – and commissioned 17 research studies. The commission met with FSCO and Ministry of Finance staff in February 2008 as a part of the stakeholder consultation process. FSCO provided information and input to the commission in response to requests.

The commission released its final report, *A Fine Balance: Safe Pensions, Affordable Plans, Fair Rules*, in November 2008. The government launched a short feedback period, which ended in late February 2009, and is reviewing the many comments received. In the 2009 Budget, the government made a commitment to move forward with long-term pension reform and announced plans to introduce legislation in fall 2009. FSCO has begun responding to the recommendations in the commission's report that affect its operations.

Transactions and Filings Processed

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. The chart lists key pension plan transactions dealt with by FSCO during 2008-2009. FSCO also processes routine pension plan filings, which totaled 22,605 during the year – virtually unchanged from the year before.

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, 2009, FSCO was coordinating the administration of 246 plans for insolvent companies, an increase from the 228 in the previous year.

Supervision Targets Higher-Risk Plans

FSCO takes a risk-based approach to the supervision of pension plans to protect the interests of members and beneficiaries while getting the most value from 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 detailed compliance reviews.

Highlights of the risk-based monitoring of plan funding during 2008-2009 include:

- Actuarial information summary reports for 1,915 plans were entered and screened through the system.
- The system flagged potential problems with 436 of the plans screened.

Pension Plan Transactions

Type	2008-2009 \#	2007-2008 \#
New Plans Registered		
Single-Employer Plans		
Defined Benefit	366	298
Defined Contribution	93	105
Multi-Employer Plans		
Defined Benefit	1	–
Total	459	403
Plan Amendments Registered	2,416	2,138
Full Wind-Ups Processed		
Single-Employer Plans		
Defined Benefit	27	24
Defined Contribution	53	33
Total	80	57
Partial Wind-Ups Processed		
Single-Employer Plans		
Defined Benefit	29	86
Defined Contribution	41	53
Multi-Employer Plans		
Defined Benefit	4	–
Total	74	139
Plan Mergers/Asset Transfers Approved		
Single-Employer Plans		
Defined Benefit	53	47
Defined Contribution	41	26
Multi-Employer Plans		–
Defined Benefit	4	
Defined Contribution	3	
Total	101	73
Surplus Refunds to Employers on Full Wind-Up Applications		
Single Employer Plans		
Defined Benefit	1	12
Defined Contribution	–	–
Total	1	12

- FSCO followed up with 215 plans where material compliance concerns were found. In almost all cases issues were resolved through steps by plan sponsors, administrators and actuaries, with FSCO taking enforcement action where plans remained noncompliant.
- A total of $2.8 million in unpaid contributions were uncovered in respect of 27 plans, funds that sponsors have since remitted to the plans.

Most of the actuarial reports covered in 2008-2009 had valuation dates prior to June 30, 2008. FSCO's monitoring of later reports will commence as soon as they are filed, with the findings to be published in spring 2010.

Monitoring Plan Investment

In 2006, in addition to the monitoring of plan funding, FSCO implemented a risk-based system for the monitoring of investment management by defined benefit plans. FSCO took this step because the long-term health of plans very much depends on investment returns. Key financial and investment data is collected from plans on an annual basis, entered into a database and screened by an automated risk assessment system.

In 2008-2009, FSCO completed the third investment monitoring cycle, which covered plan fiscal years ending between July 1, 2007, and June 30, 2008. Highlights include:

- Investment information summary filings for 1,969 plans were entered and screened through the system. (The number of filings decreased from about 4,000 the previous year as designated plans, which typically cover connected persons and highly-paid executives, were exempted from the filing requirement.)
- The system flagged investment-related issues in 480 of the plans screened.
- FSCO reviewed all flagged issues and expressed concerns to 270 plans.
- Plan administrators were given the opportunity to resolve the concerns, with FSCO following up as needed.

For the first time, FSCO prepared an analysis of pension fund investment data. The results and findings were included in the report *Funding Defined Benefit Pension Plans: Risk-Based Supervision in Ontario, Overview and Selected Findings 2004-2008* published in March 2009 and available in the Pensions section of the FSCO website.

On-Site Examinations

FSCO performed 14 on-site examinations of pension plans during 2008-2009. All were single-employer plans – 10 defined benefit and four defined contribution. Plans were chosen for examination through the risk-based funding and investment monitoring programs, as well as on the basis of profile risks highlighted in FSCO's pension plans database.

Improving Pension Regulatory Services

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

Stakeholder Engagement Enhanced

In light of these findings, FSCO staff met with stakeholders – including pension plan administrators, investment managers and pensioner groups – in fall 2008 and winter 2009 to exchange information on FSCO projects and initiatives. These include:

- Work on an overall framework for broader communication with pension stakeholders and enhanced stakeholder engagement in FSCO's pension activities.
- The System Enhancement and Development Project to strengthen FSCO's data capabilities to make FSCO a more effective and efficient regulator. The project encompasses a range of initiatives including electronic filing by pension plans, an expanded database to support policy measures, better tracking of inquiries and complaints, and enhanced risk-based monitoring.
- A project to address longstanding defined benefit applications related to plan mergers, asset transfers, and partial wind-ups involving surplus assets. FSCO intends to streamline the processes used to review these applications and then revise and publish performance measures.
- An initiative to improve the tracking of complaints and inquiries about pension plans to identify areas for improvement in information to plan members.

Progress Recorded

Between March 31, 2008, and January 31, 2009, FSCO reduced outstanding pension plan applications relating to asset transfers, plan mergers and surplus distributions involving wind-ups by 75 per cent.

During 2008-2009, FSCO received a total of 2,388 inquiries from beneficiaries about their plans. The average response time was 13 days – less than FSCO's 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 $3.44 per plan member (including active members, pensioners and other beneficiaries).

Pension Regulatory Policy Activities

Follow-up on Monsanto Ruling

In July 2004, in the case of Monsanto Canada Inc. v. Superintendent of Financial Services, the Supreme Court of Canada upheld the Superintendent's position that the *Pension Benefits Act* requires the distribution of surplus assets on the partial wind-up of a pension plan.

Approximately 345 partial wind-ups were affected by the Monsanto decision. Since the ruling was handed down, 228 of these have been addressed. FSCO is working to ensure that the remaining 117 partial wind-ups are dealt with in accordance with the legislative requirements.

Policy Review Project

Pension policies guide the administration of pension legislation and regulations and help plan sponsors and administrators understand and comply with legal requirements. In May 2008, FSCO began a long-term project to see that all active pension policies are current and accurate. All policies will be reviewed and revised if necessary to update legislative, regulatory and other references and ensure that the content reflects FSCO's current positions. As well, all policies will be available in both English and French.

FSCO has examined and prioritized all of the existing 171 policies based on the level of revision needed. During 2008-2009, 37 policies were updated, five were archived and 34 were translated into French.

Unlocking Applications Rise

Normally, 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 under certain conditions, including specific types of financial hardship.

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

FSCO processes applications for the Superintendent's consent to unlocking due to financial hardship. The monthly volume of applications has increased significantly since the onset of the recession in fall 2008. It appears the rise in unemployment is forcing people to access funds set aside for retirement to deal with their current financial situation.

Financial Hardship Unlocking Applications Processed

Applications	2008-2009	2007-2008
Received	12,802	11,208
Approved	11,035	9,943
Refused	–	1

Pension Benefits Guarantee Fund

The Superintendent of Financial Services is responsible for the administration of the Pension Benefits Guarantee Fund (PBGF) and the investment of its assets. Established by legislation, the 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 shortfall, normally because of insolvency.

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

Pension Benefits Guarantee Fund Claims

Claims Paid	2008-2009	2007-2008
Number	18	13
Total Value*	$91,651,299	$38,302,008

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

LICENSING, MONITORING AND ENFORCEMENT

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

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

Application Volume Grows

To practise in the industry, applicants must meet requirements under the relevant statutes, which may include a qualifying examination and continuing education. FSCO processes applications to ensure the requirements are met. In 2008-2009, more than 42,000 licensing, registration and other applications concerning the provision of financial services were received. The total was up 19,000 from the year before, largely due to the implementation of new legislation in the mortgage brokering sector.

Fast Turnaround

During the year, FSCO processed 99 per cent of applications for insurance-agent licences and renewals within five business days, provided they were complete and accurate – the same percentage as the year before. Increased use of Licensing Link – FSCO's Internet application system accessible 24 hours a day, seven days a week – has contributed to the fast turnaround time. Since July 2006, insurance agents have been required to complete all licensing transactions online via Licensing Link whenever possible. Ninety-seven per cent of life-agent licence renewals in 2008-2009 were processed over the Internet – up from 96 per cent a year earlier.

Licensing and Registration Activity

Activity	2008-2009 #	2007-2008 #
Individuals		
New Licences Issued		
Life Insurance Agents	4,901	4,897
General Insurance Agents	1,426	965
Accident and Sickness Insurance Agents	217	287
Insurance Adjusters	179	114
Mortgage Brokers	2,244	–
Mortgage Agents	8,069	–
Licences Renewed		
Life Insurance Agents*	17,141	9,916
General Insurance Agents*	2,539	2,379
Accident and Sickness Insurance Agents*	177	149
Insurance Adjusters	1,148	1,021
Corporations		
New Licences Issued		
Life and General Insurance Agencies	330	300
Corporate Insurance Adjusters	7	5
Insurance Companies	4	8
New Registrations Issued		
Mortgage Brokerages	1,351	273
Mortgage Administrators	68	–
Loan and Trust Companies	5	4
Licences Renewed		
Life and General Insurance Agencies*	2,258	1,256
Corporate Insurance Adjusters	93	97
Registrations Renewed		
Mortgage Brokers/Brokerages	–	869

* *Licences are issued for a two-year term. There are high-year and low-year renewal cycles; 2008-2009 was a high year.*

Licensing and Registration Activity (cont'd)		
Activity	**2008-2009** #	**2007-2008** #
Co-operatives		
Material Change	3	–
Offering Statements	15	15
New Incorporations	21	17
Dissolutions/Cancellations	5	5
Conversion to Corporation	1	2
Amendments	5	–
Credit Unions/Caisses Populaires		
New Incorporations	1	1
Applications to Change Line of Business	77	113
Mergers	6	7

Proactive Oversight Builds Public Confidence

FSCO takes a risk-based approach to ensure compliance with legislation and regulations. It monitors the solvency of financial institutions and keeps watch over industry business practices, focusing resources on issues with the most potential for harm to consumers or public confidence.

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

Monitoring 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, internal controls and compliance records. In 2008-2009, FSCO intensified solvency monitoring in response to the economic and financial crisis.

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

During the year, the number of insurance companies requiring closer prudential oversight increased from two to five. FSCO monitored their key monthly performance indicators, such as income, assets, liabilities, investments and equity, as well as the Minimum Capital Test margin. Examiners kept in frequent contact with the management of these companies. In the more serious cases, discussions were held with board members about corporate performance and action plans to resolve issues.

In 2008-2009, two Ontario-incorporated insurers – one general insurer and one fraternal society – opted for continuation under the federal *Insurance Companies Act*. As a result, they are now under the prudential supervision of the federal insurance regulator. This shift maintains a trend observed over the past five years, as a half dozen companies have changed regulators for operational and strategic reasons.

The Deposit Insurance Corporation of Ontario (DICO) conducts solvency examinations of credit unions and caisses populaires. FSCO worked with DICO to increase the frequency of these examinations, particularly of smaller units.

Building a Culture of Compliance in the Mortgage Brokering Industry

The *Mortgage Brokerages, Lenders and Administrators Act, 2006* was proclaimed in force July 1, 2008, with standards of practice for mortgage brokerages effective January 1, 2009. FSCO continued an extensive outreach program begun in 2007-2008 to help the industry gear up for the new legislation and regulations.

Through a variety of media, FSCO informed mortgage broker stakeholders about what the new law means for them and how to comply. Once the Act took effect, the focus shifted from licensing requirements to standards of practice. The aim was to ensure that the industry was fully prepared to meet obligations under the new regulatory regime.

Online Communications Tools Deployed

As in the previous year, FSCO used its database of online subscribers and industry participants to distribute publications, news alerts and invitations to events. For example, in March 2008, an e-Blast went to all organizations registered under the old *Mortgage Brokers Act* requesting them to complete and submit an application for a licence under the new Act. During the year, FSCO also published six more Mortgage Broker e-Info Newsletters responding to timely issues and highlighting deadlines under the new legislation and regulations.

Additional online resources were developed to help members of the mortgage brokering industry comply with the new regulations on standards of practice and reporting requirements. These new tools included compliance checklists, frequently asked questions and webinars.

FSCO hosted three webinars geared to principal brokers, who are mortgage brokerages' chief compliance officers. The role of principal brokers is to ensure that their brokerages and all their brokers and agents comply with the Act and regulations. Key themes in the webinars were:

- disclosure of potential conflicts of interest
- disclosure of suitability and risks to borrowers, lenders and investors and
- requirements for supervising mortgage brokers and agents.

The webinars reached about 200 industry participants across Ontario. Post-webinar surveys showed that the vast majority of respondents felt it was easy to participate in the webinars and found the presentations very useful. The webinars for principal brokers were recorded and posted on FSCO's website as a resource for the industry.

FSCO continued to tap into its relationships with industry associations, such as the Canadian Association of Accredited Mortgage Professionals and the Independent Mortgage Brokers Association (IMBA), to disseminate urgent and ongoing information about the new Act. FSCO staff presented a licensing overview presentation at IMBA's series of seminars on compliance with the new Act in 12 different cities around the province. As well, FSCO staff spoke at industry conferences and symposiums, and set up information booths at industry events and shows throughout the year.

Industry Working Group Gives Feedback

The Mortgage Broker Industry Implementation Working Group continued to meet throughout 2008-2009. Comprised of members of mortgage broker, real estate and related associations, along with FSCO and ministry staff, its mandate is to advise on regulatory and operational processes to implement the new legislation. The working group provided feedback on regulatory approaches for promoting compliance and suggested ways to make communications timely and easily understood.

Compliance Monitored

As a step toward a culture of compliance, FSCO required all principal brokers to sign an attestation confirming that they understood their obligations under the Act to work only with licensed brokers and agents.

In early 2009, FSCO began examinations of 150 or about 10 per cent of all licensed mortgage brokerages with a focus on compliance with standards of practice (O. Reg. 188/08). This work is expected to be completed in summer 2009. The aim is to ensure that brokerages have appropriate policies and procedures to maintain effective oversight of their brokers' and agents' activities.

Credit Union Centrals Combine

On June 30, 2008, a unique and complex merger took place in the credit unions sector, as Credit Union Central of Ontario and Credit Union Central of British Columbia merged to form Central 1 Credit Union. Leaders of the new organization see it as the first step toward a single entity serving credit unions nationwide.

FSCO staff worked with both central credit unions, the Deposit Insurance Corporation of Ontario and the Ministry of Finance since early 2007 to clear regulatory hurdles to the merger. These efforts were complicated by difficulties in valuing non-bank asset-backed commercial paper held by each party, in light of financial market uncertainty, which delayed the transaction twice. Ultimately, issues were resolved and the Superintendent was able to finalize the regulatory approvals required under Ontario legislation.

Responding to Consumer Complaints

As an indicator of consumer dissatisfaction, complaints represent a key market conduct signal for both the industry and regulators. At FSCO, the review of complaints is the cornerstone of a risk-based approach to market oversight.

Under Ontario law, 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. As of July 1, 2008, each mortgage brokerage or administrator is required to designate an individual to resolve complaints from the public and must also keep a record of written complaints and written responses.

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. A sharp increase in complaints related to insurance and mortgage brokering has taken place since the financial and economic crisis developed in fall 2008.

Single Window for Complaint Reporting

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 convenient single window for companies to submit biannual reports to both regulators. Complaints from each jurisdiction are reported to the regulator in that jurisdiction, and only that regulator has access to the information filed. Regulators are able to review individual cases, which do not identify the complainants, as well as company-specific data and rolled up industry-level data. A plan was put in place for the national roll-out of the program to cover the majority of provincial regulators, which is expected to occur in mid-2009.

Enforcing Laws and Regulations

In 2008-2009, FSCO found that 87 per cent of all insurance companies and intermediaries and mortgage brokerages, brokers, agents and administrators that were audited, examined or reviewed were in compliance with legal requirements. Since FSCO uses a risk-based approach, examinations and audits are focused on areas where problems might be expected. FSCO is satisfied that the overall compliance rate throughout the financial services industry as a whole is significantly higher. 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. However, consumer confidence in the industry appears to have been shaken by the economic crisis. FSCO's proactive oversight contributed to the high compliance rate and low proportion of cases requiring intervention, despite worsening economic conditions.

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.

Monitoring Activities

Activity	2008-2009 #	2007-2008 #
Examinations Conducted		
Insurance Companies - Solvency	6	6
Pension Plans	14	20
Mortgage Brokers/Brokerages	34	22
Credit Unions/Caisses Populaires	–	2
Police Checks		
Insurance Agent Licence Applications	8,224	7,819
Mortgage Broker and Agent Applications	12,399	–
Audits		
Errors and Omissions Insurance		
- Life Insurance Agents	1,497	2,072
- Mortgage Brokerages	1,455	–
Complaint Reviews		
Insurance Companies	177	83
Insurance Agents	170	148
Mortgage Brokerages	16	80
Mortgage Brokers	53	–
Mortgage Agents	44	–
Credit Unions	14	28
Loan and Trust Companies	3	–
Co-operatives	6	3
SABS Representatives	5	22
Health Care Providers	7	5

Securing Compliance in the Mortgage Brokering Sector

Ontario's mortgage brokering industry is making the transition to a new regulatory regime. As the regulator, FSCO has a duty to ensure that all licensed mortgage brokerages and administrators are meeting one of the key consumer protection requirements of the new system: the obligation to carry errors and omissions insurance – with extended coverage for fraudulent acts – through an approved insurance provider. FSCO conducted an audit to verify compliance. After collecting information from the approved insurance providers, FSCO determined that a large number of mortgage brokerages did not have the necessary errors and omissions coverage.

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

In February 2009, FSCO issued interim orders to suspend the licences of 91 mortgage brokerages for failure to comply with the errors and omissions insurance requirements. Along with the interim orders, these mortgage brokerages were served with notices of proposal to revoke their licences and impose an administrative monetary penalty of $1,000 each. Fifty-seven of these brokerages requested hearings and these matters were pending before the Financial Services Tribunal at year end.

An intense effort was made to secure compliance with the licence suspension orders. FSCO contacted the principal brokers of all suspended brokerages to ensure they had received the order and understood its terms and were not trading or dealing in mortgages. Where a brokerage could not be reached by other means, examiners inspected premises to confirm compliance.

Dispute Resolution Penalties

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.

Offenders Prosecuted

FSCO prosecuted four individuals and five companies during 2008-2009. Guilty pleas were secured on 16 charges, resulting in fines of $158,750 and, in one case, three suspended sentences. FSCO was also successful in opposing the appeal of a previous conviction.

Prosecutions during the year dealt with such offences as providing false information, breaching undertakings and late filing under the *Insurance Act* and providing false information and misleading statements under the *Mortgage Brokers Act*. In one case, the court imposed an $85,000 fine for using rates in renewing automobile insurance policies that were not approved or authorized by the Superintendent.

Cease-and-Desist Orders

In 2008-2009, FSCO inquired into several allegations of unfair or deceptive practices by insurance companies or individuals. These investigations led the Superintendent of Financial Services to make four cease-and-desist orders.

An interim order was issued against a life insurance agent and his company who had knowingly procured payment or the obligation to pay insurance premiums by fraudulent representations, and had also made a false or misleading statement or representation in the solicitation of insurance. The agent sold insurance products of significant face value to clients and misappropriated the funds to himself, and also purported to sell insurance products that were never actually purchased. Given the risk to the public, the individual and his agency were ordered to immediately cease and desist engaging in the business of insurance. A permanent order was later issued.

The Superintendent made a permanent order against an insurance company for failing to comply with an approved automobile insurance rate filing regarding ratable lapses of coverage over a four-year period. The company was ordered to reimburse policyholders who were overcharged, with interest.

A further permanent order was issued against an individual and her companies to stop using the signature of a health professional without consent, while acting as a statutory accident benefits representative.

Further details on these orders may be found in Monitoring and Enforcement Online, on FSCO's website.

Advisory Board Hearings

Many matters involving the licences of insurance agents and adjusters are resolved by minutes of settlement. 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 prepares a written report to the Superintendent, who then makes a decision by issuing an order. Nine Advisory Board hearings were held in 2008-2009, compared with eight the previous year.

Enforcement Actions

Type	2008-2009 #	2007-2008 #
Insurance Agents		
Licences Revoked	8	11
Licences Surrendered	3	37
Licences Suspended	4	8
Letters of Censure	37	19
Revocation of Agent Sponsorship	–	1
Mortgage Brokerages		
Conditional Licenses Granted	1	–
Licence Refusals	–	–
Licence Surrenders	106	–
Licence Suspensions	91	–
Licence Revocations	19	–
Administrative Monetary Penalties		
- Notices Issued	91	
- Proposed Amount Levied	$91,000	–
- Amount Ordered[1]	$33,000	
Mortgage Brokers		
Errors and Omissions Insurance	1	–
Licence Suspensions	2	–
Mortgage Agents		
Licence Refusals	3	–
Letters of Caution	5	–
Dispute Resolution Penalties		
Special Awards against Insurers	4	7
Expense Orders against Representatives	3	6
Cease and Desist Orders	4*	8**
Prosecutions Completed	9	4

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

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

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

SUPPORTING THE AUTOMOBILE INSURANCE SYSTEM

In Ontario, automobile insurance is compulsory for all motor vehicles. To protect consumers, FSCO reviews and approves premium rates, systems for classifying risks and underwriting rules for denial of coverage, as well as endorsements and forms. FSCO also advises the government and works with insurers and other stakeholders on ways to improve the operation of the system. In addition, FSCO administers a claims fund for victims of accidents involving uninsured or unidentified vehicles.

Five-Year Review Completed

Every five years, under the *Insurance Act*, the Superintendent of Financial Services is required to undertake a review of Part VI (Automobile Insurance) of the Act and related regulations. Part VI covers statutory accident benefits, court proceedings and dispute resolution. Based on the review, the Superintendent is to recommend to the Minister of Finance any amendments that may improve the effectiveness and administration of Part VI or the regulations.

In 2008-2009, FSCO conducted the first five-year review. The focus was on enhancing protection for automobile insurance consumers and ensuring ongoing product affordability and availability. A report with findings and recommendations was delivered to the minister on March 31, 2009.

The review began with an invitation to the public and stakeholders to participate. In all, FSCO received 90 submissions and met with some 20 groups and individuals. In addition, the Parliamentary Assistant to the Minister of Finance hosted a roundtable discussion with seven key groups.

Many submissions reflected a significant investment of resources. For example, the Coalition Representing Health Professionals in Automobile Insurance Reforms surveyed 750 health professionals to gather their views. The Ontario Bar Association, in partnership with the Ontario Trial Lawyers Association and the United Senior Citizens of Ontario, hosted a two-day event for insurance stakeholders to discuss possible reforms. And the Insurance Bureau of Canada approached the Ontario Neurotrauma Foundation to form an expert panel to review the current science and evidence for defining and measuring brain impairment. Moreover, 24 individual consumers took the time to make submissions.

Wide-Ranging Recommendations

The report summarizes the issues and concerns raised by the participants, reflecting many different perspectives and experiences. It contains 39 recommendations aimed at improving the effectiveness and administration of the automobile insurance system.

The report calls for better protection of consumers and improved access to benefits through such measures as: reducing the complexity of the system, simplifying claims forms, ensuring that claimants receive benefits while disputes between insurers are resolved, raising maximum weekly income replacement benefits, and increasing access to the courts by lowering the tort deductible levels.

Another direction in the report is to deal with the pressures that are driving accident benefit claims cost up, potentially threatening product affordability. Recommendations range from curtailing the overutilization of assessments, to making some mandatory medical and rehabilitation benefits optional.

Rate Review Protects Consumers

In reviewing auto insurance rates, FSCO aims to ensure that rates are reasonable and justified, based on expected claims costs. In 2008-2009, the number of private passenger auto insurance rate filings approved by FSCO increased by 31 per cent to 133. On average, the time to review and approve the 69 major filings decreased from 64 days in 2007-2008 to 56 days in 2008-2009. Many of these filings included significant changes to risk classification systems, resulting from insurers' use of enhanced information technology to project future claims based on risk characteristics.

The average rate change for private passenger auto insurance, weighted by market share, increased in each quarter of the year. The overall change in approved rates for 2008-2009 was an increase of 5.5 per cent.

The Canadian Loss Experience Automobile Rating (CLEAR) system groups vehicles by their actual claims experience to help insurers link rates with risks. Companies using the system were required to submit filings reflecting the 2008 CLEAR vehicle rate group tables by July 2008.

Automobile Insurance Filings Processed

Type	2008-2009	2007-2008
Private Passenger Auto Rate Filings		
Major	69	38
Simplified*	19	24
CLEAR	45	40
Total	133	102
Non-Private Passenger Auto Rate Filings	127	63
Underwriting Rule Filings	51	50
Endorsement Filings	53	37
Form Filings	43	26
Rate Manual Filings	95	110

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

Oversight of SABS Representatives

As of May 1, 2008, independent paralegals in Ontario are regulated solely by the Law Society of Upper Canada, under the *Access to Justice Act, 2006*. The Law Society's new oversight role includes the activities of paralegals who represent claimants for statutory accident benefits – that is, SABS representatives. Paralegals must now hold a licence from the Law Society to represent claimants in FSCO's dispute resolution process.

During 2008-2009, FSCO and the Law Society completed the transfer of regulatory responsibilities. Although the Law Society now regulates SABS representatives, FSCO continues to deal with complaints concerning contravention of the *Insurance Act* for unfair or deceptive acts or practices.

Last-Resort Coverage Protects Accident Victims

The Motor Vehicle Accident Claims Fund (MVACF) provides compensation to victims of automobile accidents involving uninsured or unidentified vehicles where claimants have no access to insurance coverage. FSCO administers the fund.

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

In 2008-2009, MVACF paid out $21.7 million in claims, up from $19.2 million the year before. Claims liabilities of $179.4 million were outstanding at year end, down from $185.6 million at the end of 2007-2008. MVACF periodically settles large statutory accident benefits claims. Depending on the timing of settlements, cash payouts vary from year to year. MVACF's financial statements appear later in this annual report.

Motor Vehicle Accident Claims Fund

Measure	2008-2009	2007-2008
New Claims Reported (#)	561	587
Total Cash Payouts	$21.7 million	$19.2 million
Total Statutory Accident Benefits Claims Paid (#)	425	429
Total Statutory Accident Benefits Payments	$15.4 million	$14.1 million
Total Third Party Liability Claims Paid (#)	115	94
Total Third-Party Liability Payments for Bodily Injury and Property Damage	$6.3 million	$5.1 million
Collection of Repayments	$1.3 million	$1.6 million
Suspended Driver's Licences (#)	401	389
Reinstated Driver's Licences (#)	234	267
Repayments Processed (#)	7,731	8,113
Debtors Making Payments (#)	890	974
Active Accounts Receivable (#)	1,147	1,215

RESOLVING DISPUTES OVER AUTOMOBILE ACCIDENT BENEFITS

FSCO offers fair, timely and cost-effective services to help claimants and insurers resolve automobile accident benefits disputes outside the courtroom. Services include mediation, arbitration, neutral evaluation, appeal, and variation or revocation of an arbitration or appeal order.

If a claimant and an insurer disagree about the claimant's entitlement to accident benefits or the amount of benefits, either party can apply for mediation at FSCO. This is the mandatory first step in dispute resolution. 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. Alternatively, either party can start a court case, or both parties can agree to send the dispute to private arbitration.

The decision of a FSCO arbitrator is binding. On a question of law, either party can appeal the arbitrator's order to FSCO's Director of Arbitrations. While there is no appeal from a decision of the Director or delegate, 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 Continue Upswing

The volume of mediation applications rose for the third consecutive year. In 2008-2009, applications totaled 17,153 – a 15 per cent increase from the year before. This level represents a 35 per cent increase over four years. A sharp upturn of 17 per cent more applications over the previous quarter was observed in the first three months of 2009, suggesting that economic pressures may be leading to more disputes.

In 2008-2009, FSCO closed 13 per cent more mediation cases than the year before. The settlement rate for mediation increased again in 2008-2009. Sixty-four per cent of cases settled either fully or partially, compared with 60 per cent in 2007-2008 and 56 per cent in 2006-2007. Despite these efforts, the backlog of pending mediation cases grew by 43 per cent, largely due to the rise in new applications. FSCO continues to monitor the pending volume closely and is implementing measures to deal with it.

Arbitration Applications Up Again

In 2008-2009, applications for arbitration rose for the second year in a row, with the volume of applications up 11 per cent to 3,040. This level represents a 44 per cent increase over five years. Ninety-two per cent of arbitration cases were settled before a decision was issued, the same level as in the previous two years.

The release time for arbitration decisions continued to improve. In 2008-2009, 73 per cent of decisions were issued within the published time frame of 85 days from the end of the hearing, compared with 71 per cent the previous year and 69 per cent the year before. The median time for issuing a decision was 56 days.

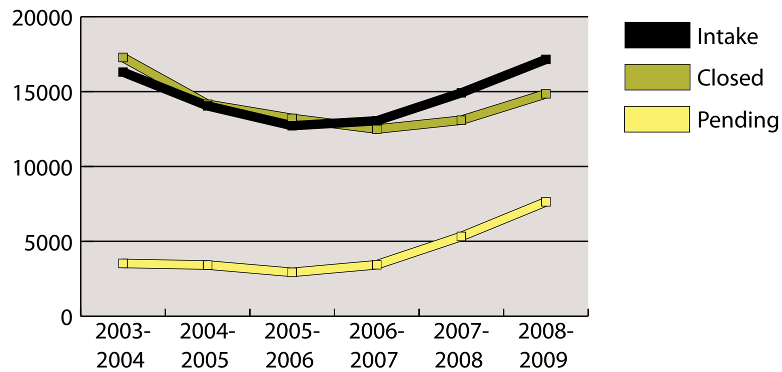
More Appeals Settled

The volume of appeals filed has held relatively steady over the last four years, with 39 received in 2008-2009 – two less than in 2007-2008. Fifteen cases settled before a decision was issued, more than double the previous year. In all, 40 cases were closed in 2008-2009, two more than the previous year. FSCO issued 70 per cent of appeal decisions within 85 days of the hearing, a considerable improvement from 37 per cent in 2007-2008.

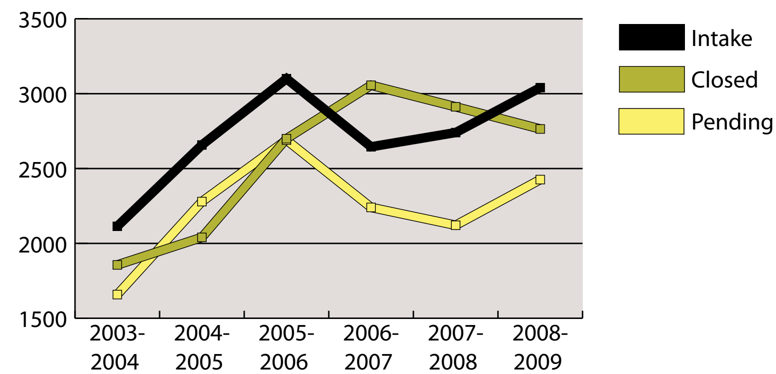
Decisions Posted

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

Mediation: Cases Received, Closed and Pending



Arbitration: Cases Received, Closed and Pending



Dispute Resolution Services Activities		
Measure	**2008-2009**	**2007-2008**
Mediation		
New Applications Received	17,153	14,920
Cases Closed	14,855	13,094
Settlement Rate – Full	51%	46%
Settlement Rate – Partial	13%	14%
Arbitration		
New Applications Received	3,040	2,740
Cases Closed	2,764	2,912
Settled	2,533	2,683
Decisions Issued	151	219
Appeals		
New Applications Received	39	41
Cases Closed	40	38
Settled	15	6
Decisions Issued	40	30

DEVELOPING POLICY

FSCO plays a dual role in policy development for all the regulated sectors. First, FSCO explores the need for changes to the regulatory framework to keep up with the market realities, and advises the government accordingly. Second, FSCO develops regulatory policies to guide the ongoing administration of the legislation in its mandate.

In shaping policy, FSCO relies on open, ongoing communication with the industry, consumers and other stakeholders. Consultations take various forms, from public meetings to advisory committees to informal channels. Stakeholder input is crucial in helping FSCO highlight emerging issues and formulate practical responses.

National Regulatory Coordination

FSCO fosters a coordinated national approach to financial services regulatory issues, across both jurisdictions and sectors. To further this objective, FSCO takes a leadership role and provides staff support for: the Canadian Council of Insurance Regulators (CCIR), the Canadian Association of Pension Supervisory Authorities (CAPSA), the General Insurance Statistical Agency (GISA) and the Joint Forum of Financial Market Regulators. The Joint Forum includes representatives of CCIR, CAPSA, the Canadian Securities Administrators (CSA) and the Canadian Insurance Services Regulatory Organizations. FSCO is also a member of the recently formed Canadian Automobile Insurance Rate Regulators Association (CARR).

Joint Forum Highlights

The Joint Forum is committed to improving the financial services regulatory system through greater harmonization, simplification and coordination of regulatory approaches. During 2008-2009, FSCO continued to participate in key Joint Forum initiatives.

Point of Sale Disclosure to Investors

Segregated funds and mutual funds are an example of similar products subject to different regulatory regimes, with segregated funds falling within the jurisdiction of insurance regulators and mutual funds under securities regulators. Since 2003, the Joint Forum has been working toward a more effective, harmonized consumer disclosure system for these products.

In October 2008, the Joint Forum concluded this project with the release of a framework for point of sale disclosure for mutual funds and segregated funds. The vision behind the paper is to provide investors with meaningful information when they need it most – before they make the decision to buy a fund. The framework describes the elements of a proposed point of sale disclosure system, including a new plain-language fund summary document called Fund Facts and a new simplified “cooling off” right. It also outlines proposed requirements for preparing and filing the summary document and delivering it to investors. The framework incorporates changes resulting from stakeholder submissions on a draft version released in 2007.

The Joint Forum has turned the framework over to CCIR and the CSA to begin the processes for making the necessary changes to insurance guidelines and legislation and to securities rules and legislation. Each organization will follow its usual procedures to seek public input and consult with stakeholders to implement the framework. The Joint Forum will monitor their progress, particularly to ensure harmonization between the sectors.

FSCO is chairing CCIR’s working group that is collaborating with the Canadian Life and Health Insurance Association to implement the point of sale disclosure framework for segregated funds.

Financial Literacy Explored

Given the increasing complexity of financial products and services, a more financially literate society is an urgent priority. With this in mind, the Joint Forum, along with the Financial Consumer Agency of Canada and Social and Enterprise Development Innovations, organized a national conference on financial literacy in September 2008.

Held in Montreal, the event brought together more than 260 representatives from the government, private and voluntary sectors and featured expert speakers from Canada, the United States, the United Kingdom, New Zealand and the Organisation for Economic Co-operation and Development. The sessions reviewed Canadian and international experiences in developing, delivering and evaluating financial literacy programs, products and services. A report on the proceedings was published, summarizing the participants’ views and ideas for future action to improve financial literacy in Canada.

Capital Accumulation Plan Guidelines Confirmed

The Joint Forum completed a review of its Capital Accumulation Plan (CAP) Guidelines published in 2004. CAPs are tax-assisted investment or savings plans that permit members to choose among investment options. Examples of CAPs are defined contribution pension plans, group registered retirement savings plans and deferred profit-sharing plans.

The review included surveys of plan sponsors, service providers and members. It found that the guidelines have resulted in significant improvements in the operation of CAPs – including the understanding of responsibilities, plan governance and access to information and tools for members to make sound investment decisions. The Joint Forum concluded that no changes to the guidelines are needed. However, an ongoing committee will be established to monitor and address future issues involving CAPs.

Strategic Plan Renewed

The Joint Forum renews its strategic plan every three years. The Joint Forum approved a new Strategic Plan for 2009-2012, which includes initiatives related to four strategic priorities: product disclosure and regulation; consumer awareness and engagement; consumer information and education; and regulatory mechanisms.

CAPSA Highlights

CAPSA brings together pension regulators to promote simplification and harmonization of pension regulatory requirements while protecting the entitlements of pension plan members. In 2008-2009, FSCO continued to take part in two major initiatives to achieve these goals.

Multi-Jurisdictional Plans

In October 2008, CAPSA released a proposed Agreement Respecting Multi-Jurisdictional Pension Plans. Once implemented, the agreement would provide clear rules for the administration and regulation of pension plans with members in more than one jurisdiction, whether federal or provincial. It is estimated that multi-jurisdictional plans account for about 20 per cent of all pension plans and 40 per cent of all plan members in Canada.

Later in 2008, four consultation sessions were held – in Montreal, Toronto, Vancouver and Calgary – plus one teleconference. Approximately 170 stakeholders participated, including lawyers, consultants, plan sponsors and administrators, and representatives of labour unions and retirees. Fifteen written submissions were also received. CAPSA is revising the document in response to the comments and expects to finalize the proposed agreement in 2009.

Model Pension Law Principles

Also in October 2008, CAPSA released the final report on its work on Regulatory Principles for a Model Pension Law, intended to promote the harmonization of pension legislation across Canada over the long term.

Extensive national consultations were held in 2004 on proposed regulatory principles for a model law. During this process, more than 70 per cent of the principles – chiefly those related to plan administration and minimum entitlements – were viewed as non-contentious. CAPSA convened a stakeholder task force to help turn these non-contentious principles into detailed common standards and model regulations. CAPSA then collaborated with stakeholders to further develop principles found to require additional work. These principles cover such areas as phased retirement, simplified pension plans, flexible pension plans and determining member location. Detailed standards and recommended regulations were prepared.

The final report contains principles that seek to balance the protection of plan members' rights and benefits with the need to simplify the regulatory requirements for pension plans in Canada. In CAPSA's view, these model law principles represent current best practices. The CAPSA members shared the report with their respective governments for consideration when legislative or regulatory amendments are made in their jurisdictions.

CCIR Highlights

CCIR promotes a harmonized and effective regulatory system that protects consumers and enhances confidence in the Canadian insurance marketplace. Three long-term projects that FSCO chaired for CCIR came to a successful conclusion in 2008-2009.

Managing Conflicts of Interest

In 2004, CCIR and CISRO 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.

Beginning in spring 2007, FSCO led a comprehensive review of the implementation of the three principles, which included surveys of intermediaries and companies. The results of the review, published in a December 2008, confirmed that the industry has solidly embraced the principles for managing conflicts of interest. Citing an area for improvement, the report called on companies to do more to help intermediaries improve disclosure practices.

Risk-based Market Conduct Regulation

FSCO also chaired CCIR's Risk-based Market Conduct Regulation Committee, created to develop a common approach to risk-based supervision of market conduct in Canada. The committee prepared a regulatory framework, published as *An Approach to Risk-based Market Conduct Regulation* in October 2008. As the basis for risk-based regulation, the paper sets forth such principles as: developing an understanding of the market; reliance on corporate governance; exercising judgment to address the most important issues first; an emphasis on assessing and managing risks; selective use of a broad range of tools; and co-operation among regulators and with the industry. CCIR has approved the use of the Approach paper as a framework for risk-based regulation in Canada.

Privilege of Information

As well, FSCO chaired CCIR's Privilege of Information Working Group, which completed its work with the publication of its *Final Report on Privilege Model and Whistle Blower Protection* in July 2008.

Given the move toward a more risk-based approach, regulators want to increase the use of self-assessments by insurers as a tool to identify risks. CCIR created the working group to explore statutory privilege as a means of encouraging full and open disclosure by insurers. In consultation with stakeholders, the working group developed a Privilege Model that would exempt documents created during an insurer self-assessment from production in civil court. The working group also examined legal protection for whistle-blowers, that is, individuals who volunteer information about wrongdoing in the insurance industry. Whistleblowers support risk-based regulation by bringing high-risk practices to the attention of regulators.

CCIR endorsed the privilege model and approach to whistle-blower protection put forward by the working group in spring 2008. With the publication of the report, it is now up to each jurisdiction to decide whether to legislate these concepts into its insurance regime.

Incidental Selling of Insurance

In late 2007, CCIR and CISRO began a review of incidental selling of insurance, that is, the selling of insurance in conjunction with another purchase such as taking out a mortgage, buying a car or booking a vacation. FSCO participated in this project, which involved industry consultations in spring 2008 and led to publication of a report in November 2008. CCIR endorsed recommendations in the report to: improve application forms and other documents; improve the training and supervision of sellers; give consumers more opportunity to reassess purchase of the insurance product; and obtain statistical information on incidental insurance products.

Coordinating Auto Insurance Regulation

FSCO is a member of the General Insurance Statistical Agency (GISA), an independent corporation that is the statistical agent appointed by eight provincial and territorial regulators across Canada. GISA collects and reports automobile insurance data that is used to monitor industry performance, support policy initiatives and review rates.

FSCO is also a founding member of the Canadian Automobile Insurance Rate Regulators Association (CARR), established in October 2008. CARR provides a forum for regulators from nine provinces to work together to improve rate regulation processes. Four ongoing committees were formed and began work on priorities and initiatives in CARR's first business plan.

Modernizing Ontario's Regulatory Framework

The Ontario government is following through on its commitment to ensure financial regulation keeps pace with the rapid changes in today's marketplace. FSCO supports the effort to build a modern regulatory framework that will enhance Ontario's competitive advantage and sustain a healthy business climate.

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

New Mortgage Brokering Legislation in Force

The new *Mortgage Brokerages, Lenders and Administrators Act, 2006* took effect on July 1, 2008. During 2008-2009, FSCO continued to work with the Ministry of Finance to finalize regulations that came into force either with the Act or on January 1, 2009, covering standards of practice, reporting requirements, administrative penalties and other business rules licensees must follow.

FSCO also completed arrangements to establish the provincewide mortgage-broker education program by December 2008. Seneca College of Applied Arts and Technology was selected to deliver the program, through an open tendering process.

New Credit Unions and Caisses Populaires Regulations

Amendments to the *Credit Unions and Caisses Populaires Act*, 1994 were enacted in 2007. Since then, FSCO has continued to work with the ministry, the Deposit Insurance Corporation of Ontario and stakeholders to modernize the regulatory framework. A working group reflecting these partners developed new regulations to accompany the amended Act, with a draft version released for public consultation in early 2009.

It is expected that the amendments and regulations will take effect in the coming year, ushering in a new era in credit unions regulation. Streamlined requirements will give credit unions the flexibility to remain competitive in the financial services marketplace. At the same time, the changes will preserve the soundness of the regulatory system and update consumer protection standards.

Renewable Energy Co-ops Get Green Light

During the year FSCO continued to work with the ministry and the co-operative corporations sector to develop amendments to the *Co-operative Corporations Act* and regulations. A result of this work was a series of amendments to the *Co-operative Corporations Act* included in the *Green Energy and Green Economy Act, 2009*. Introduced in February 2009 (and passed in May 2009) the measure authorizes the incorporation of renewable energy co-operatives. It permits a renewable energy co-operative to establish or develop generation facilities to produce electricity from renewable energy sources and to promote the purchase of electricity from renewable sources.

PROTECTING CONSUMERS THROUGH INFORMATION

Whether taking out a home mortgage, purchasing car insurance or getting ready to retire, today's consumers face increasingly complicated choices that can have lasting consequences. Given the complexity of financial services and products on the market, FSCO views consumer information as central to its consumer protection mission.

FSCO provides access to current, accurate and balanced information to help consumers make sound decisions. This support has become even more crucial in the current uncertain economic climate. With better access to information, consumers are better equipped to protect their own best interests.

Informing Consumers about New Mortgage Brokering Law

A home mortgage is the largest financial commitment most families ever make. The *Mortgage Brokerages, Lenders and Administrators Act, 2006* that took effect July 1, 2008 improves consumer protection by making the mortgage brokering industry more accountable.

FSCO launched a new consumer information portal on the legislation, in tandem with proclamation. Through this page on FSCO's website consumers can:

- check if a mortgage brokerage, administrator, broker or agent is licensed to conduct mortgage activities in Ontario
- learn how to resolve a complaint
- get answers to frequently asked questions
- read consumer awareness articles
- view a video on the consumer protections in the new legislation and
- find links to other helpful online resources.

In addition, FSCO produced a television/digital broadcast segment on consumer protection measures in the new law. Nine airings by cable and network television broadcasters reached an estimated 1.43 million viewers. Nineteen consumer or business web portals picked up the digital version for an estimated online audience of 8.7 million.

FSCO also developed a Consumer Mortgage Kit with inserts on *Why the mortgage broker law is important to you* and *Resources for consumers on the mortgage broker law*. It is available to consumers electronically on FSCO's website, and was also distributed in hard copy at consumer events.

Website Traffic Remains Heavy

FSCO's website – www.fsco.gov.on.ca – remains FSCO's leading channel for reaching the public. In 2008-2009, website use held steady at the high level of the past two years, averaging about 6,000 daily visitors and 33,000 page views per day. The most popular pages visited concerned licensing and regulation, auto claims forms and auto insurance and – new to the top 10 list – pensions.

Frequently Asked Questions Web Portal

A new Frequently Asked Questions (FAQ) component was added to the website during the year. The FAQ area assembles and organizes a multitude of questions and answers in all the regulated sectors and integrates them through a search engine that is user-friendly and intuitive. The viewer can see all the questions in a category by clicking on its heading, or simply search for answers to a specific question by typing it in.

Website Review Project

FSCO's website underwent a major overhaul in 2005. Since then, it has become the go-to source for reliable financial information in both traditional formats and new formats such as webinars, webcasts, online subscriptions and interactive FAQs.

After more than three years of hosting experience and continued technological advances, FSCO decided to undertake a full-scale review of the website's content and functioning. Plans were made to engage end-users – staff, industry stakeholders and consumers – to collect feedback to guide future improvements. The review will also include a content audit, a benchmarking study and a technical assessment.

Consumer Messages Widely Distributed

During the year, FSCO arranged for a series of consumer articles to be distributed to daily and community newspapers on timely themes including:

- auto insurance tips
- Ontario mortgage brokers and agents must now be licensed
- consumers' pension rights
- travel tips
- title insurance
- FSCO's Monitoring and Enforcement Online web page
- co-operatives, credit unions and fraudulent guaranteed investment certificate (GIC) schemes

These informative print insertions reached an estimated audience of 3.6 million. The articles were also posted on financial and community web portals, gaining exposure to over 15 million online readers through 86 websites.

FSCO publishes a host of consumer brochures and other public information materials. In 2008-2009, requests for these publications from industry associations, consumer groups and MPP constituency offices numbered about 3,500. The print materials are also distributed to the public free of charge through Publications Ontario's bookstores, Government Information Centres and public libraries. Electronic versions of all titles are posted on FSCO's website.

FSCO's consumer brochures on *Title Insurance* and *Dispute Resolution Services* were posted online in additional languages – Chinese Traditional, Chinese Simplified, Punjabi and Italian.

Exhibits Attract Visitors

Consumer shows bring FSCO into face-to-face contact with Ontarians.

In February 2009, FSCO again participated in 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. Extra effort was made to promote FSCO's online Auto Insurance Rate Tutorial through new pull-up banners and a computer station devoted to showing how it works. The tutorial illustrates that rates can vary significantly and it's worth it to shop around. In all, FSCO interacted with more than 3,000 consumers and distributed about 22,000 print items at the event.

Earlier in the fiscal year, in April 2008, FSCO took part 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.

2009 Smart Consumer Calendar

Along with other government ministries and agencies, FSCO contributed to the 2009 Smart Consumer Calendar released by the Ministry of Small Business and Consumer Services. Each month of the calendar features a distinct theme. FSCO's page presented tips on avoiding auto insurance scams and included FSCO's contact information. More than 300,000 print copies of the calendar were distributed in a total of seven languages.

Forms Management Project Begins

FSCO develops and maintains a wide variety of forms used by stakeholders. The majority of current forms date back to the former Ontario Insurance Commission, Pension Commission of Ontario and Deposit Institutions Division of the Ministry of Finance. In 2008-2009, FSCO began an initiative to review and update all of its industry and consumer forms, and to create guidelines for the future development and management of forms.

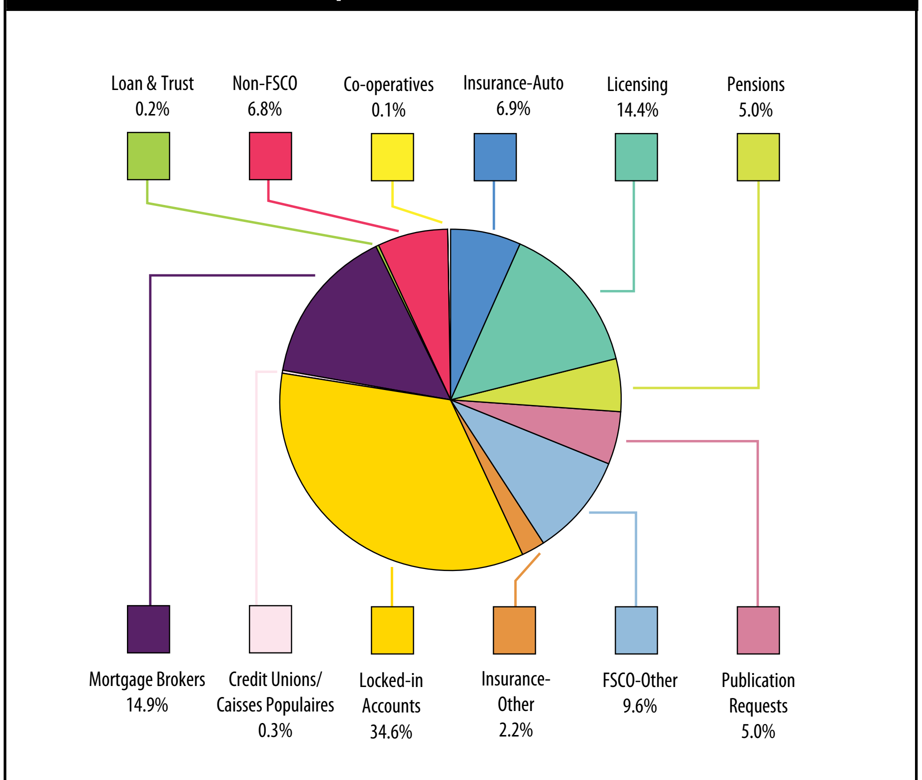
Inquiries Up Sharply

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

During 2008-2009, staff responded to 90,000 inquiries – up 29 per cent from the previous year – as more people turned to FSCO for information and resources in the economic downturn. The largest number of inquiries – more than 31,000 – involved questions about how to access locked-in retirement funds in case of financial hardship or requests for application forms for unlocking.

More than 13,000 inquiries concerned the mortgage broker sector, reflecting interest in the new legislation that took effect July 1, 2008. A sharp increase in inquiries about the new Act occurred in June 2008, reaching a total of nearly 3,600 – more than double the previous month.

Public and Stakeholder Inquiries – 2008-2009



GETTING THE MOST FROM ORGANIZATIONAL RESOURCES

FSCO recognizes that the recession has forced the regulated sectors to streamline their businesses and reduce their expenditures. In this climate especially, FSCO is committed managing its funds prudently and is determined to obtain the best results from its human, financial, technological and physical resources. FSCO is accountable for the efficiency and quality of the regulatory services it provides and adheres to funding principles that deliver value for money.

Restraint Measures Adopted

In December 2008, the government announced measures to restrain spending on public salaries and freeze the current size of the Ontario Public Service. Earlier, the government imposed spending restraints on travel by government staff, print advertising for government jobs, and management and information technology consulting services. FSCO adopted all of these expenditure restraint measures in its own operations.

Information Technology Advances

In 2008-2009, FSCO began implementing an integrated finance and accounting system that will replace various legacy systems. This project was undertaken to gain operational efficiencies and respond to recommendations by the Auditor General of Ontario.

Several large information technology initiatives were completed during the year – including a move to new email software to align better with industry standards. FSCO also continued to migrate its core applications to the .NET platform. Work began to upgrade the dispute resolution case management system to the new platform, with enhancements such as scheduling and "smart" forms.

In addition, state-of-the-art collaborative software installed in 2007-2008 was applied more widely to improve information-sharing across FSCO. The compliance and enforcement tracking system, initially focused on automobile insurance, was expanded to mortgage brokering. Developed with the collaborative software, it will ultimately replace several enforcement systems currently in use for other sectors.

International Financial Reporting Standards

Canada is moving toward the adoption of International Financial Reporting Standards (IFRS), an initiative that is expected to transform the way financial information is reported. During the year, FSCO began to monitor the implications of the IFRS for both stakeholders and its own operations.

Building on this effort, FSCO will work to ensure that stakeholders are aware of the accounting changes and their obligations. The new standards will come into effect for publicly accountable enterprises – including publicly listed companies and enterprises with fiduciary responsibilities such as insurance companies and credit unions – in 2011.

An Employer of Choice

FSCO is committed to being an employer of first choice. In 2008-2009, a formal program called Northern Lights was launched to recognize staff achievements. Employees received awards for the creation of a Green Committee, work on the merger of central credit unions, and the licensing of mortgage brokers and agents. An informal recognition program called Here and Now was also introduced to give all staff access to thank-you cards and notes so they can immediately recognize colleagues for day-to-day successes.

As well, FSCO kicked-off Diversity@FSCO – part of an Ontario Public Service-wide effort to achieve an inclusive, respectful, fair and discrimination-free workplace. This ongoing initiative is intended to raise awareness, celebrate diversity, and create an environment where diversity is embraced throughout the organization. FSCO has assembled a team to develop and implement a plan to achieve these objectives.

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 also be found there.

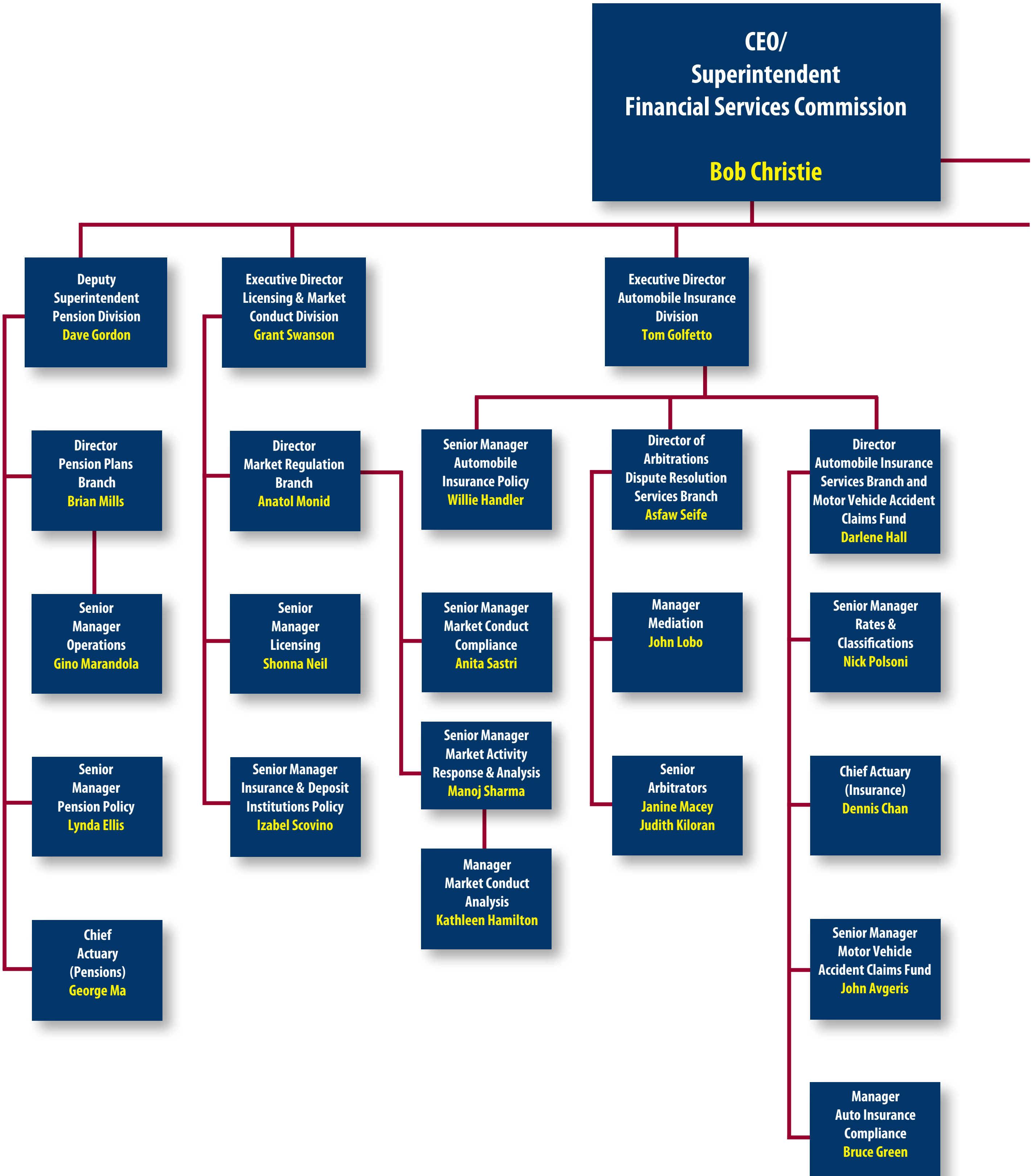
Current Initiatives

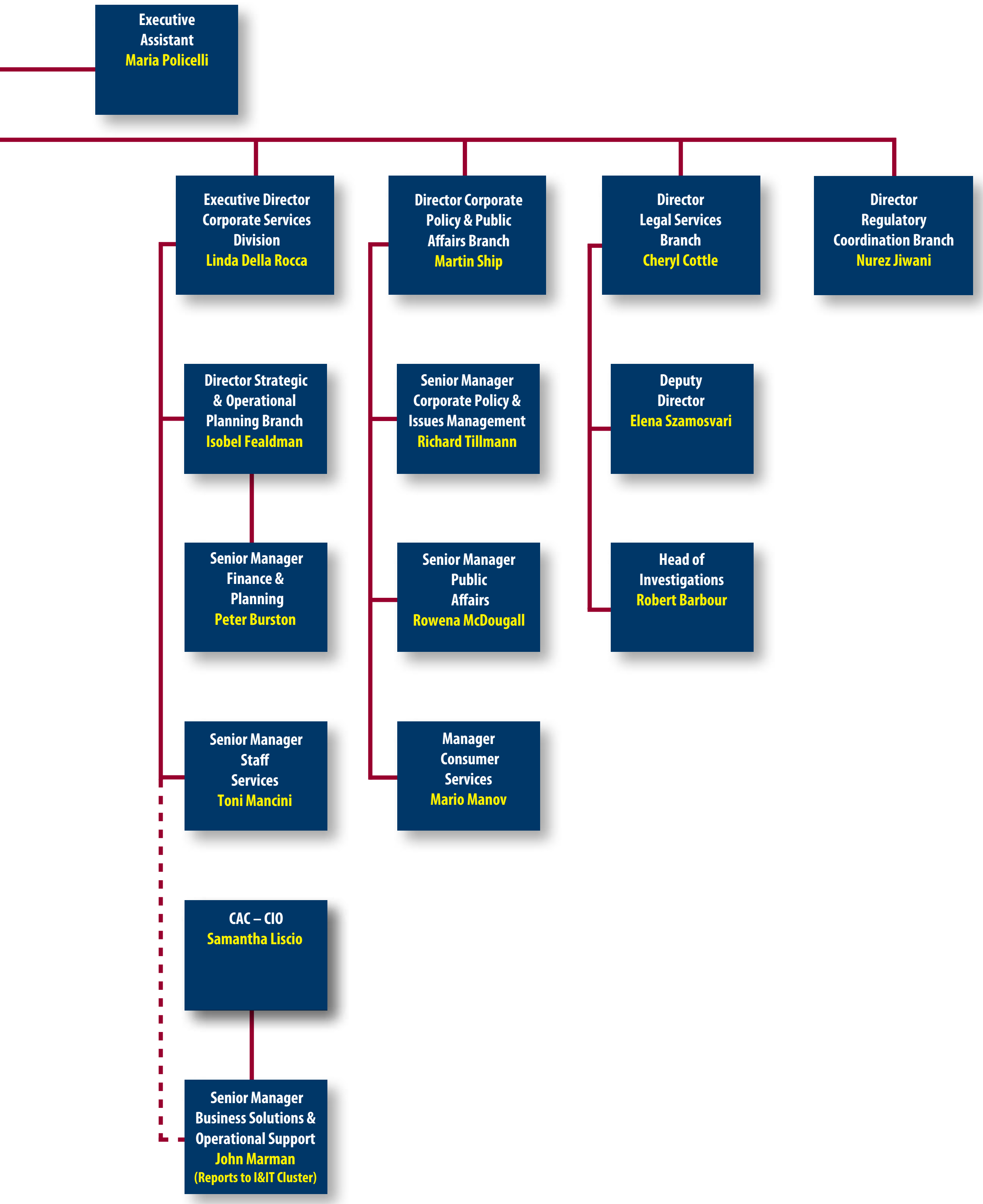
In 2008-2009, the FST developed administrative procedures and a Practice Direction to deal with a significant increase in applications for hearings in the mortgage brokering sector following proclamation of the *Mortgage Brokerages, Lenders and Administrators Act, 2006*. The FST also reconstituted the terms of reference and substantially updated the membership of its Legal Advisory Committee to encourage more frequent access to and input from the committee.

Financial Services Tribunal Activities 2008-2009								
Activity	**Pension Matters (Excluding Financial Hardship)**	**Pension Matters (Financial Hardship)**	**Mortgage Brokering Matters**	**Insurance Matters**	**Credit Union Matters**	**Loan & Trust Matters**	**Total 2008-2009**	**Total 2007-2008**
Number of Cases Pending at Beginning of Fiscal Year	12	–	–	1	–	–	13	25
Number of New Cases Received	24	–	74	1	–	–	99	14
Number of Oral Hearing Days	4	–	9	–	–	–	13	13
Number of Written Hearings	–	–	–	–	–	–	–	1
Number of Other Activity Days – Including: Pre-Hearing Conferences, Telephone Conferences, Settlement Conferences and Motions	65	–	16	1	–	–	82	39
Total Hearing (Oral and Written) and Activity Days before FST	69	–	25	1	–	–	95	53
Files Closed	15	–	11	2	–	–	28	26
Number of Cases Pending at End of Fiscal Year	21	–	63	–	–	–	84	13

Notes:
1. Table does not include FST quarterly meetings, days for deliberation or decision writing.
2. Numbers may reflect activity in respect of files opened prior to 2008-2009 fiscal year.
3. Written hearings may relate to financial hardship matters, motions, requests for costs or requests for a review of a decision.

Financia


CEO/
Superintendent
Financial Services Commission
Bob Christie
Deputy Superintendent Pension Division
Dave Gordon
Executive Director Licensing & Market Conduct Division
Grant Swanson
Executive Director Automobile Insurance Division
Tom Golfetto
Director Pension Plans Branch
Brian Mills
Senior Manager Operations
Gino Marandola
Senior Manager Pension Policy
Lynda Ellis
Chief Actuary (Pensions)
George Ma
Director Market Regulation Branch
Anatol Monid
Senior Manager Licensing
Shonna Neil
Senior Manager Insurance & Deposit Institutions Policy
Izabel Scovino
Senior Manager Market Conduct Compliance
Anita Sastri
Senior Manager Market Activity Response & Analysis
Manoj Sharma
Manager Market Conduct Analysis
Kathleen Hamilton
Senior Manager Automobile Insurance Policy
Willie Handler
Director of Arbitrations Dispute Resolution Services Branch
Asfaw Seife
Manager Mediation
John Lobo
Senior Arbitrators
Janine Macey
Judith Kiloran
Director Automobile Insurance Services Branch and Motor Vehicle Accident Claims Fund
Darlene Hall
Senior Manager Rates & Classifications
Nick Polsoni
Chief Actuary (Insurance)
Dennis Chan
Senior Manager Motor Vehicle Accident Claims Fund
John Avgeris
Manager Auto Insurance Compliance
Bruce Green


Executive Assistant
Maria Policelli
Executive Director Corporate Services Division
Linda Della Rocca
Director Corporate Policy & Public Affairs Branch
Martin Ship
Director Legal Services Branch
Cheryl Cottle
Director Regulatory Coordination Branch
Nurez Jiwani
Director Strategic & Operational Planning Branch
Isobel Fealdman
Senior Manager Corporate Policy & Issues Management
Richard Tillmann
Deputy Director
Elena Szamosvari
Senior Manager Finance & Planning
Peter Burston
Senior Manager Public Affairs
Rowena McDougall
Head of Investigations
Robert Barbour
Senior Manager Staff Services
Toni Mancini
Manager Consumer Services
Mario Manov
CAC – CIO
Samantha Liscio
Senior Manager Business Solutions & Operational Support
John Marman
(Reports to I&IT Cluster)

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, 2009

Manage

Financial Services Commission of Ontario

Commission des services financiers de l'Ontario

Ontario

Chief Executive Officer and
Superintendent of Financial Services

Directeur général et
surintendant des services financiers

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September 22, 2009

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.

Philip Howelll
Chief Executive Officer and
Superintendent of Financial Services

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, 2009 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, 2009 and the results of its operations and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
September 22, 2009

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

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www.auditor.on.ca

Balance
As at March

	2009 ($ 000)	2008 ($ 000)
ASSETS		
Current		
Cash	7	7
Accounts receivable	702	1,590
Prepaid expenses	73	113
Due from the Province (Note 6b)	24,000	16,300
	24,782	18,010
Capital assets, net (Note 3)	5,692	4,696
	30,474	22,706
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	9,956	6,753
	9,956	6,753
Employee future benefits obligation (Note 6a)	6,857	6,902
Deferred revenue (Note 4)	7,969	4,355
Net assets		
Invested in capital assets	5,692	4,696
	30,474	22,706

Commitment and Contingencies (Note 8)

See accompanying notes to financial statements

Approved by:

Chief Executive Officer and
Superintendent of Financial Services

	2009 ($ 000)	2008 ($ 000)
Revenue (Note 5)		
Assessments	42,501	41,932
Licenses, Fees and Registrations	11,049	10,338
Other	118	124
	53,668	52,394
Expenses		
Salaries and wages	33,066	31,666
Employee benefits (Note 6a)	7,097	7,202
Transportation and communication	788	684
Services	14,172	13,305
Supplies and equipment	820	758
Amortization	1,212	1,306
Bad debt expense	137	65
	57,292	54,986
Less: Recoveries (Note 7)	2,999	3,042
	54,293	51,944
Excess (Deficiency) of revenue over expenses	(625)	450

See accompanying notes to financial statements

Stateme
For the yea

	2009 ($ 000)	2008 ($ 000)
Net inflow (outflow) of cash related to the following activities		
Cash flows from operating activities		
Excess (deficiency) of revenue over expenses	(625)	450
Items not affecting cash		
Amortization	1,212	1,306
Changes in non-cash working capital		
Accounts receivable	888	21,717
Prepaid expenses	40	4
Accounts payable and accrued liabilities	3,203	490
Due from the Province	(6,079)	(22,339)
Employee future benefits obligation (Note 6a)	(45)	1,027
Deferred revenue	3,614	(1,030)
	2,208	1,625
Cash flows from investing activity		
Purchase of capital assets	(2,208)	(1,624)
	(2,208)	(1,624)
Net change in cash position	–	1
Cash position, beginning of year	7	6
Cash position, end of year	7	7

See accompanying notes to financial statements

1. OPERATIONS OF THE COMMISSION

The Financial Services Commission of Ontario (Commission) was established under the *Financial Services Commission of Ontario Act, 1997*. The Commission's mandate 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.

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) 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. The estimated useful life of the Commission's capital assets have been estimated as follows:

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

(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.

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

(c) Financial Instruments

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

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

i. Accounts receivable are classified as loans 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, 2009. A fair value estimate based on actuarial assumptions about when these benefits will actually be paid has not been made.

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

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

(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

		2009 ($ 000)		**2008 ($ 000)**
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Leasehold improvements	4,504	3,493	1,011	1,165
Computer hardware and purchased computer software	3,978	2,722	1,256	1,415
Custom developed software	3,514	1,518	1,996	1,150
Computer software under development	518		518	924
Office furniture and equipment	919	8	911	42
	13,433	7,741	5,692	4,696

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 2008-09 are summarized as follows:

	Balance, beginning of year	**Received during year**	**Recognized during year**	**Balance, end of year**
		($ 000)		
Insurance Agents	2,947	3,982	3,295	3,634
Adjusters	20	111	107	24
Mortgage Brokers	664	5,883	3,132	3,415
Corporations	724	1,025	853	896
	4,355	11,001	7,387	7,969

5. REVENUE

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

	2009 ($ 000)	2008 ($ 000)
Insurance Act		
Insurer assessment	27,921	27,615
Fees, licenses and other	4,822	4,485
Pension Benefits Act		
Pension plan assessment	13,071	12,540
Registration fees and other	209	545
Pension unlocking fees and other	2,807	2,573
Credit Unions and Caisses Populaires Act		
Credit Union assessment	1,388	1,552
Fees and other	144	133
Loan and Trust Corporations Act		
Loan and Trust assessment	121	225
Fees, licenses and registrations	14	10
Mortgage Brokers, Lenders and Administrators Act		
Fees, Licenses, Registrations and other	3,162	2,706
Co-operative Corporations Act		
Fees and other	9	10
	53,668	52,394

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's full-time employees participate in the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU-PF), which are defined benefit pension plans for employees of the Province and many provincial agencies. The Province of Ontario, which is the sole sponsor of the PSPF and a joint sponsor of the OPSEU-PF, determines the Commission's annual payments to the funds. Since the Commission is not a sponsor of these funds, gains and losses arising from statutory actuarial funding valuations are not assets or obligations of the Commission, as the sponsors are responsible for ensuring that the pension funds are financially viable. The Agency's annual payments of $2.182 million (2008 - $2.153 million) 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 $0.167 million (2008 - $1.141 million) and are included in employee benefits and salaries and wages 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.

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 $1.231 million (2008 - $1.134 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:

	2009 ($ 000)	2008 ($ 000)
Motor Vehicle Accident Claims Fund (Related Party)	1,561	1,644
Pension Benefits Guarantee Fund (Related Party)	391	375
General Insurance Statistical Agency	364	404
Joint Forum of Financial Market Regulators	235	250
Canadian Association of Pension Supervisory Authorities	182	166
Canadian Council of Insurance Regulators	219	187
Canada Revenue Agency	18	16
Deposit Insurance Corporation Of Ontario	27	
	2,999	3,042

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)
2009/10	3,831
2010/11	4,933
2011/12	5,057
2012/13	5,203
2013/14	5,203
thereafter	8,238
	32,465

(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, 2009, the face value of the securities held by the Commission under the *Insurance Act* was $1.732 million (2008 - $1.655 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. CAPITAL DISCLOSURE

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

11. COMPARATIVE FIGURES

Certain of the prior year's comparative figures have been reclassified to conform with the financial statement presentation adopted for 2009.

12. FUTURE CHANGES IN ACCOUNTING STANDARDS

The CICA has amended section 4400 of the accounting standards regarding not-for-profit organizations effective for fiscal years beginning on or after October 1, 2008. The new standards include changes in the rules for capital assets held by not-for-profit organizations and related-party transactions by not-for-profit organizations. The Commission is currently evaluating the impact of these standards on the presentation and disclosure within the financial statements, if any.

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

FOR THE YEAR ENDED MARCH 31, 2009

Manage

Financial Services Commission of Ontario

Commission des services financiers de l'Ontario

Chief Executive Officer and Superintendent of Financial Services

Directeur général et surintendant des services financiers

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VT INCEPIT FIDELIS SIC PERMANET
Ontario

June 29, 2009

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.

K. David Gordon
Deputy Superintendent, Pensions

Javier Aramayo
Acting 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, 2009 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, 2009 and the results of its operations and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
June 2, 2009

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

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Balance
As at March

	2009 ($ '000)	2008 ($ '000)
ASSETS		
Current		
Cash	35	100
Accounts receivable	49,162	46,600
Investments (Note 4)	146,004	128,457
	195,201	175,157
LIABILITIES AND FUND DEFICIT		
Current		
Accounts payable and accrued liabilities	4,573	3,394
Current portion of loan payable	11,000	11,000
Claims payable	83,516	116,452
	99,089	130,846
Loan payable (Note 5)	143,463	146,529
	242,552	277,375
Fund deficit	(47,351)	(102,218)
	195,201	175,157

See accompanying notes to financial statements

Approved by:

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

	2009 ($ '000)	2008 ($ '000)
Revenue		
Premium revenue	40,452	31,939
Investment income (Note 4)	2,792	5,411
Recoveries (Note 6)	80,730	37,819
	123,974	75,169
Expenses		
Claims	58,716	55,616
Pension management fees (Note 6)	1,783	430
Investment management fees (Note 7)	41	41
Administration fee (Note 7)	391	375
Unrealized loss in the market value of investments	242	3
Amortization of loan discount	7,934	8,081
	69,107	64,546
Excess of revenue over expenses	54,867	10,623
Fund deficit, beginning of year	(102,218)	(112,841)
Fund deficit, end of year	(47,351)	(102,218)

See accompanying notes to financial statements

Stateme
For the year

	2009 ($ '000)	2008 ($ '000)
Net inflow (outflow) of cash related to the following activities		
Cash flows from operating activities		
Excess of revenue over expenses	54,867	10,623
Items not affecting cash:		
Unrealized loss on investments	242	3
Amortization of loan discount	7,934	8,081
Non-cash recovery	(586)	–
Loss on disposal of investments	135	–
	62,592	18,707
Changes in non cash working capital		
Accounts receivable	(2,561)	7,551
Accounts payable	1,179	(2,105)
Claims payable	(32,936)	17,314
	28,274	41,467
Cash flows from investing activities		
Purchases of investments	(2,713,913)	(2,387,106)
Proceeds from sale of investments	2,696,574	2,356,673
	(17,339)	(30,433)
Cash flows from financing activities		
Loan repayment	(11,000)	(11,000)
	(11,000)	(11,000)
Change in cash position	(65)	34
Cash position, beginning of year	100	66
Cash position, end of year	35	100

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 of the Fund, and the Fund reimburses FSCO for the costs of the services provided. The investments of the Funds are managed by the Ontario Financing Authority, on a fee basis which are paid by the Fund.

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Financial instruments

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

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

(b) Claims payable

Claims payable are liabilities in respect of those defined benefit pension plans prescribed by the Act that are wound up or in the process of being ordered wound up under conditions specified in the Act, and the amounts can be reasonably estimated. 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. The estimates of claims to be paid is reviewed and verified by FSCO's Chief Actuary and Deputy Superintendent of Pensions.

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 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 annually.

Investments consist of:

	2009 ($'000)		2008 ($'000)	
	Market Value	Cost	Market Value	Cost
Short term deposits	139,812	139,812	128,457	128,458
Government and corporate bonds	5,850	5,850	–	–
Asset Backed Commercial Paper	342	586	–	–
	146,004	146,248	128,457	128,458

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

Interest rate and Liquidity risk:

Short term deposits have yields in the range of 0.4% to 0.6% (2008 – 1.9% to 3.7%), and government and corporate bonds have average yields of 1.6% for the current year (2008 – there were no government and corporate bonds). At March 31, 2009, 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.

Investments include Asset Backed Commercial Paper (ABCP) received as part of a plan settlement in respect of a claim previously paid out. The ABCP had a face value of $586 thousand, and Management's best estimate of the net recoverable amount as at March 31, 2009 is $342 thousand. The valuation adjustment of $244 thousand has been recognized as an unrealized loss in the statement of operations and fund deficit.

Investment income includes interest earned from interest bearing securities and realized gains/losses from the sale of securities. The realized loss on the sale of securities amounted to $135 thousand (2008 – realized gain of $180). 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.

The face value of this non-interest bearing loan has been discounted to reflect its fair value outstanding as of March 31, 2009 as follows:

	2009 ($'000)	2008 ($'000)
Face Value	275,000	286,000
Less: Discount	(120,537)	(128,471)
Fair Value	154,463	157,529
Classified as:		
Current Portion	11,000	11,000
Long Term Portion	143,463	146,529
Balance	154,463	157,529

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)
2009	7,934
2010	7,780
2011	7,618
2012	7,447
2013	7,269

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. For fiscal 2009, $1,783 thousand was paid to such experts related to negotiations involving three companies (2008 – $430 thousand involving one company).

Following distribution of claims and submission of a final wind up report any remaining funds are recovered by the Fund. During fiscal 2009, $80,730 thousand (2008 – $37,819 thousand) in recoveries were made by the Fund.

7. RELATED PARTY TRANSACTIONS

For fiscal 2009, an administration fee of $391 thousand (2008 – $375 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 $41 thousand include fees of $35 thousand (2008 – $36 thousand) paid to the Ontario Financing Authority, a related party.

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

8. CONTINGENCIES AND SUBSEQUENT EVENT

There are currently two companies operating under CCAA protection whose pension plans could make claims on the Fund which could significantly exceed the existing assets of the Fund. As these potential claims remain at an early stage, an estimate of the claims which might be incurred, if any, cannot be determined.

Recoveries in the range of $5 – $7 million dollars are expected in 2009.

9. ACCOUNTING PRONOUNCEMENTS

An exposure draft has been issued by the Accounting Standards Board to replace Canadian generally accepted accounting principles with International Financial Reporting Standards (IFRS) for publicly accountable enterprises. The exposure draft proposes that IFRS be effective for fiscal years commencing on or after January 1, 2011. In February 2009, the Public Sector Accounting Board (PSAB) issued an invitation to Comment on the financial reporting to be issued by government organization such as the Fund. The paper presented four alternatives for consideration, all of which were consistent in providing the Fund with the option of selecting either PSAB standards or IFRS.

Ontario

FINANCIAL SERVICES COMMISSION OF ONTARIO

MOTOR VEHICLE ACCIDENT CLAIMS FUND FINANCIAL STATEMENTS

AS AT MARCH 31, 2009

Financial Services
Commission
of Ontario

Commission des
services financiers
de l'Ontario

Ontari

MOTOR VEHICLE ACCIDENT CLAIMS FUND

Management Responsibility for Financial Information

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

John Avgeris
Senior Manger
Motor Vehicle Accident Claims Fund

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

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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, 2009 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, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
June 17, 2009

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

	As at March 31,2009 $	As at March 31,2008 $
ASSETS		
Current		
Funds on Deposit	34,055,714	31,678,894
Accounts Receivable - License Fees	2,918,082	2,922,686
Accounts Receivable - Debtors	42,745,311	41,221,441
Less: Allowance for Doubtful Accounts	27,178,770	25,035,193
	15,566,541	16,186,248
Prepaid Expenses	–	4,018
Long Term		
Fixed Assets (Note 3)	551,387	551,387
Less: Accumulated Amortization	319,941	205,000
	231,446	346,387
Unpaid Claims Recoverable (Note 4)	3,783,886	6,984,679
Total Assets	56,555,669	58,122,912
TOTAL LIABILITIES & FUND DEFICIT		
Accounts Payable and Accrued Expenses	2,011,241	1,343,878
Employee Future Benefits Obligation (Note 3)	530,861	502,094
Deferred Revenue	65,538,122	61,876,776
Unpaid Claims and Adjustment Expenses (Note 4)	179,453,805	185,613,817
	247,534,029	249,336,565
Fund Deficit	(190,978,360)	(191,213,653)
	(190,978,360)	(191,213,653)
Total Liabilities & Fund Deficit	56,555,669	58,122,912

APPROVED:

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

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

	Year ended March 31,2009 $	Year ended March 31,2008 $
REVENUE		
Fee on Issue or Renewal of Driver's Licences	27,257,155	26,825,641
Change in Deferred Revenue	(3,661,346)	(6,913,339)
Fees Earned	23,595,809	19,912,302
Prior Year Recoveries	1,695,941	1,827,725
Other Revenue	1,845	372
Total Revenue	25,293,595	21,740,399
EXPENSES		
Change in Net Unpaid Claims and Adjustment Expenses	(2,959,219)	10,951,281
Accident Benefits Claims Payments	15,393,719	14,138,021
Administrative Expenses		
Salaries and Wages	1,565,960	1,544,047
Employees' Benefits	247,462	276,133
Transportation and Communication	31,537	28,657
Services:		
Claims (Solicitors' Fees, etc.)	2,172,402	2,009,649
Accident Benefit Claims Expense	1,698,325	1,674,533
Other Services	1,119,884	1,098,297
Bad Debts Expense	5,646,545	3,029,172
Supplies and Equipment	26,747	22,317
Amortization Expense	114,940	105,000
Total Expenses	25,058,302	34,877,107
Excess of Expenses over Revenue	235,293	(13,136,708)
Fund Deficit, Beginning of Year	(191,213,653)	(178,076,945)
Fund Deficit, End of Year	(190,978,360)	(191,213,653)

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

	Year ended March 31,2009 $	Year ended March 31,2008 $
OPERATING ACTIVITIES		
Cash Inflows		
Fee on Issue or Renewal of Driver's Licences	27,261,760	26,114,718
Repayment by Debtors	1,307,072	1,629,197
Prior Year Recoveries	1,699,478	1,824,189
Other Revenue	1,845	372
Cash Outflows		
Statutory Payments	(21,160,316)	(19,839,097)
Payments to Employees	(1,778,010)	(1,736,557)
Administrative Expenses	(4,955,009)	(4,820,639)
Net Cash Inflow from Operating Activities	2,376,820	3,172,183
INVESTING ACTIVITIES		
Cash Outflows		
Acquisition of Computer Equipment	–	(23,176)
Acquisition of Furniture	–	–
Acquisition of Office Equipment	–	(6,644)
Net Cash Outflow from Investing Activities	–	(29,820)
Net Increase in Funds on Deposit with Minister of Finance	2,376,820	3,142,363
Funds on Deposit with Minister of Finance, Beginning of Year	31,678,894	28,536,531
Funds on Deposit with Minister of Finance, End of Year	34,055,714	31,678,894

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.

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

a) Fixed Assets

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

Fixed Assets	**2009**			2008
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Leasehold Improvements	**$500,000**	**$300,000**	**$200,000**	$300,000
Computer Equipment	**28,327**	**11,159**	**17,168**	26,610
Furniture & Fixtures	**16,416**	**6,567**	**9,849**	13,133
Office Equipment	**6,644**	**2,215**	**4,429**	6,644
	$551,387	**$319,941**	**$231,446**	$346,387

b) 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.

c) Accounts Receivable – Fees

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

d) Accounts Receivable – Debtors

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

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

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

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

In the current year, write-offs of $4.0 million (2008 – $5.0 million) were processed. Additionally, in the current year $0.5 million of the Accounts Receivable was reinstated through the bad debt expense account.

e) Prior Year Recoveries

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

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

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

f) Unpaid Claims

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

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

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

Settlements occur when there is an irrevocable direction from the Fund to the life insurer to make all payments directly to the claimant. There are no rights under the non-commutable, non-assignable, non-transferable contract that would provide any current or future benefit to the Fund. The Fund remains liable to make payments only in the event that the life insurer fails and only to the extent that Assuris, the life insurance industry's insolvency compensation fund, will not cover payments due. The net risk to the Fund is any credit risk related to the life insurers. This credit risk is deemed nil at March 31, 2009. There exists the possibility of contingent gains based on the fact that the Fund has purchased insurance on some of the measured lives. Such amounts are described in Note 5 – Contingent Gains.

g) Use of Estimates

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

h) 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.

	2009	Increase (Decrease)	2008
Employee Future Benefits Obligation	$530,861	$28,767	$502,094

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 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, 2009		March 31, 2008	
	Gross	**Recoverable**	Gross	Recoverable
	(000's)	**(000's)**	(000's)	(000's)
ACCIDENT BENEFITS				
Statutory accident benefits	**$115,229**	**$ –**	$110,578	$ –
THIRD PARTY LIABLITY (TPL)				
Property damage	**1,361**	**50**	1,511	81
Bodily injury	**62,864**	**3,734**	73,525	6,904
Total TPL	**64,225**	**3,784**	75,036	6,985
Totals	**$179,454**	**$3,784**	$185,614	$6,985

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

	March 31, 2009	March 31, 2008
	(000's)	(000's)
Unpaid claims and adjustment expenses, beginning of year	**$185,614**	$174,546
Increase (decrease) in provision for losses that occurred in prior years	**(15,607)**	3,280
Amounts paid during the year on claims of prior years		
Statutory Payments	**(18,598)**	(17,572)
Claims Expenses	**(6,435)**	(6,195)
Amount paid during the year on claims of the current year		
Statutory Payments	**(619)**	(392)
Claims Expenses	**(214)**	(138)
Provision for losses on claims that occurred in the current year	**35,313**	32,085
Unpaid claims and adjustment expenses, end of year	**$179,454**	$185,614

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, 2009 for information purposes.

As at March 31, 2009, the amount paid out of the Fund for accident benefit claims in the form of structured settlements was approximately $17.8 million (2008 – $14.2 million) with applicable reversionary interest of approximately $13.7 million (2008 – $10.3 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

2008

Superintendent's Report 2008

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.

Letter t

Ontario

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

Dear Minister:

I am pleased to present the 130th annual report under Section 36 of the Insurance Act for the year ended December 31, 2008. 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,

Bob Christie
Chief Executive Officer and
Superintendent of Financial Services

SUMMARY OF COMPANIES LICENSED BY TYPE OF BUSINESS ACTIVITY
as of December 31, 2008, and December 31, 2007

					Analysis of 2008 total		
Business Type	**Total 2007**	**Additions**	**Withdrawals**	**Total 2008**	**Ontario**	**Extra Provincial**	**Federal**
Property & Casualty Companies	220	2	3	219	57	10	152
Life Insurance Companies	95	1	5	91	2	16	73
Reinsurance Companies	45	1	5	41	2	1	38
Reciprocal Exchanges	10	0	0	10	8	1	1
Fraternal Societies	22	0	3	19	2	0	17
Totals	**392**	**4**	**16**	**380**	**71**	**28**	**281**

Notes:

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

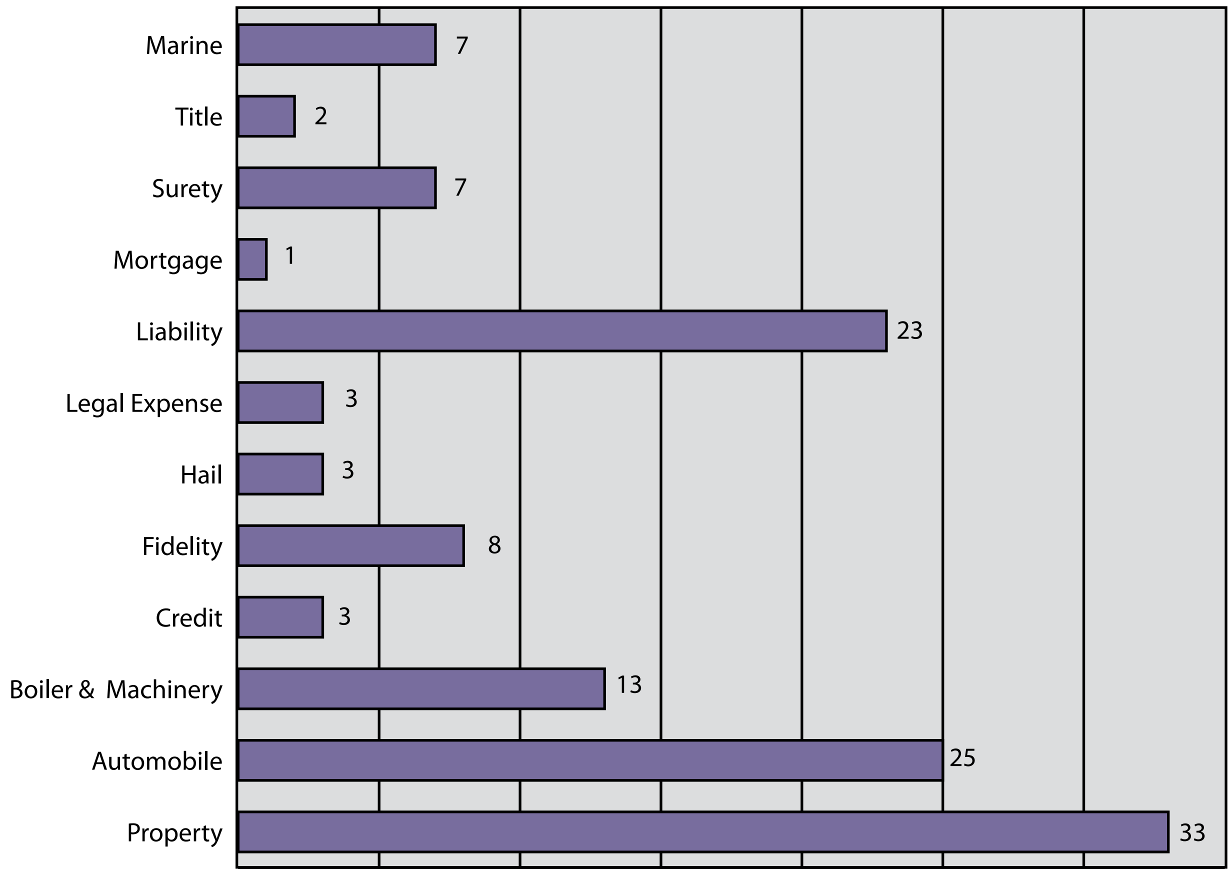
2. *Branch operations are included in the Federal totals.*

3. *The Superintendent's Report 2008 records figures as of the end of the calendar year (December 31, 2008), based on the company's annual filings. The Financial Services Commission of Ontario Annual Report 2008-2009 records figures as of the end of the fiscal year (March 31, 2009).*

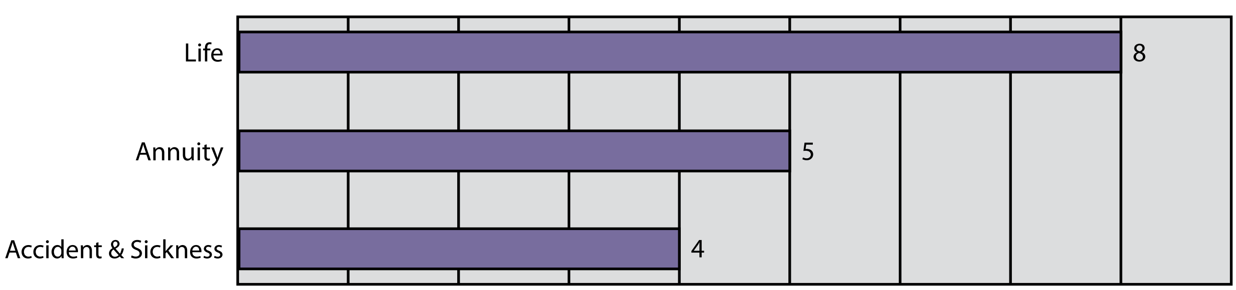
Insurer

To gauge the level of competition, FSCO calculates how many companies represent 80 percent of the market for key products. Please note that effective in 2008, these figures are based on individual companies rather than groups of affiliated companies.

2008 Property and Casualty Insurers
Number of Companies Representing 80% of Ontario Market Share

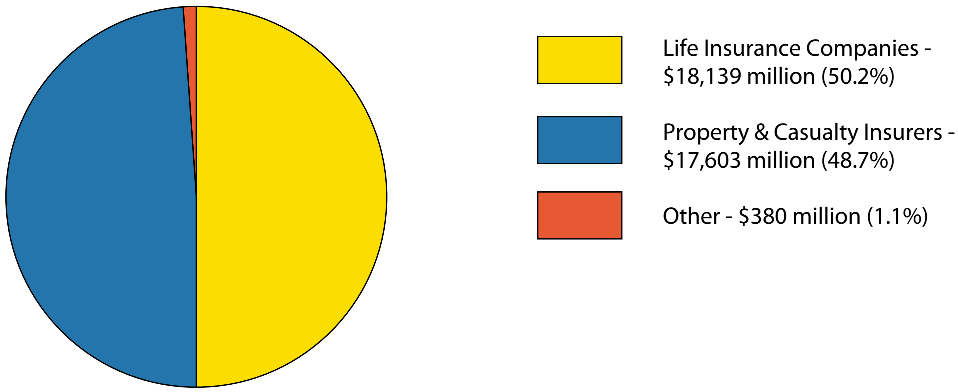


2008 Life Insurers
Number of Companies Representing 80% of the Ontario Market Share



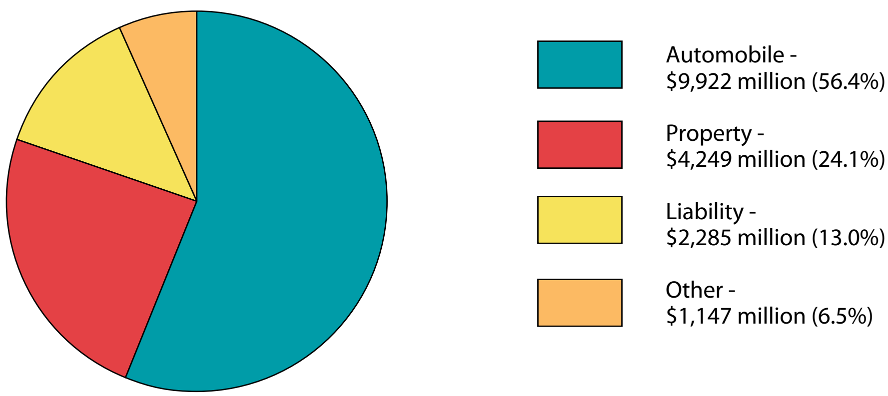
Insurance is a $36 billion business in Ontario. In 2008, of the total premium dollar, 48.7 per cent went to the property and casualty (including automobile) insurers and 50.2 per cent went to the life insurance industry.

**2008
Direct Premium
Volume
in Ontario
Total $36,122
(million)**



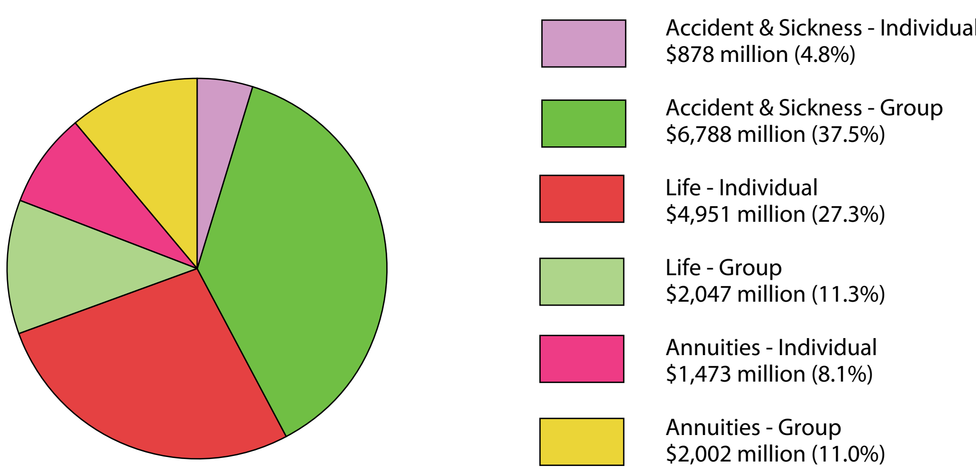
P&C insurers received $17.6 billion in premiums in 2008. The split among automobile, property and liability insurance remained consistent compared to the previous year.

**2008
Property & Casualty
Companies -
Direct Written
Premiums in
Ontario -
By Line Total
$17,603 (million)**



The broad pattern among life insurance companies likewise remained constant. Of the $18.1 billion spent on premiums to the life insurers, 19.2 per cent went to buy annuities, 38.6 per cent to purchase individual and group life coverage and 42.2 per cent to obtain accident and sickness insurance.

**2008
Life Companies -
Direct Written
Premiums in
Ontario Total
$18,139 (million)**



Property

	FINANCIAL SUMMARY Year Ended December 31, 2008 (In Thousands)	ONTARIO BUSINESS Direct Written Premiums $	Direct Claims Incurred $	TOTAL COMPANY Total Assets $	Total Liabilities $	Excess of assets over liabilities $	Claims Incurred to earned premium %	Net Income/ (Loss) $
	ONTARIO							
	Algoma Mutual Insurance Company	9,394	6,340	17,715	12,255	5,460	61%	(204)
	Amherst Island Mutual Insurance Company	566	22	1,841	578	1,263	8%	110
	Ayr Farmers Mutual Insurance Company	16,005	12,248	49,082	30,455	18,627	66%	1,099
	Bay of Quinte Mutual Insurance Co.	15,032	11,215	33,388	16,300	17,088	68%	(731)
	Bertie And Clinton Mutual Insurance Company	9,267	5,208	44,148	18,415	25,733	52%	1,618
	Brant Mutual Insurance Company	5,800	4,507	15,756	8,617	7,139	60%	141
	CAA Insurance Company (Ontario)	110,941	87,898	359,384	297,180	62,204	80%	(5,447)
	Caradoc Delaware Mutual Fire Insurance Company	1,411	1,320	6,859	1,308	5,551	94%	(233)
	Cayuga Mutual Insurance Company	5,599	4,028	19,255	8,538	10,717	75%	(164)
	Coachman Insurance Company	26,808	15,454	116,392	77,738	38,654	57%	4,596
1	Coronation Insurance Company, Limited	0	0	4,125	772	3,353	n/a	161
	Culross Mutual Insurance Company	1,465	1,530	4,434	3,703	731	79%	(251)
	Dufferin Mutual Insurance Company	7,396	9,355	20,727	15,945	4,782	65%	(555)
	Dumfries Mutual Insurance Company	11,139	6,536	40,061	18,297	21,764	59%	(109)
	Erie Mutual Fire Insurance Company	4,921	3,622	21,497	7,190	14,307	63%	276
	Farmers' Mutual Insurance Company (Lindsay)	65,021	62,808	190,958	142,794	48,164	88%	(8,399)
	Fenchurch General Insurance Company	5,464	6,585	17,906	11,883	6,023	39%	1,006
	GCAN Insurance Company	76,607	32,621	738,087	574,070	164,017	49%	17,090
	Germania Farmers' Mutual Fire Insurance Company	10,968	7,208	23,678	14,651	9,027	75%	(666)
	Glengarry Mutual Insurance Company	8,594	4,270	17,908	8,151	9,757	49%	348
	Grenville Mutual Insurance Company	14,827	20,346	55,048	27,023	28,025	96%	(4,340)
	Grey & Bruce Mutual Insurance Company	1,934	810	4,087	1,795	2,292	59%	(114)
	Halwell Mutual Insurance Company	13,566	11,651	37,708	21,763	15,945	70%	112
	Hamilton Township Mutual Insurance Company	16,778	17,441	44,890	29,587	15,303	65%	358
	Hay Mutual Insurance Company	7,407	6,137	36,317	12,831	23,486	72%	979

		ONTARIO BUSINESS		TOTAL COMPANY				
	FINANCIAL SUMMARY Year Ended December 31, 2008 (In Thousands)	Direct Written Premiums $	Direct Claims Incurred $	Total Assets $	Total Liabilities $	Excess of assets over liabilities $	Claims Incurred to earned premium %	Net Income/ (Loss) $
	Howard Mutual Insurance Company	7,794	9,452	38,837	14,977	23,860	77%	(718)
	Howick Mutual Insurance Company	11,555	10,347	22,578	16,429	6,149	91%	(1,523)
	Kent & Essex Mutual Insurance Company	14,983	14,294	57,673	28,359	29,314	81%	(913)
	Kingsway General Insurance Company	227,215	200,317	962,494	873,097	89,397	95%	(35,247)
	L&A Mutual Insurance Company	6,273	4,021	11,536	6,575	4,961	63%	278
	Lambton Mutual Insurance Company	14,946	11,738	51,797	28,450	23,347	76%	(719)
	Lanark Mutual Insurance Company	19,788	19,164	58,875	27,168	31,707	82%	(1,232)
	Lawyers' Professional Indemnity Company	90,510	78,619	488,616	354,737	133,879	96%	7,025
2	Markham General Insurance Company	0	0	0	0	0	n/a	0
	Max Canada Insurance Company	4,210	3,090	13,275	6,050	7,225	55%	83
	Mckillop Mutual Insurance Company	7,343	7,532	22,268	12,905	9,363	68%	(71)
	Middlesex Mutual Insurance Co.	8,885	10,875	30,874	17,308	13,566	87%	(591)
	Norfolk Mutual Insurance Company	4,856	4,442	16,594	8,181	8,413	70%	(370)
	North Blenheim Mutual Insurance Company	7,485	3,947	19,707	8,072	11,635	62%	44
	North Kent Mutual Fire Insurance Company	6,113	5,699	29,792	12,369	17,423	74%	(1,545)
	Oxford Mutual Insurance Company	8,538	6,672	23,137	13,483	9,654	70%	198
	Peel Maryborough Mutual Insurance Company	13,543	17,373	40,615	27,542	13,073	77%	(1,608)
	Peel Mutual Insurance Company	30,051	30,671	80,842	56,868	23,974	91%	(3,127)
	Pro-Demnity Insurance Company	18,256	8,442	84,776	62,096	22,680	68%	24
	South Easthope Mutual Insurance Company	11,398	12,798	35,851	18,496	17,355	85%	59
	The West Wawanosh Mutual Insurance Company	12,512	13,504	44,300	28,999	15,301	68%	418
	The Westminster Mutual Insurance Company	7,273	3,936	16,244	12,185	4,059	61%	162
	The Yarmouth Mutual Fire Insurance Company	5,762	3,656	15,687	7,278	8,409	74%	(237)
	Town & Country Mutual Insurance Company	8,913	6,536	27,406	15,100	12,306	69%	80
	Townsend Farmers' Mutual Fire Insurance Company	4,941	6,865	19,954	13,749	6,205	93%	(1,290)
	Tradition Mutual Insurance Company	10,708	9,425	43,571	33,051	10,520	75%	(195)

Property

	FINANCIAL SUMMARY Year Ended December 31, 2008 (In Thousands)	ONTARIO BUSINESS Direct Written Premiums $	Direct Claims Incurred $	TOTAL COMPANY Total Assets $	Total Liabilities $	Excess of assets over liabilities $	Claims Incurred to earned premium %	Net Income/ (Loss) $
	Trillium Mutual Insurance Company	30,172	22,549	84,676	59,676	25,000	57%	1,762
3	TTC Insurance Company Limited	0	0	84,340	84,240	100	n/a	0
	Usborne And Hibbert Mutual Fire Insurance Company	5,314	5,324	31,998	8,064	23,934	95%	(1,988)
	Wabisa Mutual Insurance Company	5,509	3,604	18,886	13,977	4,909	69%	(44)
	West Elgin Mutual Insurance Company	8,118	10,709	36,717	22,377	14,340	83%	(392)
	York Fire & Casualty Insurance Company	102,059	111,885	286,610	233,205	53,405	110%	(25,327)
		1,161,933	996,646	4,721,777	3,486,902	1,234,875		(60,323)
	EXTRA-PROVINCIAL							
	Alberta Motor Association Insurance Company	92	0	428,732	334,877	93,855	72%	16,623
	Belair Insurance Company Inc.	43,056	26,114	868,631	680,515	188,116	69%	(10,126)
	Canadian Farm Insurance Corp.	1,045	160	10,563	7,910	2,653	68%	(916)
	GMS Insurance Inc.	3,180	1,908	15,012	8,850	6,162	82%	(1,972)
	L'Unique General Insurance Inc.	88	0	134,435	102,735	31,700	58%	4,472
	La Mutuelle d'Eglise De L'Inter-Ouest	14	0	5,043	182	4,861	46%	19
	Optimum Insurance Company Inc.	29,179	19,278	159,887	120,363	39,524	54%	3,823
	SGI Canada Insurance Services Ltd.	128	0	144,481	70,136	74,345	80%	3,476
	The Canadian Union Insurance Company	1,595	1,271	437,496	345,282	92,214	70%	10
	Trans Global Insurance Company	4,294	1,579	14,332	9,283	5,049	11%	1,604
		82,671	50,310	2,218,612	1,680,133	538,479		17,013
	FEDERAL							
	Ace Ina Insurance	131,462	67,173	1,244,430	904,733	339,697	63%	39,513
4	AIG Commercial Insurance Company of Canada	0	0	0	0	0	n/a	0
	AIG United Guaranty Mortgage Insurance Company of Canada	29,427	5,084	245,447	126,929	118,518	60%	(365)
	Allstate Insurance Company of Canada	336,533	241,739	1,603,233	1,131,680	471,553	74%	(43,656)
5	Alta Surety Company	0	0	0	0	0	n/a	0
	Ascentus Insurance Ltd.	2,582	3,311	43,723	27,245	16,478	71%	504
	Associated Electric & Gas Insurance Services Limited	4,396	13,902	74,919	37,398	37,521	161%	(7,258)

		ONTARIO BUSINESS		TOTAL COMPANY				
	FINANCIAL SUMMARY Year Ended December 31, 2008	**Direct Written Premiums**	**Direct Claims Incurred**	**Total Assets**	**Total Liabilities**	**Excess of assets over liabilities**	**Claims Incurred to earned premium**	**Net Income/ (Loss)**
	(In Thousands)	**$**	**$**	**$**	**$**	**$**	**%**	**$**
	Aviva Insurance Company of Canada	541,670	347,504	3,744,395	3,054,024	690,371	65%	99,300
	AXA Insurance (Canada) AXA Assurances (Canada)	381,908	232,650	1,375,305	1,106,802	268,503	61%	20,968
	AXA Pacific Insurance Company	26,053	15,674	1,069,503	850,277	219,226	53%	17,875
	Canadian Direct Insurance Incorporated	0	0	187,366	141,269	46,097	67%	8,372
	Canadian Northern Shield Insurance Company	388	296	247,804	189,533	58,271	64%	(2,519)
	Certas Direct Insurance Company	97,662	72,526	413,186	327,020	86,166	79%	3,421
	Certas Home And Auto Insurance Company	321	108	7,753	498	7,255	104%	(2,144)
	Chubb Insurance Company of Canada	327,474	245,030	2,326,263	1,623,847	702,416	61%	82,780
	Commonwealth Insurance Company	23,000	88,973	1,128,161	840,136	288,025	139%	(43,154)
6	Constitution Insurance Company of Canada	0	244	3,440	1,529	1,911	n/a	(388)
	Co-Operators General Insurance Company	692,736	501,012	3,471,010	2,441,763	1,029,247	73%	62,087
	Coseco Insurance Company	165,886	163,598	498,672	409,794	88,878	94%	(10,256)
	Cumis General Insurance Company	40,984	26,499	136,888	111,238	25,650	52%	4,719
	Echelon General Insurance Company	113,784	78,310	336,756	247,407	89,349	67%	6,821
	Economical Mutual Insurance Company	1,033,284	856,541	4,276,008	3,197,000	1,079,008	81%	(102,359)
	Elite Insurance Company	79,088	50,850	467,056	385,130	81,926	78%	(5,482)
	Everest Insurance Company of Canada	0	1	4,165	117	4,048	n/a	(44)
	FCT Insurance Company Ltd.	56,276	19,373	168,487	110,880	57,607	28%	14,406
	Federated Insurance Company of Canada	46,733	37,406	414,746	325,161	89,585	64%	21,555
	Federation Insurance Company of Canada	1,592	13,439	521,789	438,097	83,692	81%	(5,747)
	First North American Insurance Company	1,093	163	7,540	1,516	6,024	13%	612
	Genworth Financial Mortgage Insurance Company Canada	295,214	84,837	4,913,110	2,818,784	2,094,326	31%	336,692
7	Gold Circle Insurance Company	0	0	4,534	21	4,513	n/a	89
	Gore Mutual Insurance Company	174,072	112,349	471,298	344,722	126,576	68%	2,980
	Grain Insurance And Guarantee Company	9,632	27,623	103,400	78,189	25,211	47%	4,950

Property

	FINANCIAL SUMMARY Year Ended December 31, 2008 (In Thousands)	ONTARIO BUSINESS Direct Written Premiums $	Direct Claims Incurred $	TOTAL COMPANY Total Assets $	Total Liabilities $	Excess of assets over liabilities $	Claims Incurred to earned premium %	Net Income/ (Loss) $
8	Granite Insurance Company	0	0	0	0	0	n/a	0
	Industrial Alliance Pacific General Insurance Corporation	2,876	908	88,383	69,550	18,833	80%	1,555
	ING Insurance Company of Canada	1,317,791	960,335	6,396,260	5,600,078	796,182	69%	46,836
	ING Novex Insurance Company of Canada	105,825	72,412	801,311	598,690	202,621	69%	26,957
	Jevco Insurance Company	37,420	19,162	515,219	410,693	104,526	71%	(7,714)
	Legacy General Insurance Company	21,204	2,525	25,454	(9,476)	34,930	11%	8,257
	Lombard General Insurance Company of Canada	387,838	344,673	2,462,474	1,892,205	570,269	76%	53,657
	Lombard Insurance Company	119,730	107,585	417,381	305,129	112,252	82%	(10,650)
	Markel Insurance Company of Canada	115,105	124,147	719,944	579,006	140,938	85%	1,546
	Old Republic Insurance Company of Canada	26,930	23,595	189,680	139,281	50,399	66%	2,786
	Omega General Insurance Company	2,497	703	14,205	4,631	9,574	32%	(485)
	Pafco Insurance Company	33,028	22,518	224,730	153,660	71,070	49%	13,263
	Pembridge Insurance Company	76,174	56,936	460,592	262,777	197,815	79%	(6,176)
	Perth Insurance Company	102,821	93,760	444,935	395,316	49,619	81%	(3,056)
	Pilot Insurance Company	565,787	462,889	1,923,454	1,628,199	295,255	68%	55,252
	PMI Mortgage Insurance Company Canada	865	43	24,830	4,502	20,328	85%	(2,425)
	Primmum Insurance Company	175,591	114,330	1,103,870	939,049	164,821	73%	33,561
	Quebec Assurance Company	0	0	103,647	70,832	32,815	66%	2,705
	RBC General Insurance Company	249,403	193,525	875,828	667,372	208,456	74%	14,747
	RBC Insurance Company of Canada	87,823	32,018	275,064	95,958	179,106	35%	25,229
	Royal & Sun Alliance Insurance Company of Canada	371,024	247,684	3,368,363	2,546,257	822,106	66%	67,848
	S & Y Insurance Company	67,621	54,160	226,841	183,588	43,253	81%	1,184
	Safety National Casualty Corporation	3,919	3,172	22,127	8,439	13,688	90%	42
	Scotia General Insurance Company	0	0	7,247	11	7,236	n/a	43
	Scottish & York Insurance Co. Limited	176,893	165,069	887,360	755,543	131,817	69%	31,304
	Securican General Insurance Company	13,995	8,552	32,635	23,159	9,476	57%	1,196
	Security National Insurance Company	586,568	471,697	3,081,182	2,208,950	872,232	77%	121,035
9	TD Direct Insurance Inc.	0	0	14,199	345	13,854	n/a	384

	ONTARIO BUSINESS		TOTAL COMPANY				
FINANCIAL SUMMARY Year Ended December 31, 2008	Direct Written Premiums	Direct Claims Incurred	Total Assets	Total Liabilities	Excess of assets over liabilities	Claims Incurred to earned premium	Net Income/ (Loss)
(In Thousands)	$	$	$	$	$	%	$
TD General Insurance Company	196,263	196,277	650,955	555,609	95,346	83%	8,635
TD Home And Auto Insurance Company	187,531	154,400	1,162,171	1,021,287	140,884	84%	21,105
Temple Insurance Company	81,825	59,955	846,503	706,335	140,168	43%	28,009
The Boiler Inspection And Insurance Company of Canada	13,883	3,809	188,657	110,766	77,891	27%	14,439
The Dominion of Canada General Insurance Company	742,141	526,969	2,647,894	2,098,949	548,945	75%	(4,029)
The Guarantee Company of North America	198,058	132,763	907,920	531,329	376,591	60%	34,747
The Missisquoi Insurance Company	432	(459)	485,499	399,454	86,045	81%	(5,350)
The Mortgage Insurance Company of Canada	0	(377)	37,164	8,725	28,439	-23%	1,881
The Nordic Insurance Company of Canada	213,538	159,892	3,089,023	2,351,632	737,391	69%	6,839
The North Waterloo Farmers Mutual Insurance Company	58,263	40,196	106,629	76,594	30,035	74%	(1,976)
The Personal Insurance Company	318,349	265,477	1,243,102	1,003,764	239,338	82%	27,494
The Portage La Prairie Mutual Insurance Company	24,504	13,023	289,230	190,511	98,719	62%	10,873
The Sovereign General Insurance Company	57,133	45,960	558,777	435,901	122,876	60%	11,490
The Wawanesa Mutual Insurance Company	447,913	358,191	4,550,492	2,823,766	1,726,726	80%	19,049
Traders General Insurance Company	331,723	244,596	1,228,192	1,051,552	176,640	75%	14,951
Trafalgar Insurance Company of Canada	118,894	82,908	710,528	531,059	179,469	69%	25,899
Travelers Guarantee Company of Canada	69,096	27,143	795,715	535,097	260,618	31%	41,347
Trisura Guarantee Insurance Company	17,197	4,016	57,792	31,344	26,448	28%	(348)
Unifund Assurance Company	367,387	302,580	1,293,276	1,068,050	225,226	76%	13,917
Waterloo Insurance Company	68,074	55,444	314,522	263,425	51,097	81%	(3,226)
Western Assurance Company	87,459	121,789	692,635	562,938	129,697	66%	12,834
Western Surety Company	2,237	706	29,935	16,506	13,429	11%	680
Xl Insurance Company Limited	47,413	20,891	450,349	294,091	156,258	57%	14,810
Zenith Insurance Company	44,418	31,275	167,306	101,499	65,807	63%	5,123
	12,955,709	9,736,037	76,721,868	57,576,666	19,145,202		1,282,346

Property

	FINANCIAL SUMMARY Year Ended December 31, 2008 (In Thousands)	ONTARIO BUSINESS Direct Written Premiums $	Direct Claims Incurred $	TOTAL COMPANY Total Assets $	Total Liabilities $	Excess of assets over liabilities $	Claims Incurred to earned premium %	Net Income/ (Loss) $
	BRANCH							
	Affiliated FM Insurance Company	28,550	4,263	191,109	128,178	62,931	118%	(3,955)
	Allianz Global Risks Us Insurance Company	77,669	52,980	564,996	440,655	124,341	50%	26,146
	Allstate Insurance Company	0	0	0	0	0	n/a	0
	American Bankers Insurance Company of Florida	141,532	8,858	321,791	180,703	141,088	18%	13,455
	American Home Assurance Company	92,184	138,256	13,341	24,605	(11,264)	56%	92,269
	Arch Insurance Company	18,758	7,395	128,330	89,359	38,971	65%	4,449
	Associated Electric & Gas Insurance Services Limited	4,396	13,902	74,919	37,398	37,521	161%	(7,258)
	Atradius Credit Insurance N.V.	3,152	1,685	23,755	16,734	7,021	62%	(1,166)
10	Avemco Insurance Company	0	0	2,773	4	2,769	n/a	(54)
11	Aviation & General Insurance Company Limited	0	(3)	1,064	90	974	n/a	(32)
	Aviva International Limited	15	(106)	31,094	4,957	26,137	345%	354
	Berkley Insurance Company	500	73	42,593	9,585	33,008	60%	1,515
	Cardif-Assurance Risques Divers	0	0	10,500	430	10,070	n/a	(803)
	Centennial Insurance Company	0	(83)	11,512	752	10,760	n/a	577
	Chicago Title Insurance Company	8,788	2,588	32,073	12,284	19,789	27%	2,254
12	Chrysler Insurance Company	1,935	4,786	25,259	14,278	10,981	110%	(425)
	Compagnie Francaise d'Assurance Pour Le Commerce Exterieur	10,684	4,756	67,776	40,434	27,342	59%	(1,048)
	Continental Casualty Company	98,537	63,894	989,028	691,088	297,940	65%	25,445
	Eagle Star Insurance Company Limited	(2)	(116)	18,747	7,095	11,652	157%	416
	Ecclesiastical Insurance Office Public Limited Company	10,242	9,193	122,341	69,325	53,016	53%	2,409
	Electric Insurance Company	1,730	548	20,707	8,150	12,557	66%	844
	Employers Insurance Company of Wausau	0	(150)	35,548	6,780	28,768	n/a	1,335
	Euler American Credit Indemnity Company	19,832	19,398	109,234	68,681	40,553	113%	(2,582)
	Factory Mutual Insurance Company	63,109	66,935	815,604	489,455	326,149	119%	(26,239)
	Federal Insurance Company	2,025	8,201	141,046	57,243	83,803	200%	(1,357)
	First American Title Insurance Company	9,525	1,481	33,962	17,011	16,951	40%	239
	General Reinsurance Corporation	0	0	512,877	367,326	145,551	73%	8,598

		ONTARIO BUSINESS		TOTAL COMPANY				
	FINANCIAL SUMMARY Year Ended December 31, 2008	**Direct Written Premiums**	**Direct Claims Incurred**	**Total Assets**	**Total Liabilities**	**Excess of assets over liabilities**	**Claims Incurred to earned premium**	**Net Income/ (Loss)**
	(In Thousands)	**$**	**$**	**$**	**$**	**$**	**%**	**$**
	Great American Insurance Company	30,989	20,490	223,036	116,860	106,176	60%	8,582
	Great American Insurance Company of New York	0	(13)	2,385	151	2,234	n/a	95
	Hartford Fire Insurance Company	6,372	3,933	254,840	65,903	188,937	108%	6,035
13	Icarom Public Limited Company	0	33	3,303	553	2,750	n/a	(20)
	Jewelers Mutual Insurance Company	2,476	2,443	7,553	2,143	5,410	95%	(986)
	Lawyers Title Insurance Corporation	46	(1,377)	6,126	3,003	3,123	-1851%	5,125
	Liberty Mutual Insurance Company	66,820	37,148	1,160,751	566,047	594,704	64%	16,315
	Lloyd’s Underwriters	409,121	205,172	3,563,314	2,312,816	1,250,498	51%	555,742
14	Lumbermens Mutual Casualty Company	(60)	625	10,401	2,201	8,200	2648%	1,049
	Mitsui Sumitomo Insurance Company, Limited	0	0	0	0	0	n/a	0
	Motors Insurance Corporation	185,623	131,916	662,963	461,817	201,146	65%	47,632
	Munich Reinsurance America, Inc.	0	3,341	277,313	126,648	150,665	60%	22,992
	National Liability & Fire Insurance Company	12,843	6,873	266,894	118,386	148,508	68%	17,397
	Nipponkoa Insurance Company, Limited	952	66	33,103	3,944	29,159	26%	1,380
	North American Specialty Insurance Company	73	(42)	7,461	1,997	5,464	9%	1,821
	Pearl Assurance Public Limited Company	0	281	1,882	446	1,436	n/a	(26)
15	Progressive Casualty Insurance Company	0	(304)	41,363	8,911	32,452	n/a	1,972
	Protective Insurance Company	256	196	10,657	2,339	8,318	54%	159
16	Providence Washington Insurance Company	0	0	1,699	12	1,687	n/a	(44)
17	Reliance Insurance Company	0	0	0	0	0	n/a	0
	Security Insurance Company of Hartford	0	604	127,062	50,979	76,083	59000%	(1,012)
	Sentry Insurance A Mutual Company	653	253	33,443	5,946	27,497	37%	1,118
	Sompo Japan Insurance Inc.	3,132	1,088	40,445	6,913	33,532	26%	2,354
	St. Paul Fire And Marine Insurance Company	80,773	68,135	1,398,900	722,426	676,474	73%	40,047
	State Farm Fire And Casualty Company	365,607	306,886	1,091,122	632,855	458,267	86%	(14,089)

Property

		ONTARIO BUSINESS		TOTAL COMPANY				
	FINANCIAL SUMMARY Year Ended December 31, 2008	**Direct Written Premiums**	**Direct Claims Incurred**	**Total Assets**	**Total Liabilities**	**Excess of assets over liabilities**	**Claims Incurred to earned premium**	**Net Income/ (Loss)**
	(In Thousands)	**$**	**$**	**$**	**$**	**$**	**%**	**$**
	State Farm Mutual Automobile Insurance Company	1,119,314	1,110,063	4,208,916	2,932,122	1,276,794	100%	(65,737)
	Stewart Title Guaranty Company	59,802	22,401	142,821	83,973	58,848	37%	6,187
	T.H.E. Insurance Company	55	26	3,373	351	3,022	60%	550
	The American Road Insurance Company	2,159	1,081	21,235	1,647	19,588	60%	1,911
	The British Aviation Insurance Company Limited	4	7	4,822	1,413	3,409	232%	(385)
18	The Hanover Insurance Company	0	1	3,216	50	3,166	n/a	5
19	The Home Insurance Company	0	0	0	0	0	n/a	0
20	TIG Insurance Company	0	(202)	35,323	5,035	30,288	n/a	1,653
	Tokio Marine & Nichido Fire Insurance Co., Ltd.	14,725	10,587	116,377	69,708	46,669	73%	1,266
	Triton Insurance Company	16,242	11,684	309,986	181,712	128,274	18%	7,007
21	Uap-Newrotterdam Insurance Company N.V.	0	12	4,218	597	3,621	n/a	(115)
22	Utica Mutual Insurance Company	2	13	6,795	2,329	4,466	950%	131
	Virginia Surety Company, Inc.	104	134	43,545	11,241	32,304	47%	892
23	Westport Insurance Corporation	28,194	65,973	563,404	419,767	143,637	44%	26,583
	Xl Reinsurance America Inc.	24,330	14,202	519,895	291,740	228,155	61%	16,157
	Zurich Insurance Company	379,469	244,203	2,688,329	2,026,596	661,733	67%	90,018
		3,403,237	2,676,666	22,240,250	14,024,177	8,216,073		935,147
	Total	**17,603,550**	**13,459,659**	**105,902,507**	**76,767,878**	**29,134,629**		**2,174,183**

FINANCIAL SUMMARY Year Ended December 31, 2008 (In Thousands)	ONTARIO BUSINESS Direct Written Premiums $	 Benefits and payments to policy holders $	TOTAL COMPANY Total Assets $	 Total Liabilities $	 Excess of assets over liabilities $	 Net Income/ (Loss) $
ONTARIO						
CT Financial Assurance Company	3,484	1,102	29,984	19,357	10,627	496
Union of Canada Life Insurance	772	544	79,942	68,322	11,620	537
	4,256	1,646	109,926	87,679	22,247	1,033
EXTRA PROVINCIAL						
Acadia Life	0	0	67,980	48,114	19,866	805
Assumption Mutual Life Insurance Company	10,550	6,706	547,332	466,237	81,095	4,308
AXA Insurance	24,267	10,029	705,074	601,585	103,489	8,342
Canassurance Insurance Company	2,866	753	86,015	54,829	31,186	(476)
Desjardins Financial Security Life Assurance Company	581,221	469,361	13,658,234	12,819,165	839,069	40,153
First Canadian Insurance Corporation	19,373	2,619	237,467	159,587	77,880	15,884
Industrial Alliance Insurance And Financial Services Inc.	871,938	507,076	12,968,659	11,094,676	1,873,983	71,879
L'Entraide Assurance Mutual Company	2	0	76,526	66,479	10,047	1,238
La Capitale Insurance And Financial Services Inc.	1,817	777	158,963	116,573	42,390	4,685
La Survivance, Compagnie Mutuelle d'Assurance Vie	941	103	198,290	165,358	32,932	2,519
National Bank Life Insurance Company	11,489	2,921	151,134	56,425	94,709	12,417
Promutuel Life Inc.	0	0	10,660	3,302	7,358	(619)
SSQ, Life Insurance Company Inc.	137,027	88,858	2,175,361	1,939,722	235,639	25,761
The International Life Insurance Company	0	0	34,659	18,312	16,347	2,383
The Union Life, A Mutual Assurance Company	4,080	250	629,552	523,576	105,976	12,625
Trans Global Life Insurance Company	3,234	349	8,142	2,359	5,783	672
	1,668,805	1,089,802	31,714, 048	28,136,299	3,557,749	202,576

Life Insu

	FINANCIAL SUMMARY Year Ended December 31, 2008	ONTARIO BUSINESS Direct Written Premiums	 Benefits and payments to policy holders	TOTAL COMPANY Total Assets	 Total Liabilities	 Excess of assets over liabilities	 Net Income/ (Loss)
	(In Thousands)	$	$	$	$	$	$
	FEDERAL						
	Ace Ina Life Insurance	64,289	14,879	99,166	53,892	45,274	11,381
	AIG Life Insurance Company of Canada	838,138	124,993	3,101,347	2,765,420	335,927	(66,622)
	Allstate Life Insurance Company of Canada	0	0	3,688	65	3,623	60
	Assurant Life of Canada	70,955	23,247	659,982	603,525	56,457	48,968
	Blue Cross Life Insurance Company of Canada	25,463	13,804	316,604	244,490	72,114	4,243
	BMO Life Insurance Company	22,392	925	82,672	(4,011)	86,683	23,140
	Canadian Premier Life Insurance Company	82,410	15,281	215,760	83,047	132,713	24,520
	CIBC Life Insurance Company Limited	16,490	5,285	28,856	(54,552)	83,408	15,080
	Cigna Life Insurance Company of Canada	0	2,352	41,084	26,681	14,403	3,209
	Co-Operators Life Insurance Company	285,783	201,251	2,478,426	1,896,020	582,406	33,262
	Compcorp Life Insurance Company	0	0	10,000	306	9,694	(60)
24	Confederation Life Insurance Company	0	0	0	0	0	0
	Crown Life Insurance Company	0	0	463,724	381,982	81,742	10,943
	Cumis Life Insurance Company	73,559	62,391	537,683	458,312	79,371	13,343
	Fidelity Investments Insurance Company of Canada	0	0	20,991	10,132	10,859	(1,533)
	Industrial Alliance Pacific Life Insurance Company	99,836	58,254	2,518,211	2,193,026	325,185	57,890
	London Life Insurance Company	1,239,719	1,226,230	23,160,968	20,321,899	2,839,069	474,539
	Manulife Canada Ltd.	30,774	16,844	2,267,716	2,029,260	238,456	(143,507)
	MD Life Insurance Company	25,425	660	358,338	326,020	32,318	(16,034)
	Penncorp Life Insurance Company	24,414	7,715	333,555	245,252	88,303	12,225
	Primerica Life Insurance Company of Canada	110,964	36,844	531,131	32,069	499,062	63,071
	RBC Life Insurance Company	420,254	199,610	5,205,006	3,804,124	1,400,882	110,078
	Reliable Life Insurance Company	24,737	12,700	54,033	25,626	28,407	2,481
	Scotia Life Insurance Company	13,311	1,657	68,443	(46,925)	115,368	17,720
	Sun Life Assurance Company of Canada	3,239,718	3,051,768	73,253,625	62,854,455	10,399,170	1,506,414
	Sun Life Insurance (Canada) Limited	42,759	6,543	10,330,224	9,617,808	712,416	157,036
	TD Life Insurance Company	33,822	7,755	43,942	3,779	40,163	1,542
	The Canada Life Assurance Company	1,448,266	1,426,903	18,924,724	13,942,113	4,982,611	1,060,936
	The Canada Life Insurance Company of Canada	0	0	8,739,878	7,996,401	743,477	64,543

FINANCIAL SUMMARY Year Ended December 31, 2008	ONTARIO BUSINESS		TOTAL COMPANY			
	Direct Written Premiums	Benefits and payments to policy holders	Total Assets	Total Liabilities	Excess of assets over liabilities	Net Income/ (Loss)
(In Thousands)	$	$	$	$	$	$
The Empire Life Insurance Company	378,426	264,875	3,758,853	3,113,027	645,826	46,996
The Equitable Life Insurance Company of Canada	223,303	160,776	1,132,407	896,363	236,044	21,952
The Great-West Life Assurance Company	2,186,318	1,731,331	21,686,983	9,938,023	11,748,960	1,902,515
The Manufacturers Life Insurance Company	4,137,835	3,384,392	62,258,689	41,807,896	20,450,793	(67,835)
The Standard Life Assurance Company of Canada	580,371	758,171	16,193,714	14,922,126	1,271,588	(247)
The Wawanesa Life Insurance Company	17,351	10,717	493,230	392,745	100,485	4,662
Transamerica Life Canada	274,752	174,882	6,460,035	5,656,968	803,067	(583,436)
Unity Life of Canada	76,179	34,597	637,346	575,965	61,381	6,764
Western Life Assurance Company	17,790	6,958	74,892	51,207	23,685	1,009
	16,125,803	13,044,590	266,545,926	207,164,536	59,381,390	4,821,248
BRANCH						
Aetna Life Insurance Company	569	916	58,213	16,635	41,578	976
Allianz Life Insurance Company of North America	2,253	1,227	89,244	25,912	63,332	(1,906)
American Bankers Life Assurance Company of Florida	110,081	10,370	214,188	99,019	115,169	11,841
American Health And Life Insurance Company	13,814	2,084	153,222	46,826	106,396	16,391
American Income Life Insurance Company	20,459	3,417	198,742	39,920	158,822	117,262
Amex Assurance Company	724	0	6,312	42	6,270	315
AXA Equitable Life Insurance Company	46	98	75,824	32,781	43,043	(3,373)
Combined Insurance Company of America	40,704	(584)	590,144	225,591	364,553	51,621
Connecticut General Life Insurance Company	3,281	1,925	100,166	78,778	21,388	(5,004)
Cuna Mutual Insurance Society	165	455	21,596	15,594	6,002	(29)
First Allmerica Financial Life Insurance Company	7	6	2,240	1,459	781	(59)
Forethought Life Insurance Company	718	5,814	24,673	3,812	20,861	1,643
General American Life Insurance Company	0	0	1,201,185	430,282	770,903	119,509
Gerber Life Insurance Company	1,464	125	22,902	7,689	15,213	189
Hartford Life Insurance Company	0	191	23,297	4,192	19,105	(872)

Life Insu

		ONTARIO BUSINESS		TOTAL COMPANY			
	FINANCIAL SUMMARY Year Ended December 31, 2008	**Direct Written Premiums**	**Benefits and payments to policy holders**	**Total Assets**	**Total Liabilities**	**Excess of assets over liabilities**	**Net Income/ (Loss)**
	(In Thousands)	**$**	**$**	**$**	**$**	**$**	**$**
	Household Life Insurance Company	10,068	4,169	172,454	55,037	117,417	3,417
	John Hancock Life Insurance Company	0	0	0	0	0	0
	Liberty Life Assurance Company of Boston	186	113	15,397	2,145	13,252	448
	Life Insurance Company of North America	2,302	1,992	43,103	24,574	18,529	(823)
	Massachusetts Mutual Life Insurance Company	377	234	62,693	18,986	43,707	(2,099)
	Metlife Canada	920	13,043	342,110	308,570	33,540	2,313
25	Metropolitan Life Insurance Company	0	0	799,983	74,339	725,644	42,358
	Minnesota Life Insurance Company	136	3	6,700	153	6,547	111
	New York Life Insurance Company	25,204	24,759	324,244	107,910	216,334	8,228
	Pennsylvania Life Insurance Company	0	0	1,319	0	1,319	44
	Phoenix Life Insurance Company	0	25	2,508	405	2,103	(126)
	Principal Life Insurance Company	225	292	9,296	6,173	3,123	(59)
	Reassure America Life Insurance Company	3	9	9,031	5,097	3,934	(204)
	Standard Life Assurance Limited	2,923	67,919	58,776	52,997	5,779	300
	State Farm International Life Insurance Company Ltd	103,273	46,223	1,099,026	895,785	203,241	(13,107)
	Stonebridge Life Insurance Company	24	6	51,716	2,779	48,937	6,049
26	The Prudential Insurance Company of America	0	0	37,016	0	37,016	1,086
	The Standard Life Assurance Company 2006	0	0	1,241	0	1,241	74
	United American Insurance Company	290	286	10,144	4,779	5,365	586
	Washington National Insurance Company	146	(14)	4,018	0	4,018	781
		340,362	185,103	5,832,723	2,588,261	3,244,462	357,881
	Total	**18,139,226**	**14,321,141**	**304,202,623**	**237,976,775**	**66,225,848**	**5,382,738**

Reinsurance Companies

FINANCIAL SUMMARY Year Ended December 31, 2008	ONTARIO BUSINESS Premiums Assumed	Net Losses Incurred	TOTAL COMPANY 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.	106,511	14,605	636,638	507,356	129,282	64%	3,094
Global Reinsurance Company	94	(29)	94,022	63,606	30,416	-67%	1,933
	106,605	14,576	730,660	570,962	159,698		5,027
EXTRA PROVINCIAL							
Optimum Reassurance Inc.	34,203	5,572	317,363	265,717	51,646	n/a	7,356
FEDERAL							
Aspen Insurance UK Limited	40,443	37,450	267,523	163,213	104,310	91%	(6,487)
AXA General Insurance Company	854	2,986	122,897	93,719	29,178	80%	1,752
Munich Reinsurance Company of Canada	145,412	59,108	1,304,762	1,019,981	284,781	63%	43,954
RGA Life Reinsurance Company of Canada	350,939	13,858	3,358,640	2,904,709	453,931	n/a	10,511
Scor Canada Reinsurance Company	34,035	17,520	478,406	287,224	191,182	60%	19,662
Suecia Reinsurance Company	88	45	10,217	4,392	5,825	51%	(56)
Swiss Re Life & Health Canada	302,290	47,784	3,401,628	3,051,581	350,047	n/a	8,052
	874,061	178,751	8,944,073	7,524,819	1,419,254		77,388
BRANCH							
Alea Europe Ltd.	16	1,613	44,891	21,510	23,381	544%	1,236
American Agricultural Insurance Company	7,037	3,325	59,101	19,602	39,499	47%	4,900
AXA Re	(831)	7,555	852,034	736,002	116,032	n/a	(10,423)
Axis Reinsurance Company	0	4	25,477	858	24,619	80%	(376)
Caisse Centrale De Reassurance	14,769	9,008	173,580	127,308	46,272	78%	5,311
Cavell Insurance Company Limited	37	387	10,366	3,375	6,991	1046%	(112)
Converium Reinsurance (North America) Inc.	2	(6)	47,811	5,073	42,738	-350%	1,475
Endurance Reinsurance Corporation of America	(578)	(370)	24,169	6,660	17,509	216%	1,252
Everest Reinsurance Company	77,468	24,305	717,525	492,127	225,398	78%	18,608
General Re Life Corporation	0	0	12,605	2,425	10,180	n/a	1,917
Hannover Ruckversicherung Ag	61,676	45,169	524,973	325,523	199,450	72%	16,719

Reinsurance Companies

	FINANCIAL SUMMARY Year Ended December 31, 2008	ONTARIO BUSINESS Premiums Assumed	ONTARIO BUSINESS Net Losses Incurred	TOTAL COMPANY Total Assets	TOTAL COMPANY Total Liabilities	TOTAL COMPANY Excess of assets over liabilities	TOTAL COMPANY Claims incurred to earned premium	TOTAL COMPANY Net Income/ (Loss)
	THIS TABLE LISTS ONLY THOSE COMPANIES WHICH ARE LICENSED SOLELY FOR THE BUSINESS OF REINSURANCE							
	(In Thousands)	$	$	$	$	$	%	$
	Mapfre Re, Compania De Reaseguros, S.A.	5,240	396	41,306	8,995	32,311	45%	3,029
	Munich Reinsurance Company	502,874	214,841	5,534,079	3,840,005	1,694,074	n/a	143,274
27	Nationwide Mutual Insurance Company	0	0	0	0	0	n/a	0
	NRG Victory Reinsurance Limited	0	(30)	8,460	4,427	4,033	n/a	178
	Odyssey America Reinsurance Corporation	43,801	34,702	258,761	139,097	119,664	76%	6,835
	Paris Re	29,682	21,940	670,694	521,586	149,108	108%	7,632
	Partner Re Sa	0	0	8,222	4,107	4,115	n/a	17,974
	Partner Reinsurance Company Ltd.	9,091	6,243	265,409	166,046	99,363	n/a	14,427
	Partner Reinsurance Europe Limited	26,148	14,816	388,646	255,679	132,967	61%	12,317
28	Pohjola Non-Life Insurance Company Ltd.	0	27	992	113	879	-4%	(801)
	Reliastar Life Insurance Company	3,565	8,008	121,889	69,153	52,736	n/a	(581)
	Scor Global Life	14,109	4,145	314,894	211,551	103,343	n/a	7,478
29	Seaton Insurance Company	0	0	7,121	1,335	5,786	n/a	182
30	Swiss Reinsurance Company Ltd	343,967	29,886	4,022,033	2,746,938	1,275,095	70%	26,926
	Terra Nova Insurance Company Limited	0	(16,974)	2,222	0	2,222	87%	(1,895)
	The Insurance Corporation of New York	0	0	1,571	34	1,537	n/a	(31)
	The TOA Reinsurance Company of America	23,748	16,011	201,888	134,502	67,386	85%	2,163
	Transatlantic Reinsurance Company	95,227	10,228	715,650	500,515	215,135	39%	33,979
31	Westport Insurance Corporation	61,986	46,073	1,058,732	517,094	541,638	n/a	88,530
32	White Mountains Reinsurance Company of America	3,885	2,897	112,939	54,207	58,732	103%	642
		1,322,919	484,172	16,228,040	10,915,847	5,312,193		402,765
	Total	**2,337,788**	**683,071**	**26,220,136**	**19,277,345**	**6,942,791**		**492,536**

Reciprocal or Interinsurance Exchanges

FINANCIAL SUMMARY Year Ended December 31, 2008 (In Thousands)	ONTARIO BUSINESS Direct Written Premiums $	ONTARIO BUSINESS Direct Claims Incurred $	TOTAL COMPANY Total Assets $	TOTAL COMPANY Total Liabilities $	TOTAL COMPANY Excess of assets over liabilities $	TOTAL COMPANY Claims incurred to earned premium %	TOTAL COMPANY Net Income/ (Loss) $
ONTARIO							
Canadian Lawyers Liability Assurance Society	24,318	3,522	123,048	101,648	21,400	45%	4,550
Canadian Universities Reciprocal Insurance Exchange	8,924	9,316	85,995	68,248	17,747	82%	4,151
Community Newspapers Reciprocal Insurance Exchange	88	42	733	132	601	10%	(4)
Healthcare Insurance Reciprocal of Canada	112,569	102,605	573,355	464,262	109,093	89%	7,453
Municipal Electric Association Reciprocal Insurance Exchange	9,619	4,255	50,071	17,655	32,416	25%	4,845
Ontario Municipal Insurance Exchange	24,839	37,795	94,613	87,575	7,038	131%	(3,096)
Ontario School Boards' Insurance Exchange	34,277	38,618	165,834	136,128	29,706	115%	(1,583)
Poultry Insurance Exchange Reciprocal of Canada	441	174	3,708	589	3,119	39%	184
	215,075	196,327	1,097,357	876,237	221,120		16,500
EXTRA PROVINCIAL							
Canadian Airports Reciprocal Insurance Exchange (Carie)	154	0	3,889	1,973	1,916	116%	(334)
BRANCH							
Lumbermen's Underwriting Alliance	8,759	3,033	140,985	92,765	48,220	52%	562
Total	**223,988**	**199,360**	**1,242,231**	**970,975**	**271,256**		**16,728**

Fraternal

	FINANCIAL SUMMARY Year Ended December 31, 2008 (In Thousands)	ONTARIO BUSINESS Direct Written Premiums $	ONTARIO BUSINESS Benefits and payments to policy holders $	TOTAL COMPANY Total Assets $	TOTAL COMPANY Total Liabilities $	TOTAL COMPANY Excess of assets over liabilities $	TOTAL COMPANY Net Income/ (Loss) $
	ONTARIO						
	Guaranteed Funeral Deposits of Canada (Fraternal)	28,175	24,656	194,643	191,578	3,065	(78)
	Toronto Police Widows and Orphans Fund	1,452	2,713	69,746	61,687	8,059	305
		29,627	27,369	264,389	253,265	11,124	227
	FEDERAL						
	Actra Fraternal Benefit Society	7,359	5,605	60,172	39,029	21,143	1,896
33	Faithlife Financial	10,782	11,599	297,829	265,974	31,855	907
	Sons of Scotland Benevolent Association	1,349	561	12,348	9,185	3,163	(271)
34	Teachers Life Insurance Society (Fraternal)	3,004	1,500	46,045	37,255	8,790	459
	The Grand Orange Lodge of British America	1,389	922	21,474	17,948	3,526	194
	The Independent Order of Foresters	17,361	23,400	4,886,986	3,643,651	1,243,335	(197,126)
	The Order of Italo-Canadians	22	67	1,444	1,086	358	(25)
	Ukrainian Fraternal Society of Canada	18	52	7,004	5,870	1,134	(120)
	Ukrainian Mutual Benefit Association of St. Nicholas of Canada	3	12	5,308	4,214	1,094	(27)
		41,287	43,718	5,338,610	4,024,212	1,314,398	(194,113)

	ONTARIO BUSINESS		TOTAL COMPANY			
FINANCIAL SUMMARY Year Ended December 31, 2008	**Direct Written Premiums**	**Benefits and payments to policy holders**	**Total Assets**	**Total Liabilities**	**Excess of assets over liabilities**	**Net Income/ (Loss)**
(In Thousands)	**$**	**$**	**$**	**$**	**$**	**$**
BRANCH						
Aca Assurance	321	544	22,177	7,743	14,434	2,049
Croatian Fraternal Union of America	418	285	12,660	9,918	2,742	360
Knights of Columbus	83,711	45,874	1,781,007	1,543,255	237,752	(76,987)
The Royal Arcanum, Supreme Council of	122	601	13,345	9,959	3,386	(119)
Ukrainian Fraternal Association of America	13	71	3,263	0	3,263	1,427
Ukrainian National Association	48	107	11,454	6,217	5,237	68
United Commercial Travelers of America, Order of	40	29	5,119	3,316	1,803	(36)
Woman's Life Insurance Society	213	344	10,903	8,481	2,422	339
	84,886	47,855	1,859,928	1,588,889	271,039	(72,899)
Total	**155,800**	**118,942**	**7,462,927**	**5,866,366**	**1,596,561**	**(266,785)**

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

2 No financial information was reported for Markham General Insurance Company in 2008. The company was ordered into liquidation effective July 24, 2002.

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

4 The former name of AIG Commercial Insurance Company of Canada was Commerce and Industry Insurance Company of Canada.

5 No financial information was reported for Alta Surety Company in 2008. Company has been in liquidation since June 2002.

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

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

8 No financial information was reported for Granite Insurance Company in 2008. Company has been inactive since November 1992.

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

10 The company has a licence condition not to undertake or renew insurance contracts in Ontario after May 30, 2003.

11 The company has a licence condition not to undertake or renew insurance contracts in Ontario after July 18, 1995.

12 The former name of Chrysler Insurance Company was DaimlerChrysler Insurance Company.

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

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

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

16 The company has a licence condition not to undertake or renew insurance contracts in Ontario after November 7, 2003.

17 No financial information was reported for Reliance Insurance Company in 2008 Company has been in liquidation since August 2001.

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

19 No financial information was reported for The Home Insurance Company in 2008. Company has been in liquidation since November 1997.

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

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

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

23 The former name of Westport Insurance Corporation was Employers Reinsurance Corporation.

24 No financial information was reported in 2008 for Confederation Life Insurance Company. Company has licence condition not to take on new contracts and it is being wound up.

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

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

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

28 The company has a licence condition not to undertake or renew insurance contracts in Ontario after April 9, 2002.

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

30 The former name of Swiss Reinsurance Company Ltd. was Swiss Reinsurance Company.

31 The former name of Westport Insurance Corporation was Employers Reassurance Corporation.

32 The former name of White Mountains Reinsurance Company of America was Folksamerica Reinsurance Company.

33 The former name of Faithlife Financial was Lutheran Life Insurance Society of Canada.

34 Teachers Life Insurance Society (Fraternal) became federally regulated as of June 23rd, 2008.

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Ontario

Financial Services
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