Ontario

Financial Services
Commission
of Ontario

ANNUAL REPORT •

FINANCIAL SERVICES COMMISSION OF ONTARIO

2010 - 2011

Vigilant Oversight in a Changing Environment

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Message from the Chair

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

We are pleased to present the 13th Annual Report of the Financial Services Commission of Ontario (FSCO), covering the fiscal year ended March 31, 2011. As an integrated regulator, FSCO oversees six financial services sectors in Ontario: insurance, pension plans, credit unions and caisses populaires, mortgage brokering, loan and trust companies, and co-operative corporations. Taken together, these sectors represent a sizable and dynamic industry that contributes to the health and stability of the economy and the financial security of individuals and families. FSCO's mandate is to provide regulatory services that protect the public interest and enhance public confidence in the regulated sectors.

Vigilance and Flexibility in a Changing Environment

During 2010-2011, Ontario's economic recovery continued to gain momentum, with key indicators such as employment and real GDP nearing pre-recession levels. Reflecting the broader trend, activity in the financial services industry also strengthened during the year. Despite this positive picture, uncertainties in global markets remain and could affect the outlook for the Ontario economy and the financial services sectors. At the same time, the advance of information technology continues to both increase consumer expectations of financial service providers and create new products and distribution channels.

The cyclical nature of financial markets, coupled with the unpredictability of market conditions, has made it especially difficult to forecast developments in the regulated sectors. In this constantly evolving environment, it has been critical for FSCO to remain vigilant and flexible. FSCO has continued to conduct its activities in accordance with risk-based principles and engage regularly with stakeholders to gain an understanding of emerging issues.

In an uncertain climate, regulators must stay focused on priorities and take a forward-looking approach. This imperative has led FSCO to build more rigour into its planning process. In 2010-2011, a Strategic Plan was developed to mark a path for the next three years. Input from stakeholders through 18 consultation sessions was invaluable in shaping strategies to protect consumers and sustain a healthy, competitive industry.

Auto Insurance Reforms Implemented

In September 2010, significant reforms to the automobile insurance system in Ontario took effect. The changes were designed to promote greater price stability for consumers while directing more premium dollars towards treating accident victims. Leading up to the effective date, FSCO worked closely with stakeholders and the Ministry of Finance through an implementation steering committee chaired by the CEO and several working groups on such initiatives as rate filing guidelines and new claim forms. A key priority was to educate drivers about the new choices open to them when purchasing or renewing auto insurance policies. A working group with stakeholder members assisted FSCO in drafting consumer publications for insurers to distribute to renewing policyholders.

Modernizing the Pension System

The Ontario government is taking action to modernize the employment pension system and help pension plans adapt to economic changes while balancing the need for secure benefits. In 2010-2011, FSCO continued to assist the Ministry of Finance in developing and implementing pension reforms. The Securing Pension Benefits Now and for the Future Act, 2010, enacted in December 2010, builds on the first phase of legislative changes passed earlier in the year.

Supporting the government's pension reform agenda, in 2008 FSCO launched a multi-year project to improve pension regulatory services. A key element which FSCO is developing is a risk-based regulation framework to enable it to better detect and focus resources on high-risk plans. A consultation paper on the design of the proposed framework was published in March 2011. During 2010-2011, work also proceeded to further develop the Pension Services Portal on FSCO's website, which initially provided an electronic filing option for annual information returns. E-filing for investment information summaries became available in spring 2011, with other filings to be added in the succeeding months.

An additional step towards modernizing the pension system unfolded at the national level. In 2009, after more than a decade of work and consultations, the Canadian Association of Pension Supervisory Authorities released the proposed Agreement Respecting Multi-Jurisdictional Pension Plans. In 2010, Ontario enacted legislation enabling the Minister of Finance to sign the agreement, which provides clear rules and replaces an arrangement dating back to 1968. Ontario and Quebec signed the agreement in spring 2011. The multi-jurisdictional agreement is an example of FSCO's determination to foster a coordinated national approach to regulatory issues.

and the Chief Executive Officer

Promoting Compliance in the Mortgage Brokering Sector

The Mortgage Brokerages, Lenders and Administrators Act, 2006 improved consumer protection by making the sector more accountable. Additional requirements for market participants were introduced in 2010-2011. In addition to ongoing efforts to educate stakeholders and consumers about the Act, FSCO closely monitored compliance by the industry. On-site examinations of policies and procedures were conducted for a number of mortgage administrators and all mortgage brokerages' errors and omissions insurance coverage was audited.

In late 2010, FSCO released a consultation paper on mandatory continuing education for the mortgage brokering sector. All mortgage brokers and agents will be obliged to meet continuing education requirements as a condition for renewing their licences in 2012.

Risk-Based Oversight

Prudential and market conduct regulation remain core functions at FSCO. Taking a risk-based approach, FSCO concentrates on areas posing the most risk to the interests of consumers or pension plan beneficiaries.

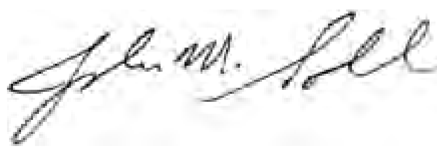
During the year, six Ontario-incorporated insurance companies required close prudential oversight. FSCO monitored their monthly performance indicators and met frequently with management and in some cases board members to resolve issues. As well, FSCO performed on-site examinations of 48 pension plans, selected through automated monitoring programs and on the basis of risk profiles.

The financial crisis that began in the fall of 2008 sparked a sharp increase in the volume of consumer complaints and this trend has persisted. FSCO inquires into allegations of non-compliance with legislative or regulatory requirements in any of the regulated sectors and takes enforcement action where warranted. In 2010-2011, five prosecutions resulted in fines of nearly $350,000.

Positive Relations with Stakeholders

FSCO values its solid working relationships with an array of stakeholders including other Canadian regulators, consumers, pension plan beneficiaries, and associations from the regulated sectors. We wish to take this opportunity to thank the many individuals and groups who consulted with FSCO or took part in joint projects over the course of the year.

As an agency, FSCO recognizes our accountability to the government, the regulated sectors and most important, the public. Through this annual publication, FSCO reports back on how it has fulfilled its mission over the previous 12 months. While recapping past efforts, the report also points to the future as the accomplishments described build a foundation for continuous improvement in regulatory services going forward.



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

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

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Chief Executive Officer and
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FSCO's Mandate, Governance and Resources

The Financial Services Commission of Ontario (FSCO) is an integrated regulatory agency reporting to the Ministry of Finance. Established by the Financial Services Commission of Ontario Act, 1997 (FSCO Act), it oversees insurance, pension plans, loan and trust companies, credit unions and caisses populaires, mortgage brokering, and co-operative corporations in Ontario.

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

FSCO is comprised of a five-member Commission, the Superintendent of Financial Services and staff.

COMMISSION MEMBERSHIP AND PURPOSES

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

As set out in the FSCO Act, the purposes of the Commission are to:

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

The members of the Commission during 2010-2011 were:

- John M. Solursh (Chair)
- Anne Corbett (Vice-Chair)
- Florence Holden (Vice-Chair)
- Tom Golfetto (Director of Arbitrations)
- Philip Howell (Superintendent of Financial Services and CEO)

SUPERINTENDENT OF FINANCIAL SERVICES AND STAFF

Under the FSCO Act, the Superintendent of Financial Services has the duty and authority to:

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

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

FINANCIAL SERVICES TRIBUNAL

The Financial Services Tribunal (FST) is an independent adjudicative body that conducts hearings arising from regulatory decisions made or proposed by the Superintendent of Financial Services, or other authorized persons or entities. The Chair and Vice-Chairs of the Commission are also the Chair and Vice-Chairs of the FST. A report on the FST's activities in 2010-2011 appears later in this document.

FSCO'S GOVERNANCE STRUCTURE AND PLANNING PROCESSES

The Minister of Finance, the Chair of the Commission and the Superintendent of Financial Services/CEO have entered into a Memorandum of Understanding (MOU) that reflects the accountability framework between the Minister and FSCO. The MOU establishes governance and accountability mechanisms and clarifies roles, relationships and mutual expectations.

The Commission meets quarterly and reviews and approves key planning, strategic and accountability documents – including FSCO's Agency Business Plan, Results-Based Plan, Risk Mitigation Plan, Statement of Priorities and Annual Report. Commission members are also invited to attend FSCO's Audit and Risk Committee meetings.

FSCO has created a series of on-going staff committees on various policy and operational issues, which are listed in the chart on the next page. The internal committees play a key role in FSCO's day-to-day activities.

Staff-level steering committees have also been established to guide key projects that involve multiple service or operational units or affect a number of areas within FSCO.

Accountability Framework

Annual Report

Under the FSCO Act, FSCO must file an Annual Report with the Minister of Finance each year. This is FSCO's 13th Annual Report.

Financial Reporting

As an Ontario government agency, FSCO receives an annual spending authority through the government planning process, based on its needs and government priorities. FSCO files quarterly reports on its spending. The Office of the Auditor General of Ontario

FSCO Staff Committees	
Committee	**Functions**
Executive Committee	Provides strategic leadership and direction to the organization and makes recommendations and decisions on organizational matters including financial and human resource issues.
Audit and Risk Committee	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.
Corporate Management Committee	Leads and participates in strategic initiatives established by the Executive Committee; develops solutions to address policy and other matters identified by the Executive Committee; and coordinates and assists the Executive Committee in organizational priority setting, resourcing and operational planning.
Auto Insurance Policy	Examines auto insurance policy issues and makes recommendations to the CEO.
Pension Policy	Discusses issues involving pension policy and makes recommendations to the CEO.
Insurance and Deposit Institutions Policy Committee	Reviews and discusses policy issues concerning consumers and registrants in the insurance, credit union and caisse populaire, co-operative and mortgage brokering sectors and makes recommendations to the CEO.
Corporate Compliance 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.
Compliance Coordination	Shares information between FSCO's program areas and coordinates regulatory efforts concerning market conduct in the financial services industry.
Health and Safety	Promotes a healthy and safe work environment at FSCO in accordance with the government's Occupational Health and Safety Directive.
Business Continuity	Assists with the development and maintenance of FSCO's business continuity plan and ensures that FSCO's staff and assets are protected in emergencies.
Local Employee Relations	Fosters on-going, effective and productive communication between FSCO and the Ontario Public Service Employees Union (OPSEU).

audits FSCO's annual financial statements, which appear later in this report.

Statement of Priorities

Under the FSCO Act, FSCO is required to deliver a Statement of Priorities to the Minister of Finance and publish it in The Ontario Gazette by June 30 each year. The Statement of Priorities sets out FSCO's priorities, strategies and initiatives for the current fiscal year, together with a summary of the reasons behind them. The Statement also includes a report-back on key results from the previous year. Each spring, FSCO posts the draft Statement of Priorities on its website and invites written submissions on the proposed directions.

As expressed in the June 2010 Statement, FSCO's priorities for 2010-2011 were:

- conduct FSCO's activities in accordance with risk-based principles;
- continuously improve the delivery of services;
- foster a coordinated national approach to regulatory issues.

FSCO adopted strategies and undertook initiatives to advance these priorities. The strategies and initiatives are sketched on the Strategic Map on the next page. Highlights of progress are presented in the FSCO at Work section of this report. Some of the projects are longer-term endeavours that began in 2010-2011 and will continue into the next year. FSCO provides regular updates to stakeholders on the status of these projects.

Performance Measures

FSCO works to continuously improve its performance throughout the organization in order to deliver its services in a cost efficient and effective manner.

To support this, FSCO will develop improved performance measures and establish standards against which it can be judged in all the sectors it regulates. The existing measures will be reviewed and updated over the coming year. FSCO is also working on new ways to measure outcomes and report on results.

Transparent Stakeholder Relations

FSCO engages a wide range of stakeholders to keep up with changing marketplace realities, respond effectively to emerging issues and challenges and streamline the regulatory system. Recognizing that effective communication with the regulated sectors is critical to its ability to fulfil its mission, FSCO is committed to openness and transparency in stakeholder relations.

FSCO maintains a series of advisory committees and ad hoc groups that consult on specific areas and issues. Examples include the Consumer Advisory Committee, the Co-operative Sector Liaison Committee, the Auto Insurance Stakeholder Advisory Committee, six pension advisory committees, and a committee with the Registered Insurance Brokers of Ontario.

Strategic Plan Developed

Between November 2010 and March 2011, FSCO developed a three-year Strategic Plan for 2011-2014. Meetings with stakeholders from across the regulated sectors contributed to the planning process. Eighteen sessions took place involving representatives of consumer groups, insurers, pension plans, mortgage brokers, credit unions, caisses populaires, co-operatives, health care providers, legal practitioners and Ministry of Finance staff. In addition, FSCO staff participated through branch or divisional meetings and one-to-one conversations. This process also fed into FSCO's Statement of Priorities for 2011-2012, the first year of the Strategic Plan.

HUMAN AND FISCAL RESOURCES

FSCO has a staff complement of 451. This does not include Legal Services staff, who are employees of the Ministry of the Attorney General, or information and information technology staff, who are part of the Central Agencies Cluster in the Ministry of Government Services.

In 2010-2011, FSCO's expenditures totalled $59 million, up 6.5 per cent from the previous year. The spending increase was attributable to information technology investments, financial obligations under collective agreements and the government's Budget initiative to improve pension regulatory services.

Recovering FSCO's Costs

FSCO's costs are recovered through a combination of assessments and fees. Under the FSCO Act, the Lieutenant Governor in Council may assess all entities that form part of a regulated sector with respect to expenditures incurred by the Ministry of Finance, the Commission and the Tribunal. The Minister of Finance is authorized to establish fees with respect to the regulated services provided by FSCO.

Ontario

FSCO'S STRATEGIC MAP FOR 2010-2011

VISION

To be a progressive and fair regulator working with its stakeholders to support a strong financial services sector.

PRIORITIES

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

STRATEGIES

Review and recommend changes to better control or mitigate risk	Identify opportunities for improved efficiency, effectiveness and transparency in the provision of information and services to stakeholders	Continue to coordinate with other Canadian regulators in the financial services industry at a national level

INITIATIVES

Review and recommend changes to better control or mitigate risk

- Work with General Insurance Statistical Agency to confirm data requirements to assist with market monitoring, rate analysis and policy analysis.
- Review profit provisions for auto insurance to ensure rates for Ontario automobile insurance are fair.
- Review Continuing Education needs for life insurance agents and mortgage agents and brokers.
- Promote industry compliance with the Mortgage Brokerages, Lenders and Administrators Act, 2006 and associated regulations.
- Update computer technology to integrate licensing and risk assessment systems.
- Modernize FSCO's market conduct policies and procedures to provide a more consolidated and consistent approach.
- Develop a more comprehensive approach to risk-based regulation of pension plans.
- Develop, under the direction of Canadian Association of Pension Supervisory Authorities (CAPSA), guidelines related to the "prudent person" rule and its application to assets and liabilities of pension plans.

Identify opportunities for improved efficiency, effectiveness and transparency in the provision of information and services to stakeholders

- Expand the Minor Injury Guideline to provide a continuum of care for those injured in auto accidents.
- Conduct a study of closed automobile insurance claims to understand the factors contributing to cost changes.
- Implement the government's package of automobile insurance reforms.
- Recommend changes to the Statutory Accident Benefits Schedule (SABS) definition of catastrophic impairment.
- Review all automobile accident claims forms with the aim of simplifying forms.
- Develop industry-wide standards for third party medical examinations and qualifications for assessors.
- Improve the auto insurance rate filing approval process.
- Improve automated dispute resolution case management systems.
- Ensure consumers understand the government's auto insurance reforms.
- Issue a Request for Proposal to procure the services of administrators for pension plans of insolvent employers.
- Host information sessions for pension plan administrators to raise awareness of legislative requirements and promote compliance.
- Develop a service portal to allow online submission of filings and other information from pension administrators and other parties.
- Develop electronic records management for electronic storage and retrieval of pension documentation.
- Publish an Inquiries and Complaints report, summarizing the inquiries received by FSCO and response times.
- Enhance outreach to pension stakeholders via the FSCO website.
- Ensure compliance with the OPS Service Directive and the Accessibility for Ontarian's with Disabilities Act.
- Upgrade MVACF's case management system.
- Work with MOF, co-operative sector to streamline current regulatory regime.
- Work with MOF, DICO, credit unions and caisses populaires to support their transition to new regulations.

Continue to coordinate with other Canadian regulators in the financial services industry at a national level

Support the development of harmonized regulatory solutions by participating in the Joint Forum, CAPSA, CARR, CCIR, CISRO, GISA, CMBRG and meetings to discuss national issues affecting credit unions and cooperative corporations.

Joint Forum[1]:

- Examine the responsibilities of investment product manufacturers, intermediaries and consumers to ensure effective product disclosure and regulation.
- Develop regulatory mechanisms with other regulators pertaining to risk and enforcement issues.

Canadian Association of Pension Supervisory Authorities (CAPSA)[2]:

- Develop plans for implementation of a new proposed agreement for the administration and regulation of multi-jurisdictional pension plans.
- Examine issues, related to the application of the "prudent person" rule, giving consideration to both the assets and liabilities of pension plans.

Canadian Council of Insurance Regulators (CCIR)[3]:

- Review with CISRO, the regulation of managing general agencies, wholesale agencies and insurance adjusters.
- Review and examine the issues and options around the use of credit scoring models in underwriting and other ways insurers use data from credit rating agencies.

Canadian Auto Insurance Rate Regulators (CARR)[4]:

- Finalize implementation of harmonized rate profiles in filings submitted by insurers to regulators.

1 A mechanism through which pension, securities and insurance regulators co-ordinate, harmonize and streamline regulation
2 A national inter-jurisdictional association of pension regulators
3 An inter-jurisdictional association of insurance regulators
4 An inter-jurisdictional Canadian association for automobile rate regulators

Taken together, the financial services sectors regulated by FSCO comprise a large, stable and dynamic industry that sustains Ontario's economy and quality of life. It employs a sizable work force. And it delivers products and services that underpin the financial stability of businesses and other organizations and the financial security of individuals and families.

The economic downturn that began in fall 2008 touched virtually all industries, including financial services. Throughout 2010-2011, Ontario continued to emerge from the global recession. Signs pointed to stronger activity in the financial services sectors. FSCO's response to the continuing economic and financial challenges is described in the FSCO at Work section of this annual report.

INSURANCE

Insurance is a $40 billion a year business in Ontario. In 2010, the industry recorded a 4 per cent increase in total premium volume compared with the year before. The business of property and casualty (P&C) insurers grew by 9 per cent, reflecting continued economic recovery. As in prior years, automobile insurance accounted for more than half of P&C premiums.

On March 31, 2011, 362 insurance companies held licences to operate in Ontario. In addition, 44,236 insurance agents – including 6,778 general insurance agents, 36,863 life insurance agents and 595 accident and sickness insurance agents – were licensed, together with 4,420 corporate insurance agencies and 1,499 insurance adjusters.

Most insurance business in the province is conducted by federally incorporated companies that are subject to prudential regulation by the federal Office of the Superintendent of Financial Institutions (OSFI). The number of Ontario-incorporated insurance companies has been steadily declining. Over the past few years, nearly a dozen Ontario-incorporated insurers have ceased operations or continued under federal or Quebec law for operational or strategic reasons. Other companies have advised FSCO that they are considering this option.

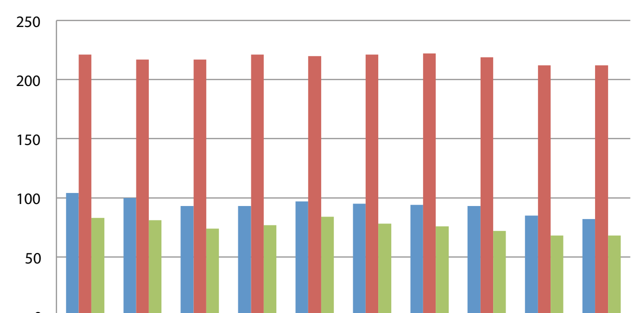
Insurance Companies Licensed in Ontario

Business Type	As of March 31, 2011	As of March 31, 2010
Life	82	85
Property & Casualty	212	212
Other	68	68
Total	362	365

Direct Insurance Premium Volume in Ontario

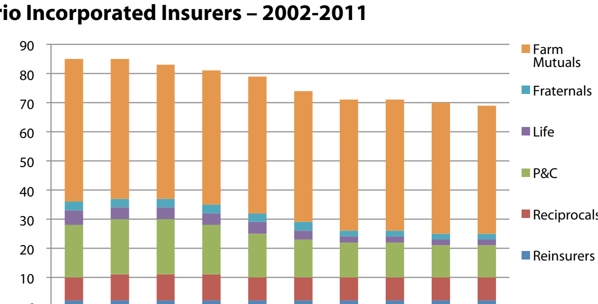
Business Type	2010 $ Billions	2009 $ Billions
Life	19.5	19.5
Property & Casualty	20.0	18.3
Other	0.46	0.45
Total	39.96	38.25

Insurance Companies in Ontario – 2002-2011



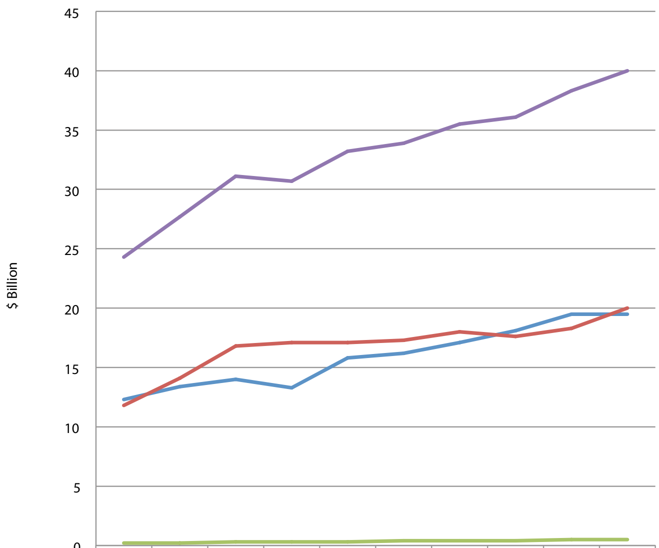
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Life	104	100	93	93	97	95	94	93	85	82
P&C	221	217	217	221	220	221	222	219	212	212
Other	83	81	74	77	84	78	76	72	68	68

Ontario Incorporated Insurers – 2002-2011



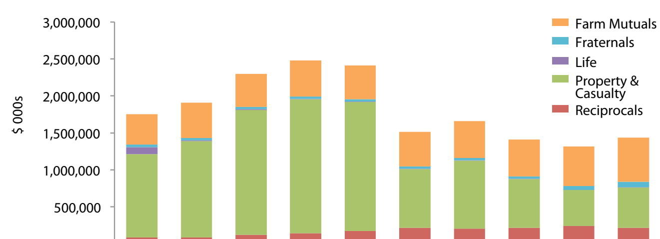
	2002	2003	2004	2005	2006	2007	2008	2009	2010	20 11
Farm Mutuals	49	48	46	46	47	45	45	45	45	44
Fraternals	3	3	3	3	3	3	2	2	2	2
Life	5	4	4	4	4	3	2	2	2	2
P&C	18	19	19	17	15	13	12	12	11	11
Reciprocals	8	9	9	9	8	8	8	8	8	8
Reinsurers	2	2	2	2	2	2	2	2	2	2

Direct Written Insurance Premiums in Ontario 2001-2010



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Life	12.3	13.4	14	13.3	15.8	16.2	17.1	18.1	19.5	19.5
P&C	11.8	14.1	16.8	17.1	17.1	17.3	18	17.6	18.3	20
Other	0.2	0.2	0.3	0.3	0.3	0.4	0.4	0.4	0.5	0.5
Total	24.3	27.7	31.1	30.7	33.2	33.9	35.5	36.1	38.3	40

Ontario Incorporated Insurers – Direct Written Premiums 2001-2010



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Farm Mutuals	412,833	479,615	447,852	486,246	461,219	466,932	493,896	499,863	536,971	598,577
Fraternals	33,733	33,459	32,478	32,845	30,509	32,433	33,139	29,627	49,350	72,346
Life	92,252	6,688	7,021	6,232	5,785	4,895	4,572	4,256	4,058	4,459
Property & Casualty	1,130,671	1,302,710	1,690,853	1,808,616	1,741,461	795,788	920,156	662,070	484,570	546,643
Reciprocals	84,011	87,692	119,952	144,953	174,707	215,335	204,534	215,075	242,692	214,214

DEPOSIT INSTITUTIONS, MORTGAGE BROKERING, CO-OPERATIVE CORPORATIONS

Ontario's 166 credit unions and caisses populaires held total assets of $31.8 billion, as of March 31, 2011. The sector is undergoing transformation as it adjusts to meet member needs. The trend toward amalgamation continued in 2010-2011, with the total assets of credit unions and caisses populaires increasing while their number decreased. Total membership in credit unions and caisses populaires remained at about 1.6 million, consistent with the past few years.

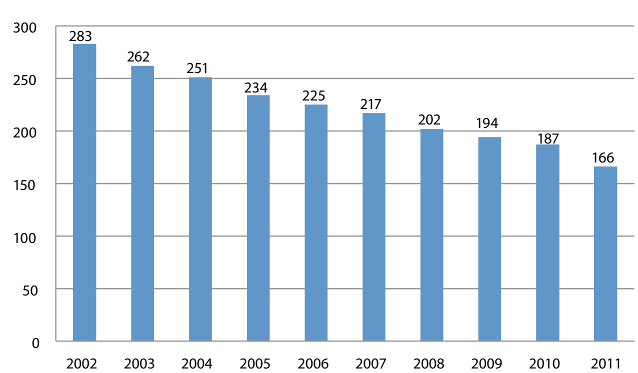
As of March 31, 2011, 57 loan and trust companies were registered to operate in Ontario, one more than a year earlier. All were federally incorporated, which is a requirement for registration.

Also at year end, 1,204 mortgage brokerages were licensed in Ontario, with 2,692 brokers and 8,800 agents. The number of brokerages was down 11 per cent from the previous year. Eighty-four mortgage administrators held licences, one more than the year before. According to annual information returns, mortgage

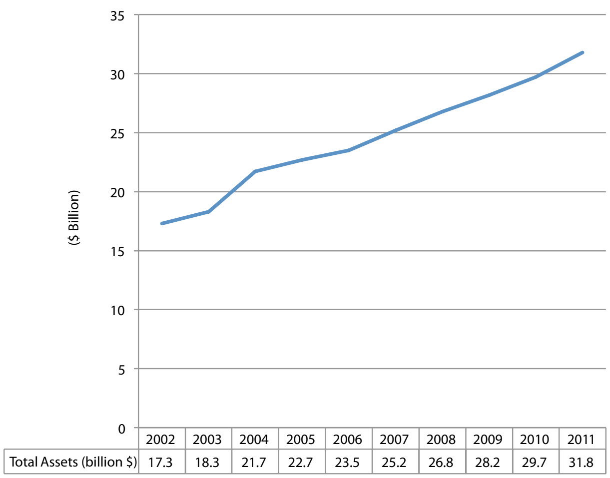
Ontario Credit Unions and Caisses Populaires

Measure	As of March 31, 2011	As of March 31, 2010
All Institutions		
– Number	166	187
– Assets	$31.8 billion	$29.7 billion
– Membership	1,597,508	1,630,762
Institutions with Assets over $50 Million		
– Number	92	94
– Assets	$30.6 billion	$28.3 billion
– Membership	1,465,167	1,479,139

Ontario Credit Unions – 2002-2011



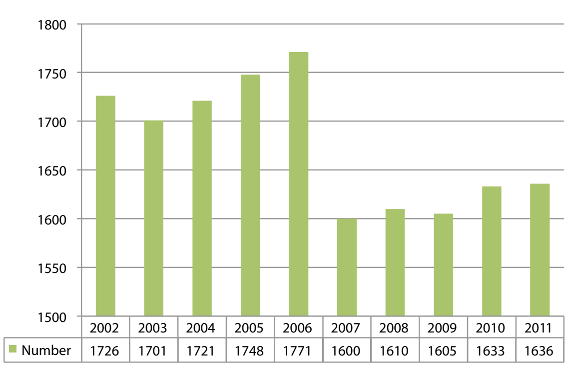
Ontario Credit Unions – Total Assets 2002-2011



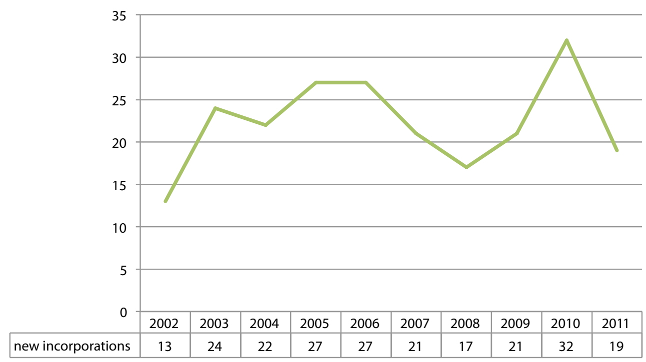
Mortgage Brokerage Activities in Ontario*				
Mortgages Arranged	**2010 #**	**2010 Value**	**2009 #**	**2009 Value**
Residential	236,868	$58.7 billion	216,727	$46.6 billion
Commercial	3,560	$13.3 billion	3,556	$11.5 billion
Total	240,428	$72 billion	220,283	$58.1 billion

** Based on Annual Information Returns (AIR)*

Ontario Co-operatives – 2002-2011



Ontario Co-operatives – New Incorporations 2002-2011



brokerages arranged more than 240,000 residential or commercial mortgages with a total value of $72 billion during the period from January 1 to December 31, 2010. While mortgage brokerages represent a significant financing channel, the majority of residential mortgages originate with chartered banks.

Co-operative corporations carry on enterprises on a co-operative basis as defined under the Co-operative Corporations Act. As of March 31, 2011, Ontario had 1,636 co-operative corporations, three more than a year earlier. This total represents co-operatives that have not formally applied to dissolve, but some of them may be inactive. Nineteen new co-operatives incorporated during 2010-2011 – 11 in services, two in housing development, one in housing, and one in marketing, as well as two consumer and two worker co-ops.

PENSION PLANS

Employment pension plans represent a significant source of retirement income for Ontarians, beyond publicly funded programs. They help employers recruit and retain a skilled work force. And, as the second-largest source of investment capital in Canada after the chartered banks, pension plans sustain economic growth.

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) have traditionally been established in industries or trades where workers tend to change employers frequently and have a common union affiliation (for example, carpenters or painters). Not all multi-employer pension plans have been created through negotiation; some, for example, have been established by legislation. MEPPs can be either defined benefit or defined contribution

ONTARIO-REGISTERED ACTIVE PENSION PLANS AND MEMBERSHIP

Pension Plan Type	As of March 31, 2011		As of March 31, 2010	
	#	% of Total	#	% of Total
Single-Employer Plans *	**7,646**	**98%**	**7,708**	**98%**
Defined Benefit Plans *	4,402	56%	4,391	56%
Members **	1,288,000	34%	1,535,000	40%
Active Members ***	667,000	31%	816,000	37%
Retired Members, Deferred Members and Other Beneficiaries ****	621,000	38%	719,000	43%
Defined Contribution Plans *	3,244	42%	3,317	42%
Members**	395,000	10%	390,000	10%
Active Members ***	340,000	16%	339,000	16%
Retired Members, Deferred Members and Other Beneficiaries****	55,000	3%	51,000	3%
Multi-Employer Plans*	**121**	**2%**	**127**	**2%**
Defined Benefit Plans*	82	1%	86	1%
Members**	828,000	22%	1,864,000	49%
Active Members***	375,000	18%	1,000,000	46%
Retired Members, Deferred Members and Other Beneficiaries ****	453,000	27%	864,000	52%
Defined Contribution Plans*	39	1%	41	1%
Members**	51,000	1%	48,000	1%
Active Members***	30,000	1%	29,000	1%
Retired Members, Deferred Members and Other Beneficiaries ****	19,000	1%	19,000	1%
Jointly-Sponsored Plans*	**7**	**0%**	**n/a**	**n/a**
Defined Benefit Plans*	7	0%	n/a	n/a
Members**	1,207,000	32%	n/a	n/a
Active Members***	706,000	33%	n/a	n/a
Retired Members, Deferred Members and Other Beneficiaries****	501,000	30%	n/a	n/a
Total Pension Plans*	**7,774**	**100%**	**7,835**	**100%**
Total Members**	3,769,000	100%	3,837,000	100%
Active Members***	2,118,000	100%	2,184,000	100%
Retired Members, Deferred Members and Other Beneficiaries****	1,651,000	100%	1,653,000	100%

* *Percentages express a percentage of the total number of Plans.*

** *Percentages express a percentage of the total number of Members in all Plans.*

*** *Percentages express a percentage of the total number of Active Members in all Plans*

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

Notes: (1) Membership numbers rounded to the nearest thousand.
(2) Percentages may not add due to rounding.
(3) Some defined benefit plans are hybrid plans combining defined benefit and defined contribution provisions.
(4) Percentages for JSPPs are reported as zero as they represent less than .1%.
(5) Information for JSPPs was not tracked separately prior to 2010-2011. JSPPs are included in totals for single or multi-employer defined benefit plans in prior years.

plans. Defined benefit MEPPs created through negotiations are also referred to as target benefit pension plans. In these plans the defined benefits may be adjusted if there are funding shortfalls.

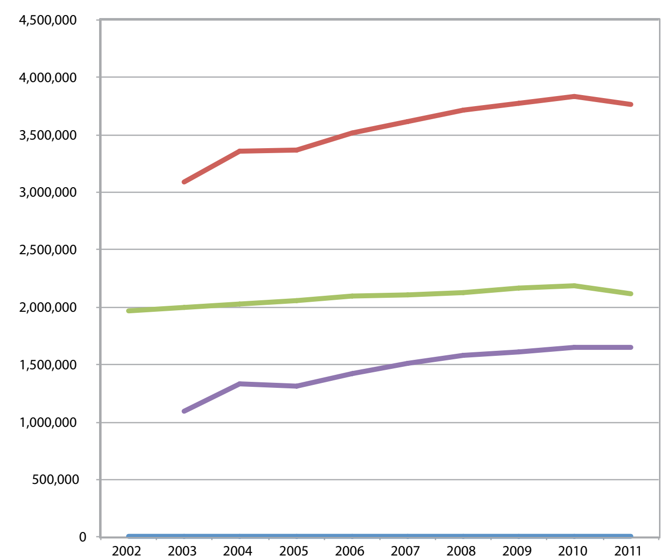
- Jointly-sponsored pension plans (JSPPs) are defined benefit plans where the employer (or employers) and the members jointly share responsibility for the plan including plan governance and the funding of any deficits as they arise. JSPPs can be either single employer or multi-employer plans. Most are very large public sector plans, such as those for teachers or municipal workers.

The number of pension plans totaled 7,774 as of March 31, 2011, down slightly from 7,835 a year earlier. Active plan membership decreased approximately three per cent to 2,118,000. Active plan members are those currently earning pension benefits. Plan membership also includes retired members, deferred members and other beneficiaries.

While MEPPs and JSPPs represented less than two per cent of registered plans at year end, they accounted for 52 per cent of active plan members. Defined benefit plans – single-employer, multi-employer or jointly-sponsored – accounted for 82 per cent of active plan members, in line with prior years.

The market value of assets in Ontario-registered pension plans was estimated at $357 billion in 2009, reflecting an 11 per cent increase from $320 billion in 2008, but still down from $386 billion in 2007. In all three years, 97 per cent of assets were held in defined benefit plans.

Pension Plans and Membership – 2002-2011



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Total Pension Plans	6,239	6,176	6,254	6,518	6,913	7,539	7,764	7,848	7,835	7,774
Total Members	N/A	3,089,756	3,363,021	3,366,529	3,516,946	3,615,000	3,713,000	3,776,000	3,837,000	3,769,000
Active Members	1,963,816	1,993,670	2,025,515	2,056,736	2,093,949	2,104,000	2,130,000	2,168,000	2,184,000	2,118,000
Retired Members, Deferred Members, Other Beneficiaries	N/A	1,096,086	1,337,506	1,309,793	1,422,997	1,511,000	1,583,000	1,608,000	1,653,000	1,651,000

FSCO works to protect the public interest and build public confidence in the regulated sectors. The following overview covers FSCO's business activities during 2010-2011 in seven areas:

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

LICENSING, MONITORING AND ENFORCEMENT ACROSS SECTORS

FSCO licenses or registers individuals and businesses to provide financial services in Ontario, monitors compliance with legislation and regulations and takes enforcement action where necessary. These regulatory services protect consumers and promote a competitive marketplace.

Application Volume Remains Constant

Applicants to practise in the financial services sectors must meet suitability requirements under the relevant statutes, which may include a qualifying examination and continuing education. FSCO reviews applications to ensure requirements are met. In 2010-2011, the volume of licensing, registration and other applications involving the provision of financial services totaled more than 35,000 – similar to the previous year.

During the year, FSCO processed 99 per cent of applications for insurance-agent licences and renewals within five business days, provided they were complete and accurate when received – the fourth consecutive year this high level has been achieved. Licensing Link – FSCO's Internet application system accessible 24 hours a day, seven days a week – supports the fast turnaround. Since mid-2006, insurance agents have been required to complete all licensing transactions online via Licensing Link whenever possible. Ninety-nine per cent of life-agent licence renewals in 2010-2011 were processed over the Internet – up from 98 per cent a year earlier.

Risk-Based Supervision

In the insurance sector, FSCO monitors the solvency of Ontario-incorporated companies – 11 general insurance companies, two life insurers, 44 farm mutual companies, two fraternal societies, two reinsurers and eight reciprocal exchanges – as well as the market conduct of all insurers licensed to operate in the province. As well, FSCO keeps watch over business practices in the other regulated sectors.

Licensing Activities

Activity	2010-2011 #	2009-2010 #
Individuals		
New Licences Issued		
Life Insurance Agents	4,539	4,874
General Insurance Agents	1,182	1,136
Accident and Sickness Insurance Agents	329	297
Insurance Adjusters	154	161
Mortgage Brokers*	214	484
Mortgage Agents*	3,196	2,725
Licences Renewed		
Life Insurance Agents**	18,245	11,462
General Insurance Agents* *	2,899	2,503
Accident and Sickness Insurance Agents**	169	165
Insurance Adjusters	1,259	1,120
Mortgage Brokers**	–	2,432
Mortgage Agents**	–	6,868
Corporations		
New Licences Issued		
Life and General Insurance Agencies	372	302
Corporate Insurance Adjusters	5	6
Insurance Companies	10	3
Mortgage Brokerages*	104	191
Mortgage Administrators*	16	19
New Registrations Issued		
Loan and Trust Companies	1	-
Licences Renewed		
Life and General Insurance Agencies**	2,337	1,428
Corporate Insurance Adjusters	80	80

Licensing Activities (continued)		
Activity	**2010-2011** #	**2009-2010** #
Co-operatives		
Offering Statements	17	13
Material Change Relating to Offering	1	1
New Incorporations	19	32
Amendments Relating to Incorporation	14	14
Dissolutions/Cancellations	11	2
Conversion to Corporation	1	–
Amalgamation	1	–
Credit Unions/Caisses Populaires		
New Incorporations	–	–
Applications Required for Approval/Filing (including applications for articles of amendment, name changes, by-law amendments, offering statements, etc.)	96	63
Mergers	2	2

* *Licences are issued for a two-year term. There are high-year and low-year renewal cycles; 2010-2011 was a high year.*

** *All mortgage broker and agent licences have a common expiry date of March 31, 2012; 2010-2011 was not a licence renewal year.*

Taking a risk-based approach to supervision, FSCO concentrates its resources on areas with the most potential for harm to consumers or public confidence. This approach maximizes the impact of regulatory services while minimizing the regulatory burden.

Staff deploy a wide spectrum of monitoring tools depending on the compliance issues involved. They evaluate industry filings, conduct market conduct surveys, consider media reports, review and respond to complaints, analyze complaint data and perform desk and on-site examinations.

Strong Prudential Oversight

In the insurance sector, the goal of FSCO's solvency monitoring is to ensure that insurer obligations to policyholders can be met. FSCO targets examinations based on an assessment of risk profiles, financial conditions, risk management systems, internal controls and compliance history.

In 2010-2011, FSCO conducted seven on-site solvency examinations in the insurance sector, as well as desk reviews of all other Ontario-incorporated insurers. While strong compliance with statutory filing and other requirements was found, conditions in the world economy and equity markets have increased the risk of financial failure. FSCO staff met with the senior management and boards of directors of several insurers to ensure that any prudential concerns were promptly addressed.

During the year, six insurance companies required closer scrutiny, down from eight the year before. FSCO monitored their key monthly performance indicators, such as income, assets, liabilities, investments and equity, as well as the Minimum Capital Test margin. Examiners kept in frequent contact with the management of these companies and arranged meetings with FSCO senior executives where warranted. In the more serious cases, discussions were held with board members about corporate performance and action plans to resolve issues.

International Financial Reporting Standards Take Effect

Canada is making the transition to the International Financial Reporting Standards (IFRS), which are transforming the way financial information is reported. Effective January 1, 2011, IFRS replaced the Canadian Generally Accepted Accounting Principles (GAAP) for publicly accountable enterprises – including publicly listed companies and enterprises with fiduciary responsibilities such as insurance companies and credit unions.

Leading up to the effective date, Ontario-incorporated insurance companies filed progress reports with FSCO every six months on their plans to adopt IFRS. For the December 31, 2010 year-end financial statements, FSCO required these insurers to submit equity reconciliations from Canadian GAAP to IFRS. FSCO reviewed these reconciliations and will monitor IFRS returns as they come due in the future.

Insurance Agents e-Newsletter Launched

In 2010-2011, FSCO introduced an e-newsletter to provide information and updates to Ontario's insurance agents about industry and regulatory issues. This e-publication is part of FSCO's ongoing efforts to maintain open channels of communication with the insurance industry. FSCO also participated in insurance trade shows and conferences during the year.

New Framework for Credit Union Regulation

A new regulatory framework for the credit union and caisse populaire sector took effect in October 2009, transferring responsibility for solvency oversight from the Superintendent of Financial Services to the Deposit Insurance Corporation of Ontario (DICO). At the same time, the Superintendent received new powers to impose administrative monetary penalties for violations like failing to file copies of a by-law, and was also given responsibility for granting continuances as an Ontario credit union. As well, DICO has authority to impose administrative penalties for certain contraventions. Both the Superintendent and DICO have the power to issue compliance orders. During the year, FSCO and DICO continued to work together to manage their respective regulatory roles.

Improving Compliance in the Mortgage Brokering Sector

The biggest financial commitment most families make is a home mortgage. The Mortgage Brokerages, Lenders and Administrators Act, 2006 strengthened consumer protection by making the mortgage brokering industry more accountable. The new legislation was proclaimed in force July 1, 2008, with standards of practice for mortgage brokerages effective January 1, 2009. Since then, FSCO has worked to ensure that the industry is in full compliance with the new regulatory regime.

On-Site Reviews

In 2009-2010, FSCO conducted on-site examinations of a random sample comprising about 10 per cent of all mortgage brokerages. A report on the findings released in May 2010 found that most of the mortgage brokerages have established written policies and procedures that are generally in compliance with the standards of practice under the regulations. However, improvements to policies and procedures are still needed in certain areas – such as records retention and restrictions on payments by brokerages – to reduce the potential risk of harm to consumers.

In 2010-2011, FSCO conducted further on-site examinations of 98 randomly selected licensees, primarily mortgage administrators and also a few brokerages. The main purpose was to confirm that administrators meet the requirement to have documented policies and procedures in place that reflect the standards of practice. In general terms, the review indicated that the majority of the administrators have established the required policies and procedures; however, there is room for improvement to achieve fuller compliance with the legislation.

Errors & Omissions Coverage

A key consumer protection measure under the legislation is the requirement for every mortgage brokerage and administrator to carry errors and omissions (E&O) insurance with extended fraud coverage, through an approved insurance provider. In October 2010, FSCO conducted its second audit of all mortgage brokerages' E&O coverage. As with the previous audit in 2008, FSCO collected data from insurance providers and contacted brokerages that did not appear to have the required coverage in place. In all, FSCO followed up with 120 brokerages for non-compliance and it appeared 54 of these might require enforcement action, to be taken in 2011-2012.

Annual Information Returns

Each mortgage brokerage and administrator is required to complete and submit an electronic Annual Information Return (AIR) to FSCO no later than March 31 each year. The AIR collects information about business practices, internal controls and market conditions for the previous calendar year to help FSCO assess risks in the sector.

As of March 31, 2011, 86 per cent of brokerages and administrators had filed their AIR for 2010. By the end of April 2011, this level had increased to 99 per cent, compared with overall compliance rates of 87 per cent and 80 per cent for 2009 and 2008, respectively. FSCO's efforts to encourage compliance have led to a steady increase in filing. Those who do not comply are subject to administrative monetary penalties.

Mandatory Re-licensing Education

In December 2010, FSCO released a paper on Mandatory Continuing Education for the Mortgage Broker Sector in Ontario: A Proposal for Consultation. Over the next few months, FSCO reviewed written comments and met with industry associations and current education providers.

In line with other jurisdictions, FSCO decided to replace the phrase "mandatory continuing education" with the phrase "re-licensing education (RE)." This reinforces the fact that the new education requirement will be a condition that all mortgage agents and brokers must fulfil if they are to maintain their licences and continue to conduct business under the mortgage brokering legislation. FSCO intends to establish a mandatory RE requirement for mortgage brokers and agents who will be renewing their licences in 2012.

Ongoing Links with Stakeholders

FSCO continues to rely increasingly on electronic channels to communicate with mortgage broker stakeholders. Two issues of the e-info newsletter were released during the year, covering such topics as tips from FSCO's mortgage brokerage compliance reviews, an update on licence renewals, audits of errors and omissions insurance coverage, and consultations on continuing education. In addition, 13 e-blasts were sent, focusing mainly on deadline reminders and other compliance information.

The Mortgage Broker Industry Implementation Working Group – comprised of members of mortgage broker, real estate and related associations, along with FSCO and ministry staff – continued to meet regularly throughout 2010-2011. The group offered advice on promoting compliance and communicating effectively.

Responding to Consumer Complaints

Complaints reflect consumer dissatisfaction and represent a key market conduct signal for both the industry and regulators. The review of complaints is fundamental to FSCO's risk-based approach to market conduct oversight.

Industry Complaint Procedures

In Ontario, insurance companies are required to designate a complaints officer to receive consumer complaints about business practices, and unresolved complaints must be referred to an independent third party for review. Most insurance companies are members of a national ombudservice established by the industry. Where this is not so, FSCO normally acts as the independent third party.

Monitoring Activities		
Activity	**2010-2011** #	**2009-2010** #
Examinations Conducted		
Insurance Companies - Solvency	7	6
Automobile Insurance	27	11
Pension Plans*	48	30
Mortgage Brokerages/ Administrators	98	116
Police Checks		
Insurance Agent Licence Applications	8,304	7,381
Mortgage Broker and Agent Applications	2,692	2,456
Audits		
Errors and Omissions Insurance		
- Life Insurance Agents	300	377
- Mortgage Brokerages	1,204	–
Conditional Mortgage Agent Education	–	916
Complaint Reviews		
Insurance Companies	381	224
Insurance Agents	208	149
Mortgage Brokerages	157	76
Mortgage Brokers	86	47
Mortgage Agents	191	172
Credit Unions	16	24
Loan and Trust Companies	5	3
Co-operatives	–	–
Statutory Accident Benefits Representatives	–	1
Health Care Providers	6	4
Pension Plans*	400	377
Total # of complaints	1450	1077

* *Pension Plan Examinations and Complaint Reviews are discussed in the Overseeing Pension Plans section of this Annual Report.*

All mortgage brokerages, mortgage administrators, credit unions and caisses populaires are required to designate an individual to receive and attempt to resolve complaints. They must also keep a record of written complaints and written responses. Moreover, these entities are required to advise parties making a complaint to contact FSCO if they believe there has been a violation of the legislation or regulations.

Allegations of Non-Compliance

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

The sharp increase in complaints that started with the financial and economic crisis in fall 2008 has persisted, creating a new normal range. This trend appears the result of heightened public awareness about business practices in the financial services industry. The highest rate of growth has occurred in the mortgage brokering sector, which accounted for about 40 per cent of all complaints to FSCO in 2010-2011, apart from pension complaints – up from just over 20 per cent in 2008-2009.

Enforcing Laws and Regulations

In 2010-2011, FSCO found that 93 per cent of all insurance companies and intermediaries and mortgage brokerages, brokers, agents and administrators that were audited, examined or reviewed were in compliance with legal requirements. Since FSCO takes a risk-based approach, compliance efforts are focused on areas where problems might be anticipated. FSCO is satisfied that the overall compliance rate throughout the financial services industry as a whole is much higher than in the areas reviewed.

Other monitoring activities – such as media scans, industry surveys and analysis of complaints data – confirmed that the marketplace was generally functioning as expected. FSCO's proactive oversight contributed to the high compliance rate and low proportion of cases requiring intervention.

When allegations of misconduct, unfair practices or non-compliance with legislation or regulations arise in any of the regulated sectors, FSCO investigates. If warranted, FSCO takes enforcement action – such as revoking a licence, requiring a compliance plan, issuing a cease-and-desist order or launching a prosecution.

Offenders Prosecuted

In 2010-2011, FSCO prosecuted one individual and four companies, securing convictions on 40 charges with fines totaling $342,350. These cases dealt with such offences as furnishing false or misleading information in relation to accident benefit claims under the Insurance Act, unlicensed activity under the Mortgage Brokerages, Lenders and Administrators Act, 2006, violating mandatory filing requirements under the Pensions Benefits Act and failure to exercise care, diligence and skills in the administration and investment of a pension fund under the Pensions Benefits Act.

Cease-and-Desist Orders

Under the Insurance Act, the Superintendent of Financial Services has the power to issue a cease-and-desist order where an individual, company or other entity commits an unfair or deceptive act or practice. The individual, company or entity can be ordered to cease engaging in the conduct indicated or to perform other acts that in the Superintendent's opinion are necessary to remedy the situation. Similar orders can be issued under the Mortgage Brokerages, Lenders and Administrators Act, 2006 and the Credit Unions and Caisses Populaires Act, 1994 and are referred to as compliance orders.

Two interim compliance orders issued under the Mortgage Brokerages, Lenders and Administrators Act, 2006 in May 2010 dealt with carrying on business as mortgage lenders without a licence. One of the orders was against two individuals operating under corporate names, and the other against a company and its two directors. Given the risk to the public, they were ordered to immediately cease carrying on business as mortgage lenders in Ontario, and to cease holding themselves out as doing so. Permanent compliance orders were later issued.

In March 2011, the Superintendent made two interim cease-and-desist orders under the Insurance Act concerning operation without a licence. Both became permanent the next month.

One ordered a company to immediately cease:

- undertaking or carrying on the business of insurance in Ontario;
- collecting money in exchange for assisting in the placement of or placing insurance policies of any kind;
- soliciting the sale of insurance in any form;
- advertising in any form; and
- maintaining an office for the transaction of the business of insurance.

The other order required a company and an individual to immediately cease acting as insurance agents and offering or assuming to act in the negotiation of insurance, and to cease holding themselves out as insurance agents.

Further details on these orders may be found under Enforcement Activities, on FSCO's website.

Dispute Resolution Penalties

In the automobile insurance dispute resolution (DR) system, penalties may be imposed under the Insurance Act at the end of an arbitration or appeal hearing. (See the section on Resolving Disputes over Automobile Accident Benefits later in this report for a description of the DR system.) For example, in 2010-2011 five special

Enforcement Actions

Type	2010-2011 #	2009-2010 #
Insurance Agents		
Licences Revoked	24	35
Licences Surrendered	53	17
Licences Suspended	6	9
Letters of Caution	7	19
Automobile Insurance Companies		
Letters of Caution	3	3
Mortgage Brokerages /Administrators		
Licence Refusals	–	–
Licence Surrenders	176	146
Licence Suspensions	–	–
Licence Revocations	–	2
Administrative Monetary Penalties		
Annual Information Return		
- Notices Issued	1	29
- Amount Ordered	$1,000	$29,000
Errors & Omissions Insurance		
- Notices Issued	1	–
- Amount Ordered	$250	$40,300
Unlicensed Activity		
- Notices Issued	1	–
- Amount Ordered	$25,000	–
Mortgage Brokers		
Licence Suspensions	-	1
Letters of Caution	2	-
Mortgage Agents		
Licence Refusals	-	1
Letters of Caution	3	3
Health Care Providers		
Letters of Caution	1	–

Enforcement Actions (Continued)		
Type	**2010-2011 #**	**2009-2010 #**
Dispute Resolution Penalties		
Special Awards against Insurers	5	7
Expense Orders against Representatives	–	1
Cease and Desist Orders	6**	
Prosecutions Completed	5	3

* *Enforcement actions resulting from 2010-2011 audit of errors and omissions insurance coverage took place in 2011-12 and will be reported in FSCO's next Annual Report.*
** *Comprised of four interim orders, two of which became permanent during the year.*
*** *Comprised of one interim order that became permanent.*

awards were made against insurers that unreasonably withheld or delayed the payment of benefits.

New Enforcement Tools

As noted above, the mortgage brokering legislation gives FSCO the power to impose administrative monetary penalties (AMPs) in cases of non-compliance with regulatory requirements. AMPs have also been introduced in the credit union sector. As a new enforcement tool, AMPs give FSCO more flexibility to promote compliance.

In 2010-2011, FSCO and the Ministry of Finance established a working group and steering committee to develop a proposed model for implementing AMPs in the insurance industry. Insurance stakeholders expressed support for the project. Over the course of several meetings the team weighed such issues as the type, form and amount of AMPs and the legislative and regulatory provisions to be covered.

In December 2010, the Superintendent of Financial Services and the ministry approved a proposed model for the government's consideration. The 2011 Ontario Budget announced that the government will consider additional enforcement tools for the regulator, such as administrative monetary penalties, as part of a review of the non-auto-insurance parts of the Insurance Act.

Advisory Board Hearings

Issues involving the licences of insurance agents or adjusters are often resolved by minutes of settlement. However, an agent, adjuster or applicant for a licence is entitled to request a hearing. Where this is done, the Superintendent of Financial Services appoints an Advisory Board.

Advisory Boards make recommendations to the Superintendent on whether to grant, renew, revoke or suspend a licence. Each board includes an agent or adjuster representative, an insurer representative and a Superintendent's representative.

Advisory Board Activities		
Activity	**2010-2011 #**	**2009-2010 #**
Cases Pending at Beginning of Year	9	7
New Cases Received	14	13
Hearing Days	9	14
Other Activity Days – Including: Pre-Hearing Conferences, Telephone Conferences, Settlement Conferences and Motions	13	20
Total Hearing and Activity Days	22	34
Files Closed	17	11
Cases Pending at End of Year	6	9

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

The board holds a hearing and prepares a written report to the Superintendent, who then makes a decision and issues an order. In 2010-2011, Advisory Boards closed 17 cases, six more than the previous year.

OVERSEEING PENSION PLANS

Employment pension plans registered in Ontario must meet minimum standards for administration and funding established by the Pension Benefits Act and regulations. FSCO monitors and enforces compliance with the legislation and regulations and advises the government on pension issues. It also operates a pension benefits guarantee fund that protects a minimum level of benefits in most private single-employer defined benefit plans.

Reinforcing Pension Plan Regulation

The 2009 Ontario Budget announced additional resources for FSCO over a three-year period to improve pension regulatory services and enhance the effectiveness of pension plan regulation. As of March 31, 2011, 17 new full-time positions were in place to support better regulatory efficiency and oversight.

During the year, FSCO continued to assist the Ministry of Finance to modernize and strengthen pension legislation. The Securing Pension Benefits Now and for the Future Act, 2010 was enacted in December 2010. It builds on the first phase of amendments to the Pension Benefits Act passed by the legislature in May 2010. The latest reform package will:

- strengthen Ontario's pension funding rules by requiring more sustainable funding of promised benefits and stronger funding standards for benefit improvements;

- provide a framework to permit more flexible funding rules for certain multi-employer pension plans and jointly sponsored pension plans;
- clarify pension surplus rules and provide a dispute resolution process to allow members, retirees and sponsors to reach agreements on how surplus should be allocated on wind up;
- make the Pension Benefits Guarantee Fund more sustainable by implementing a strategy to build reserves, increase revenues, limit current exposure and reduce future risk to taxpayers; and
- further strengthen regulatory oversight by broadening the circumstances where the Superintendent of Financial Services has the power to appoint a plan administrator.

Most of the legislation is effective on proclamation, and many provisions require amendments to regulations to implement them. With the two reform bills, the government has responded to about two thirds of the 142 recommendations in the report of the Expert Commission on Pensions, released in late 2008 following extensive research and public consultations.

Processing Filings and Transactions

Under the Pension Benefits Act, the Superintendent of Financial Services makes regulatory decisions on a range of pension plan transactions, from initial registration to full wind-up. The chart on this page lists key plan transactions dealt with by FSCO during 2010-2011.

FSCO also processes six prescribed filings – Annual Information Returns, Pension Benefits Guarantee Fund Assessment Certificates, Investment Information Summaries, Actuarial Funding Valuation Reports, Actuarial Information Summaries, and Pension Fund Financial Statements. In all, more than 24,500 filings were processed during the year.

While down from the previous year, the number of full wind-ups of pension plans remained relatively high at 265 in 2010-2011. Some of the factors involved were: 75 terminations of Individual Pension Plans (IPPs)* by employers following changes in federal income tax rules; 27 wind-ups resulting directly from the insolvency of the employer; and replacement of several defined contribution plans with group registered retirement savings arrangements not subject to the Pension Benefits Act.

In the event the sponsor becomes insolvent, the Superintendent in most cases appoints a third-party administrator to ensure the plan is wound up properly. As of March 31, 2011, FSCO was coordinating the administration of 187 plans for insolvent companies, virtually the same level as a year earlier.

Risk-Based Approach to Plan Monitoring

FSCO monitors the funding and investment of defined benefit pension plans. A risk-based approach is taken to identify and focus

Pension Plan Transactions Processed

Type	2010-2011 #	2009-2010 #
New Plans Registered		
Single-Employer Plans		
Defined Benefit	245	233
Defined Contribution	66	105
Multi-Employer Plans		
Defined Benefit	1	–
Total	312	338
Plan Amendments Registered	1,973	2,471
Full Wind-Ups Processed		
Single-Employer Plans		
Defined Benefit	157	193
Defined Contribution	107	168
Multi-Employer Plans		
Defined Contribution	1	–
Total	265	361
Partial Wind-Ups Processed		
Single-Employer Plans		
Defined Benefit	44	34
Defined Contribution	38	49
Multi-Employer Plans		
Defined Benefit	1	4
Defined Contribution	4	3
Total	87	90
Plan Mergers/Asset Transfers Approved		
Single-Employer Plans		
Defined Benefit	30	24
Defined Contribution	39	42
Multi-Employer Plans		
Defined Benefit	2	–
Defined Contribution	1	1
Jointly Sponsored Plans		
Defined Benefit	1	–
Total	73	67

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

Pension Plan Transactions Processed (Continued)		
Type	2010-2011 \#	2009-2010 \#
Surplus Refunds to Employers on Full Wind-Up Applications		
Single Employer Plans		
Defined Benefit	6	3
Defined Contribution	1	–
Total	7	3
Surplus Refunds to Employers on Partial Wind-Up Applications		
Single Employer Plans		
Defined Benefit	8	1
Total	8	1

on higher-risk plans, promoting efficient and effective use of regulatory resources.

Plan Funding

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

Highlights of the risk-based monitoring of plan funding during 2010-2011 include:

- Actuarial information summary reports for 1,877 plans were entered and screened through the system.
- For 740 of the plans screened, the system flagged potential problems – such as significant deterioration in funded status, significant actuarial gains or losses, non-compliance with minimum funding requirements, delinquent contributions, and questions about actuarial assumptions.
- FSCO followed up with 184 plans where material compliance concerns were raised. In almost all cases issues were resolved through steps taken by plan sponsors, administrators and actuaries, with FSCO taking enforcement action when plans remained noncompliant.

Plan Investment

In 2006, FSCO extended risk-based monitoring to include pension fund investments. This was done because the long-term health of plans depends heavily on investment returns. Key financial and investment information is collected from plans annually, entered into a database and screened by an automated system to select higher risk plans for further review.

In 2010-2011, FSCO completed the fifth investment monitoring cycle, which covered plan fiscal years ending between July 1, 2009 and June 30, 2010. Highlights include:

- Investment information summary filings for 1,771 plans were entered and screened through the system.
- The system flagged 542 of these plans with such investment-related issues as regulatory breaches, poor relative performance and significant asset-liability mismatch.
- FSCO reviewed most of the flagged plans and raised issues with 72 plans. Of these, 65 plans were required to provide a response and seven plans underwent an on-site examination.

A summary of pension plan funding and investment information can be found in FSCO's 2010 Report on the Funding of Defined Benefit Pension Plans in Ontario - Seventh Annual Report. This was published in March 2011 and appears on FSCO's website.

On-Site Examinations

FSCO performed on-site examinations of 48 pension plans during 2010-2011, an increase from 30 plans the previous year. Of the 48 plans, 26 were defined benefit plans, five were defined contribution plans and 17 were hybrid plans combining defined benefit and defined contribution features. Four of the plans reviewed were multi-employer plans. Plans were chosen for examination through the risk-based funding and investment monitoring programs, as well as on the basis of risk profiles in FSCO's pension plans database.

Improving Pension Regulatory Services

In 2008, FSCO launched a multi-year project on Improving Pension Regulatory Services in response to issues raised in the final report of the Expert Commission on Pensions and elsewhere. The project includes five initiatives, which FSCO continued to pursue throughout 2010-2011.

Enhanced Stakeholder Engagement and Outreach

FSCO has developed a process for conducting public consultations that calls for the posting of draft policies and initiatives on FSCO's website for review and comment. The objective is to broaden communication with pension stakeholders and enhance stakeholder engagement in FSCO's pension activities. Two public consultations were undertaken during the year – one on FSCO's proposed risk-based regulation framework and the second on a policy and guideline for administrators regarding the management of inquiries and complaints from plan beneficiaries.

FSCO has six pension plan advisory committees – the Administrator, Accounting and Assurance, Actuarial, Investment, Legal, and Multi-Employer Pension Plan committees. FSCO met with each committee in spring and fall 2010 and has incorporated this regular schedule into its ongoing operations. An annual Pension Forum, held early in the calendar year, brings together the members of all committees, updates them on FSCO's accomplishments over the past 12 months and provides an opportunity for input on proposed initiatives or topics of interest for the coming year.

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

Pension System Enhancement and Development

FSCO is working to strengthen its information and information technology capabilities to become a more effective and efficient regulator, in consultation with the pension advisory committees and stakeholder groups.

In March 2010, FSCO launched the Pension Services Portal (PSP) on its website, enabling an electronic filing option for the annual information returns. Work proceeded during 2010-2011 to enhance the portal, making electronic filing available for investment information summaries in spring 2011. With continuing upgrades to the PSP, pension plan administrators and their agents will soon be able to submit all their filings electronically via a secure web-based application.

Risk-Based Regulation Framework

In fall 2009, FSCO undertook a project to develop a more comprehensive risk-based approach to the supervision of pension plans. The aim is to better detect and focus resources on high-risk plans. The project will create a risk-based supervisory framework together with the business and system processes to implement it. This work is expected to improve plan monitoring by enabling FSCO to review funding and investment data in a more integrated way and by incorporating other risks such as governance, administration and sponsor or industry risks.

Consultations with selected stakeholders on the design of the proposed risk-based regulation framework were held in fall 2010. FSCO incorporated perspectives from these discussions into a consultation paper that was posted for public consultation in March 2011. Thirteen written submissions were received. FSCO expects to finalize the framework design in summer 2011 after taking into account the comments and feedback from the submissions.

FSCO also began work on the main initiatives needed to operationalize the new framework, including:

- detailed design features, such as risk indicators and measures, risk assessment methods, and regulatory responses;
- supporting business and system processes;
- key performance indicators for assessing the framework's effectiveness; and
- plans for the initial rollout and multi-year implementation of the framework and processes.

Defined Benefit Application Processing

FSCO has undertaken an initiative to address longstanding defined benefit applications related to plan mergers, asset transfers, and partial wind-ups involving surplus assets. FSCO streamlined processes for review of these applications and revised and published performance targets. Future results will be reported against these new measures.

Inquiries and Complaints

Over the past two years, FSCO has improved procedures and information systems for processing, tracking and reporting pension-related inquiries and complaints. As well, new performance targets for response to plan member inquiries and complaints have been published.

In 2010-2011, FSCO developed a pension policy, Administrator's Management of Inquiries and Complaints from Plan Beneficiaries, to guide pension plan administrators in dealing with inquiries and complaints from members of their plans. A webinar was also held to discuss best practices with industry representatives.

During the year, FSCO's Pension Division received a total of 11,425 pension inquiries, with 3,213 from plan members inquiring about their plans and rights under the Pension Benefits Act. The average response time to the inquiries from plan members was 10 days – well below the target of 15 days. Of these inquiries, 400 were complaints against plan administrators that FSCO reviewed to ensure compliance with the Pension Benefits Act and regulations and the plan documents.

Pension Regulatory Costs

The average cost of all pension regulatory activities combined – such as monitoring plan funding, processing transactions and filings, and responding to inquiries – was $4.53 per plan member (including active, retired and deferred members and other beneficiaries). The 9 per cent increase from the previous year was due to additional costs for initiatives to improve pension regulatory services.

Financial Hardship Unlocking

In general, funds transferred from a registered pension plan into a locked-in account may be used only to provide retirement income. However, under special circumstances – including certain types of financial hardship such as low income – qualifying individuals can obtain access to their money.

The consent of the Superintendent of Financial Services is required to unlock funds because of financial hardship. The volume of applications increased sharply with the start of the recession in fall 2008 and has remained high. It appears that unemployed workers are being forced to access funds set aside for retirement to meet immediate needs.

Financial Hardship Unlocking Applications Processed		
Applications	**2010-2011**	**2009-2010**
Received	15,279	16,441
Approved	14,022	15,272
Refused	1	3

Pension Benefits Guarantee Fund Claims		
Claims Paid	**2010-2011**	**2009-2010**
Number	19	23
Total Value*	$55,312,899	$64,535,385

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

In response to the economic downturn, the government waived fees for financial-hardship unlocking applications for two years, beginning April 1, 2009. The waiver period has been extended until April 1, 2012 while the government undertakes a review of the administration of the unlocking program.

Pension Benefits Guarantee Fund

The Pension Benefits Guarantee Fund (PBGF) protects a minimum level of benefits for Ontario members and beneficiaries of most single-employer defined benefit pension plans in the event the plan sponsor becomes insolvent. The PBGF is governed by the Pension Benefits Act and regulations. The Superintendent of Financial Services is responsible for the administration of the PBGF and the investment of its assets.

Pension plans with guaranteed benefits pay an assessment into the PBGF. The total liability of the PBGF is limited to the assets of the fund plus any loans or grants received from the province. The Office of the Auditor General of Ontario audits the PBGF's annual financial statements, which appear later in this report.

REGULATING THE AUTOMOBILE INSURANCE SYSTEM

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

Auto Insurance Reforms Implemented

Effective September 1, 2010, the government introduced auto insurance reforms under the Insurance Act to promote greater price stability for consumers, while ensuring that more premium dollars go towards treating accident victims. The reforms were based on the review of Part VI (Automobile Insurance) of the Act and related regulations conducted by the Superintendent of Financial Services in 2008-2009. Dozens of insurance industry, health care, legal and other stakeholder groups, as well as individual consumers, took part in extensive consultations during the review.

FSCO began working with stakeholders on implementation following the government's announcement of the reform package in November 2009. To support the process, the Superintendent created and chaired the Reforms Implementation Steering Committee, made up of key stakeholders. In addition, a series of working groups including stakeholder representatives and FSCO staff convened to work on specific reform initiatives – including new claim forms, new policy and endorsement forms, a Minor Injury Guideline, filing guidelines for insurers, dispute resolution forms and practice code, and consumer information.

In all, FSCO issued 18 bulletins to stakeholders concerning the reforms, providing information and guidance on the new regulations and the specific reform initiatives. Implementation remains an ongoing process.

Educating Consumers

To help consumers understand what the reforms mean for them, FSCO produced the following:

- Summary of Important Changes to Your Policy
- Providing More Choice to Consumers: What you need to know about changes to auto insurance in Ontario
- Changes to Ontario Auto Insurance Give You More Choice.

The publications were drafted in consultation with the consumer information working group, which included stakeholder representatives. The materials explain the changes to the standard auto insurance policy, and the new choices offered when renewing a policy.

In the interest of delivering consistent and coordinated information, FSCO required auto insurers to distribute, or arrange distribution of, these publications to renewing policyholders. FSCO staff visited insurers to confirm they had controls in place to ensure provision of the appropriate consumer educational materials. It was found that all insurers had established controls and were able to correct problems detected. FSCO itself distributed the Providing More Choice to Consumers brochure through MPP constituency offices across Ontario and at the Canadian International Auto Show.

Catastrophic Impairment Review

The Ontario automobile insurance system provides a higher tier of accident benefits for claimants whose impairments are determined to be "catastrophic." The Statutory Accident Benefits Schedule (SABS) sets out the definition for "catastrophic impairment," but the definition has undergone only minor changes since 1996 and as a result of a number of court decisions has become unclear.

The auto insurance reform package announced in November 2009 included a commitment to consult with the medical community to develop a clear and fair definition. The government directed FSCO to follow up on this pledge.

In late 2010, the Superintendent appointed a panel of eight medical specialists and scientists to recommend changes to the definition of "catastrophic impairment" and also to recommend qualifications and experience requirements for health professionals who conduct catastrophic impairment assessments. Chaired by Dr. Pierre Côté, the expert panel has met regularly and has completed considerable research and analysis. The panel is expected to present its findings and recommendations in two reports to the Superintendent in spring 2011.

Minor Injury Treatment Protocol

The reform package also included a commitment to bring in a new guideline to improve the efficiency and effectiveness of treatment for minor injuries, such as whiplash, sprains and strains.

In response, in late 2010 FSCO embarked on a process to procure consulting services to develop a Minor Injury Treatment Protocol (MITP) that could ultimately serve as the basis for a guideline issued by the Superintendent. The protocol will reflect current scientific and medical literature, focus on treatment outcomes and provide health care providers with milestones for measuring progress.

An interim Minor Injury Guideline – developed in consultation with the insurance industry, health care professionals and legal representatives – took effect on September 1, 2010 along with a $3,500 monetary cap on treatment and assessments of minor injuries. The interim guideline allows health care providers to treat minor injuries without the need for prior approval by the insurer and is expected to be replaced in the future with a more comprehensive approach based on the MITP.

Filing Review Process Protects Consumers

As part of the auto insurance reform implementation process, FSCO released guidelines to insurers for rate and risk classification filings made necessary by the reforms. Companies were required to submit their filings by April 15, 2010. In all, FSCO approved 63 private passenger automobile (PPA) reform rate filings. The average rate decrease was 1.03 per cent, based on the entire market, representing approximately $91 million in premium savings to consumers. FSCO also approved 375 non-PPA rate filings and form filings for all insurers required by the auto insurance reforms.

The PPA reform filings incorporated new harmonized rate profiles developed through the Canadian Automobile Insurance Rate Regulators Association (CARR). In the past the standardized rate profiles required by regulators varied from province to province. Harmonized profiles reduce the regulatory burden on auto insurers operating in more than one jurisdiction.

In reviewing auto insurance rates, FSCO's goal is to ensure that rates are reasonable and justified, based on expected claims costs. In total, FSCO approved 130 PPA rate filings in 2010-2011. The overall change in approved rates over the year was an increase of 2.58 per cent, based on the entire market.

On average, the time to review and approve PPA filings was 45 days, compared with 55 days the previous year. Auto reform PPA rate filings took approximately 44 days to review and approve, while major PPA rate filings took an average of 54 days. Several companies proposed significant changes to risk classification systems, utilizing advanced information technology and predictive modeling techniques to better match rates charged with risks.

Use of Credit Information and Affiliated Insurers

The reform package banned the use of credit information in auto insurance and required affiliated auto insurers to provide the lowest rate available among their affiliates.

All insurers were required to attest in writing that they were compliant with the ban on the use of credit information as of September 1, 2010. Affiliated insurers implemented strategies to ensure compliance with the regulation to provide the lowest rate by December 31, 2010. FSCO also conducted follow-up examinations to confirm compliance with the requirements.

Improving the Filing Process

During 2010-2011, FSCO continued to work with automobile insurance stakeholders to improve the efficiency, effectiveness and transparency of the filing approval process.

FSCO met with several insurers prior to major rate filings to explain objectives and assist with issues or concerns up front. Once the filings were submitted, FSCO sent acknowledgement letters, followed by "incomplete" letters if the filings were considered incomplete and "complete" letters confirming receipt of sufficient information and the start of the review.

After approval of the filings, FSCO sent follow-up letters that suggested steps to speed up the process in the future. FSCO also continued to grade filings as "above average", "average," or "below average" and statistics for 2010 were published in FSCO's Auto Insurance e-Newsletter. The results showed an improvement in the quality of filings. Only 14 per cent of major PPA filings were graded below average, compared with 33 per cent the previous year.

To make the filing process more efficient and employ resources more productively, e-filing through FSCO's web-based ARCTICS

Automobile Insurance Filings Processed		
Type	**2010-2011**	**2009-2010**
Private Passenger Auto Rate Filings		
Auto Reform*	63	–
Major	50	103
Simplified**	16	6
CLEAR***	–	58
Fees****	1	4
Total	130	171
Non-Private Passenger Auto Rate Filings		
Auto Reform*	375	-
Non-Auto Reform	59	109
Total	434	109
Underwriting Rule Filings	63	54
Endorsement Filings	28	53
Form Filings	148	37
Rate Manual Filings	120	137

* *Required filings.*

** *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.*

*** *The Canadian Loss Experience Automobile Rating (CLEAR) system groups vehicles according to their actual claims experience. Due to the timing of auto insurance reforms and the volume of filings, FSCO did not approve a CLEAR table in 2010. Instead, it was agreed that insurers would move straight to the 2011 CLEAR table and submit CLEAR filings in 2011.*

**** *Fee Filings are submitted when the company is proposing to make changes to fees or add new ones.*

system became mandatory as of January 1, 2011. Submissions for all types of auto insurance filings must now be done online through ARCTICS.

Health Claims System Reinstated

The Health Claims for Automobile Insurance (HCAI) system automates the exchange of standardized health claim information between health care providers and insurance companies. The goal is to improve the delivery of health care benefits to people injured in automobile accidents. Auto insurers developed the system over several years in consultation with FSCO, health care provider associations and other stakeholders. Operation of the system was suspended in early 2008, shortly after start-up, due to technical problems.

Following intensive planning and a successful pilot project, the system was reinstated in May 2010, with mandatory participation

Motor Vehicle Accident Claims Fund		
Measure	**2010-2011**	**2009-2010**
New Claims Reported (#)	556	601
Total Cash Payouts	$20.7 million	$21.6 million
Total Statutory Accident Benefits Claims Paid (#)	471	441
Total Statutory Accident Benefits Payments	$14.8 million	$16.1 million
Total Third Party Liability Claims Paid (#)	114	114
Total Third-Party Liability Payments for Bodily Injury and Property Damage	$5.9 million	$5.5 million
Collection of Repayments	$1.5 million	$1.2 million
Suspended Driver's Licences (#)	392	420
Reinstated Driver's Licences (#)	275	248
Repayments Processed (#)	7,053	7,327
Debtors Making Payments (#)	837	837
Active Accounts Receivable (#)	1,156	1,101

introduced in stages. By February 2011, all insurers that administer SABS claims and all health care providers and facilities that participate in the auto insurance system were required to use the HCAI system.

Accident Victims Protected by Last-Resort Coverage

Established by legislation, the Motor Vehicle Accident Claims Fund (MVACF) compensates victims of accidents involving uninsured or unidentified vehicles who have no access to insurance coverage. FSCO administers the fund. MVACF also pays the statutory accident benefits claims of insolvent Ontario insurers, further protecting accident victims.

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

In 2010-2011, MVACF paid out $20.7 million in claims, down 4 per cent from the year before. Outstanding claims liabilities totaled $157.8 million at year end, a decrease from $170.3 million a year earlier. MVACF's annual financial statements are audited by a public accounting firm under the direction of the Office of the Auditor General of Ontario and appear later in this report.

RESOLVING DISPUTES OVER STATUTORY AUTOMOBILE ACCIDENT BENEFITS

FSCO's dispute resolution services are an integral part of Ontario's no-fault automobile insurance system. They offer a cost-effective alternative to the courts where a claimant and insurer disagree about entitlement to statutory accident benefits or the amount of benefits. Services include mediation, arbitration, neutral evaluation, appeal, and variation or revocation of an arbitration or appeal order.

Under legislation, mediation at FSCO is the mandatory first step in resolving accident benefits disputes. FSCO mediators are impartial and work with the parties to find a mutually acceptable solution. If mediation does not succeed, the claimant can take the dispute to arbitration at FSCO or start a court case, or both parties can agree to send the dispute to private arbitration.

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

Mediation Applications Still Rising Sharply

The volume of mediation applications grew for the fifth straight year. In 2010-2011, applications totaled 30,747 – up 38 per cent from the year before. This level reflects an unprecedented 142 per cent increase over five years.

While it is difficult to determine the causes for this growth, a combination of factors appears to be involved, including:

- Overutilization of the accident benefits system;
- Free access to the system for claimants – claimants do not pay a filing fee while mediation costs are paid for by insurance companies
- Industry practices around claims handling and processing of statutory accident benefits possibly resulting in more claims being denied and more applications for mandatory mediation;
- Legislative and regulatory changes including the recent SABS amendments leading to questions over interpretation of new provisions;
- Economic conditions creating financial pressures;
- Possibly, fraudulent claims.

In 2010-2011, FSCO closed 19 per cent more mediation cases than a year earlier. The settlement rate for mediation continued to rise, with 71 per cent of cases settled either fully or partially, compared with 68 per cent, 64 per cent and 60 per cent in the three previous years, respectively. Despite these efforts, the backlog of pending cases – that is, all open cases – grew by 85 per cent over the year before, resulting in longer wait times before files are assigned to mediators.

FSCO took steps to address this challenge. A pilot project began in late 2010 that involved assigning extra files to mediators as well as a new rotation "duty" mediator system coupled with a meeting overbooking process. Under this system, two mediators are designated "on-duty" each week, with this responsibility rotating through the complement of mediators. This arrangement ensures that all scheduled mediation meetings can proceed, even if the mediator assigned to a file is ill or otherwise unavailable. At the same time, the mediation schedule is overbooked. In the event of overflow, the files affected are reassigned to the on-duty mediator, any available mediator or the team leaders. The pilot project also includes a survey to collect case management data. A comprehensive evaluation of the pilot will be conducted at the end of December 2011.

As well, FSCO developed an electronic scheduling system that will allow parties to book a mediation meeting date online, without the involvement of FSCO staff. A phased rollout of this eCalendar application commenced in July 2011. In addition, FSCO continues to explore other initiatives to support its mandate to deliver timely, cost-effective dispute resolution services – including contracting-out some mediation and arbitration services to external service providers through a competitive procurement process.

Arbitration Applications on Upswing

In tandem with the increase in mediation cases, the volume of arbitration applications rose for the fourth consecutive year. Arbitration applications were up 23 per cent in 2010-2011 to 4,193 – reflecting a 59 per cent increase over four years. Ninety-four per cent of arbitration cases were settled before a decision was issued, a figure unchanged from the previous year.

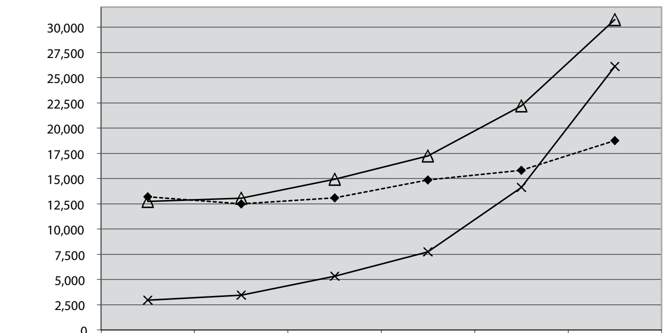
The release time for arbitration decisions held relatively steady, with 70 per cent of decisions issued within the published time frame of 85 days from the end of the hearing, compared with 74 per cent the year before. The median time for issuing a decision remained unchanged at 56 days.

Pending Appeals Reduced

After holding steady for the previous four years at an average of 41, the number of appeals filed decreased to 27 in 2010-2011. With the decline in applications, the number of decisions issued fell to 28 from 43. The number of appeal cases closed and the number settled before decisions were issued also declined.

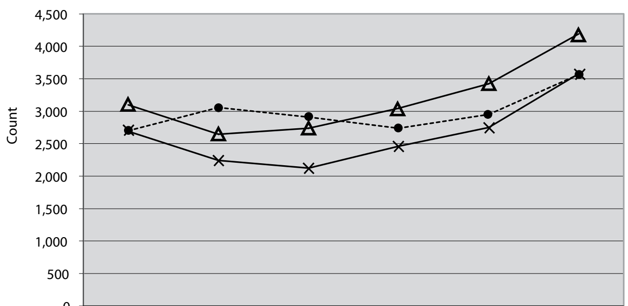
Overall, the number of pending appeal files dropped to 36 from 40 the previous year. Seventy-one per cent of decisions were released within 85 days of the hearing, down slightly from 74 per cent the previous year.

Mediation-Intake, Closed and Pending 2005-2011



	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
Intake	12,724	13,053	14,920	17,233	22,219	30,747
Closed	13,212	12,498	13,094	14,852	15,826	18,762
Pending	2,932	3,439	5,329	7,728	14,116	26,101

Arbitration-Intake, Closed and Pending 2005-2011



	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
Intake	3,100	2,645	2,740	3,045	3,422	4,193
Closed	2,699	3,056	2,912	2,740	2,948	3,563
Pending	2,690	2,240	2,121	2,463	2,748	3,579

Decisions Tackle Key Issues

During 2010-2011, FSCO arbitrators and director's delegates released many significant decisions, interpreting various aspects of the Insurance Act, the Statutory Accident Benefits Schedule and the provisions governing MVACF. Examples of issues addressed include: the meaning of "accident", whether MVACF was required to pay benefits given the nature of the accident; the scope of the definition of "catastrophic impairment"; whether a breach of SABS procedures for terminating benefits automatically entitles an applicant to benefits regardless of actual disability; the time frame for an applicant to resume receiving income replacement benefits after a return to work; the conditions for a valid assignment of a benefit claim; and the limits of medical and rehabilitation benefits (to cover, for instance, breast reconstruction or home renovation). All FSCO arbitration and appeal decisions are posted on FSCO's website.

Dispute Resolution Services Activities		
Measure	**2010-2011**	**2009-2010**
Mediation		
New Applications Received	30,747	22,219
Cases Closed	18,762	15,826
Settlement Rate – Full	64%	58%
Settlement Rate – Partial	7%	10%
Arbitration		
New Applications Received	4,193	3,422
Cases Closed	3,563	2,948
Settled	3,328	2,748
Decisions Issued	142	152
Appeals		
New Applications Received	27	42
Cases Closed	32	57
Settled	12	32
Decisions Issued	28	43

DEVELOPING REGULATORY POLICY

Aligning the regulatory framework with market realities is essential to retain public confidence in the financial services industry. FSCO advises the government on trends in the regulated sectors, and also develops regulatory policies to guide the administration of legislation in its mandate. FSCO relies on open, ongoing communication with the industry, consumers and other stakeholders to find practical responses to emerging challenges.

At the national level, FSCO fosters a coordinated approach to regulatory issues, across both jurisdictional and sectoral boundaries. As well, at the provincial level, FSCO supports the Ontario government's efforts to modernize financial regulation to reinforce the province's competitive position, attract business and protect consumers. FSCO's provincial policy activities regarding pension plans, insurance in general and automobile insurance were described earlier in this Annual Report in the **Overseeing Pension Plans; Licensing, Monitoring and Enforcement;** and **Regulating the Automobile Insurance System** sections.

National Regulatory Coordination

Nationally, FSCO takes a leadership role and provides staff support for:

- the Canadian Council of Insurance Regulators (CCIR)
- the Canadian Association of Pension Supervisory Authorities (CAPSA)
- the General Insurance Statistical Agency (GISA) and
- the Joint Forum of Financial Market Regulators.

GISA is an independent corporation that collects and reports automobile insurance data for eight provincial and territorial regulators. The Joint Forum includes representatives of CCIR, CAPSA, the Canadian Securities Administrators (CSA) and the Canadian Insurance Services Regulatory Organizations.

FSCO is also a member of the Canadian Automobile Insurance Rate Regulators Association (CARR) and the Canadian Mortgage Broker Regulators Group. As well, FSCO participates in annual meetings to discuss national issues related to the co-operative corporation and credit union sectors.

Joint Forum Highlights

The Joint Forum brings together pension, securities and insurance regulators to co-ordinate, harmonize and streamline the regulation of financial products and services in Canada. During 2010-2011, FSCO continued to participate in key Joint Forum initiatives.

Consumer Engagement

The Joint Forum prepared a web-based publication entitled Seeking Compensation, a Guide for Consumers. In plain language, the guide outlines where consumers can go for help if they have lost money because of an error, disagreement or the possible misconduct of a financial services representative or company. The document will be posted on the websites of the Joint Forum and its member organizations as well as other sites reaching consumers.

Regulatory Enforcement Information Sharing

Also in 2010-2011, the Joint Forum undertook an initiative examining mechanisms for more effective sharing of information on regulatory enforcement issues and actions across sectors and jurisdictions. A vision document was approved expressing a common set of objectives to be achieved from coordinated efforts in this area. The Joint Forum will consider a progress report on the work of CCIR's Disciplinary Information Committee (see below) in September 2011 before proceeding with further work.

CAPSA Highlights

CAPSA is a national association of pension regulators with a mission to facilitate an efficient and effective pension regulatory system in Canada. It discusses issues of common interest and develops solutions to help simplify and harmonize pension regulation across the country. In 2010-2011, FSCO took part in three major initiatives to further CAPSA's mission.

Regulation of Multi-Jurisdictional Pension Plans

In 2010-2011 Ontario enacted legislation enabling the Minister of Finance to sign the Agreement Respecting Multi-Jurisdictional Pension Plans, released by CAPSA in 2009 after more than a decade of work and consultations. The agreement provides clear rules for the administration and regulation of pension plans with members in more than one jurisdiction, whether federal or provincial. It replaces the Memorandum of Reciprocal Agreement that dates back to 1968 and had become outmoded and unworkable. FSCO currently oversees 1,700 multi-jurisdictional pension plans. CAPSA views the new agreement as a significant initiative for plan sponsors, administrators, members, advisors, labour groups and regulators.

In May 2011, Ontario and Quebec, which together account for 64 per cent of multi-jurisdictional plans and 57 per cent of multi-jurisdictional plan members in Canada signed the agreement. It will come into effect on July 1, 2011 for pension plans registered in Ontario and Quebec with members in both provinces.

Prudent Investment and Funding Practices

CAPSA believes that sound pension plan governance is crucial if plan members are to receive the benefits promised. A discussion paper on key areas of prudence surrounding plan funding and the investment of plan assets was released in November 2009. Following consultations on the paper, In March 2011 CAPSA published a draft Prudent Investment Practices guideline, a companion self-assessment questionnaire and a draft Funding Policy guideline. The consultation period on these documents runs until June 2011. CAPSA's objective is to develop guidance for sponsors and administrators of plans of all types and sizes across Canada.

Fund Holder Arrangements

One of the major participants in the operation of a pension fund is the fund holder. There are two basic types of fund holder arrangements: trusts and insurance contracts. Both have changed significantly since the 1960s, when pension legislation first appeared. In March 2011, to clarify the nature of fund holder arrangements and their related responsibilities, CAPSA released the Guideline on Fund Holder Arrangements. The final guideline reflected a number of revisions made to the draft version following public consultations in 2010.

CCIR Highlights

CCIR facilitates and promotes an efficient and effective insurance regulatory system in Canada. Regulators from all Canadian jurisdictions work together to develop solutions to common issues. During 2010-2011 FSCO took part in several CCIR projects.

Strategic Planning

With most initiatives in its 2008-2011 Strategic Plan implemented, CCIR decided to embark on a new strategic planning exercise to set directions for the next three years. During 2010-2011, work began on a new plan that will take into account the changing regulatory environment resulting from the financial crisis and its impact on the insurance industry and consumers. Meetings were held with stakeholders and a new three-year plan is expected to be completed in 2011-2012.

Point-of-Sale Disclosure

While segregated funds and mutual funds are similar investment products, they are subject to different regulatory regimes.

Segregated funds fall under insurance regulators and mutual funds under securities regulators. In October 2008, the Joint Forum released a harmonized framework for point-of-sale disclosure for both products, designed to provide investors with meaningful information before they make the decision to buy a fund.

CCIR has implemented a new point-of-sale disclosure system for segregated funds based on the Joint Forum framework. Effective in January 2011, the revised Canadian Life and Health Insurance Association (CLHIA) Guideline G2 requires delivery to the prospective purchaser of the Key Facts and Fund Facts point-of-sale documents. Key Facts is a plain-language summary of the contract while Fund Facts provides details on the fund such as what it invests in and how it has performed. In Ontario, a regulation effective in July 2010 required insurers selling segregated funds to file the new disclosure documents by January 1, 2011. FSCO worked with CLHIA and the companies to ensure the new obligations were met.

Intermediary Regulation Working Group

Following up on a Joint Forum report on the regulation of financial services intermediaries, focused mainly on those who sell mutual funds and segregated funds, CCIR launched a review of insurers' compliance monitoring of their agents. A specific goal was to confirm that insurance companies are verifying that intermediaries conduct an analysis of client needs before selling segregated funds. A working group completed the review in 2010-2011 and found that additional work was needed with respect to managing general agencies to ensure that controls are adequate. This work was already underway as part of a separate CCIR initiative (see below).

Agencies Regulation

Managing general agencies, wholesale agencies, wholesale brokers and third party administrators perform various functions on behalf of insurance companies – such as product design, marketing, underwriting and claims management. CCIR has created an Agencies Regulation Committee to identify and address risks to consumers and legislative and regulatory issues that may arise from the activities of these entities.

In February 2011, CCIR released an issues paper developed by the committee on the managing general agency distribution model for life insurance. The paper was posted for consultation on the CCIR website, with comments due by April 2011. The committee will analyse the responses with a view to developing recommendations to CCIR.

Credit Scoring

The use of consumer credit information by insurers is a controversial subject that has attracted media coverage. In 2009, CCIR formed a Credit Scoring Working Group to research and gather the facts about credit-based insurance scores and how they are used in by insurers in rating, underwriting and other areas. The working group is preparing a consultation paper that will set out CCIR's understanding of insurers' use of credit scoring, the types of consumer risks that can potentially arise, and the rules that currently exist in response to these potential risks.

Disciplinary Information Committee

CCIR has created a Disciplinary Information Committee to explore the feasibility of establishing a centralized source of information on disciplinary decisions by insurance regulators. This would resemble the disciplined persons list established by the CSA to help the public and the securities industry conduct due diligence. Currently, individual regulators – including FSCO – publish information on their own disciplinary decisions. But there is no centralized source that pulls together information from different jurisdictions for regulators, the industry or the public. In 2010-2011, CCIR agreed that such a resource should be pursued and set up the committee to present recommendations on how to go about it. The committee's first task will be to survey insurance regulators to develop a common understanding and definition of the disciplinary actions to be included in such a centralized database.

PROTECTING CONSUMERS THROUGH INFORMATION

Smart, well-informed consumers are better prepared to make sound decisions and protect their own interests. For this reason consumer information is central to FSCO's consumer protection mission. FSCO works to provide access to current, accurate and balanced information to help consumers manage their money and navigate through an increasingly complex array of choices.

Website Traffic Grows

The www.fsco.gov.on.ca website remains FSCO's leading communications channel with the public. In 2010-2011, the site averaged 7,000 daily visitors, with almost 60,000 page views per day, up from 50,000 the previous year. The most popular areas of the site were licensing and registration, auto insurance and related claims forms, and pensions.

During the year, FSCO designed improvements to the site, based on a review of its content and functioning that was completed in 2009-2010 and included focus groups and user surveys. The redesigned website was scheduled for launch in summer 2011. It will feature new functionality, an updated look and feel, and alignment with new government-wide standards for navigation and Accessibility for Ontarians with Disabilities Act, 2005 compliance.

The last major redesign of FSCO's website, in 2005, met and in many areas exceeded government web standards at the time, providing an array of tools and functions that enabled continued expansion and usability. Since then, FSCO's website has become a go-to source for information in both traditional and new formats such as webinars, webcasts, video segments and online publications.

Communicating Auto Insurance Reforms

FSCO led an extensive outreach effort to educate consumers on what the automobile insurance reforms introduced on

September 1, 2010 mean for them. This was described earlier in this Annual Report, in the section on Supporting the Automobile Insurance System.

On the effective date of the reforms, FSCO launched a new online, interactive tool called Understanding Rates on its website. The tool demonstrates how new consumer choices affect price, how a wide range of rates may be available in the marketplace for the same coverage, and how comparison shopping can result in a lower rate.

FSCO also reorganized its auto insurance web portal to respond to consumer interest in the auto insurance changes. Through one window, the portal provides integrated, "one-click" access to timely information including new and updated brochures, frequently asked questions, company and broker mailers, government releases and other resources.

Financial Literacy

The federal Task Force's report on Financial Literacy was released in February 2009. It contains recommendations intended to shape a national strategy to improve Canadians' financial literacy. The Ontario government is moving forward with integrating financial literacy into the Ontario curriculum. FSCO continues to provide informational and educational tools through its Financial Literacy Portal, to help Canadians be better informed. These resources offer consumers access to information through which they can gain the knowledge and skills necessary for effective money management and become equipped to protect their interests

FSCO has also participated in the Financial Consumer Agency of Canada Conferences, as a member of the Joint Forum, for ideas for future action to improve financial literacy in Canada

FSCO at Auto Show

FSCO maintains a strong presence at the Canadian International Auto Show in Toronto every year. At the February 2011 version, FSCO hosted an exhibit booth on Auto Insurance: Get the Facts! Staff answered questions about the auto insurance reforms and other insurance matters, as well as handing out print materials and demonstrating online products. In all, FSCO interacted with about 3,000 consumers and distributed about 20,000 print items during the 10-day event.

Reaching Consumers through Traditional and New Media

FSCO arranges for informative consumer articles to be prepared and distributed to daily and community newspapers for both print and online editions. Releases in 2010-2011 included three items on the new auto insurance options.

In all, this initiative reached 3 million readers during the year. The estimated audience for print insertions was about 1 million, while articles posted on the websites of newspapers, magazines and financial experts gained exposure to over 2 million online readers.

As well, FSCO publishes a variety of consumer brochures and other public information materials in print and digital formats. In 2010-2011, requests for hard copies from industry associations, consumer groups and MPP constituency offices totalled about 1,000. Electronic versions of all titles are posted on FSCO's website.

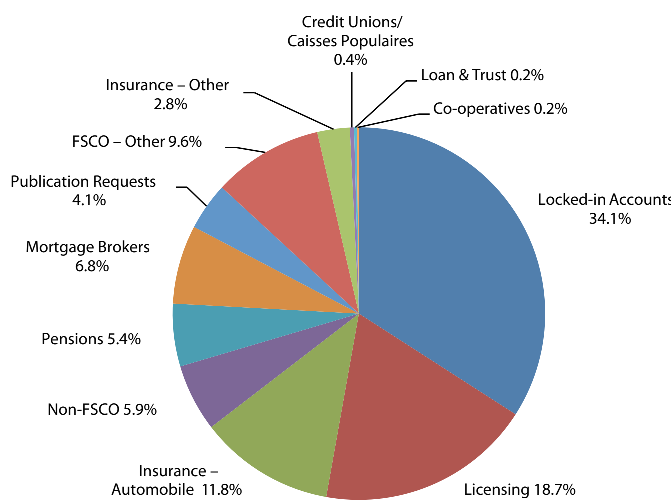
Inquiries Remain High

FSCO's Consumer Services Unit is a valuable point of contact for both the public and stakeholders. Staff respond to telephone inquiries and correspondence, providing information about legislation and regulations administered by FSCO and also about FSCO's processes.

During 2010-2011, consumer services staff responded to 81,000 inquiries. Though down slightly from 85,000 the year before, the total remained well above the pre-recession level. Almost 28,000 inquiries concerned locked-in pension funds as consumers sought information or application forms to unlock these funds in cases of financial hardship.

Building on the previous year's growth, the volume of automobile insurance inquiries rose again as the public and stakeholders requested information and clarification about the reforms implemented in September 2010.

Public and Stakeholder Inquiries – 2010-2011



GETTING THE MOST FROM ORGANIZATIONAL RESOURCES

FSCO recognizes that is accountable for the efficiency and quality of the regulatory services it delivers. It is determined to obtain the best possible value from its human, financial, technological and physical resources.

As part of its commitment to high quality, cost-effective services to its customers, FSCO will strive to achieve service standards and will monitor its performance regularly against these standards and report results annually. New standards will be added as they are developed.

Customer Service Commitment

FSCO has posted a Customer Service Commitment on its website setting out the service principles that guide FSCO in meeting or exceeding client expectations. The commitment aligns with the Ontario Public Service (OPS) Service Directive.

To further support the directive in 2010-2011, FSCO began developing program-specific service standards. A staff steering committee decided that standards and measures would be formulated initially for complaint handling, general inquiries, life agent licensing, defined benefit pension plan registration and quality service feedback. The project involved consultation with stakeholders, staff and members of the public and the final standards will be published on FSCO's website.

Accessibility for Ontarians with Disabilities Act

The first accessibility standard – for customer service – under the Accessibility for Ontarians with Disabilities Act, 2005 came into force for public sector organizations, including FSCO, on January 1, 2010. In line with the standard, FSCO issued a Customer Service Policy on Providing Goods and Services to People with Disabilities. During 2010-2011, FSCO continued to provide training to front-line managers and staff on meeting the needs of customers with disabilities.

Diversity@FSCO

As Ontario's demographic profile changes, the OPS is working to create an organization that is inclusive, equitable, accessible and responsive to the diverse needs of all Ontarians. The Diversity@FSCO program, launched in March 2009, remains a key initiative at FSCO to support this effort. FSCO's Diversity Team, made up of employees from across the organization, continued a campaign of staff education and awareness throughout 2010-2011 to foster a climate that celebrates and embraces diversity and inclusion.

For example, a special training session was held for all policy staff on the OPS Diversity and Inclusion Lens – a tool to help staff identify barriers they might not otherwise notice in developing policies, programs and services. Other initiatives included ensuring that diversity commitments were embedded in every manager's performance development and learning plan, and adding a Diversity and Inclusion category to FSCO's employee recognition program – Northern Lights. As well, special events were organized with such speakers as Hon. Jean Augustine, P.C., C.M., Ontario's Fairness Commissioner and the first African-Canadian woman elected to the House of Commons.

Information Technology Investments Pay Off

Two FSCO information and information technology (I&IT) projects won Merit Awards at Showcase Ontario, the Ontario government's annual exhibition of business technology solutions, in September 2010. Merit Awards recognize innovative public sector initiatives that demonstrate excellence and highlight the importance of I&IT in achieving government priorities.

The Compliance and Enforcement Tracking System (CETS) II won in the Government Modernization category, and the Mediation and Arbitration Registration System (MARS) Redevelopment project won in the Innovation category. CETS II consolidated five complaint and enforcement tracking systems and created links with three others, enabling compliance, investigations and legal staff to collaborate more closely. The MARS project consolidated three separate systems for managing cases for mediation, arbitration and appeals, while adding service improvements such as an integrated scheduling function.

During 2010-2011, FSCO redesigned websites for the Canadian Association of Pension Supervisory Authorities, the Canadian Council of Insurance Regulators, the General Insurance Statistical Agency and the Joint Forum of Financial Market Regulators. FSCO provides staff support for these groups.

Launched in March 2010, the Pension Services Portal (PSP) gives plan administrators access to information about their plans and offers an entry point for electronic filing. In September 2010, electronic filing of annual information returns through fillable forms was introduced, joining other two other e-filing methods. Work proceeded to make more pension forms available for electronic filing in the coming year, so plan administrators can save time.

Green Plan Activities

As part of the OPS Green Plan initiative, FSCO embarked on a strategy to decrease the number of technology devices in 2010-2011. Printers were reduced by 30 per cent, servers by 25 per cent, fax machines by 75 per cent and photocopiers by 25 per cent. Many printers were upgraded to multifunctional devices for copying, fax and network printing. Most standalone fax machines at FSCO are being replaced by an electronic solution that enables fully electronic sending and receiving of faxes, thereby saving paper.

Report of the Financial Services Tribunal

The Financial Services Tribunal (FST) is an expert, independent adjudicative body established by the FSCO Act. It hears appeals from decisions and reviews proposed decisions made by the Superintendent of Financial Services or other authorized entities (specifically, the Deposit Insurance Corporation of Ontario) under statutes covering the regulated sectors including the:

- Pension Benefits Act
- Insurance Act
- Mortgage Brokerages, Lenders and Administrators Act, 2006
- Credit Unions and Caisses Populaires Act, 1994
- Loan and Trust Corporations Act.

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, all appointed by the Lieutenant Governor in Council. The Chair and Vice-Chairs of the FST are also the Chair and Vice-Chairs of FSCO. Most cases are heard by a panel of three FST members, though in some circumstances a panel may have only one member.

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

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

RECENT INITIATIVES

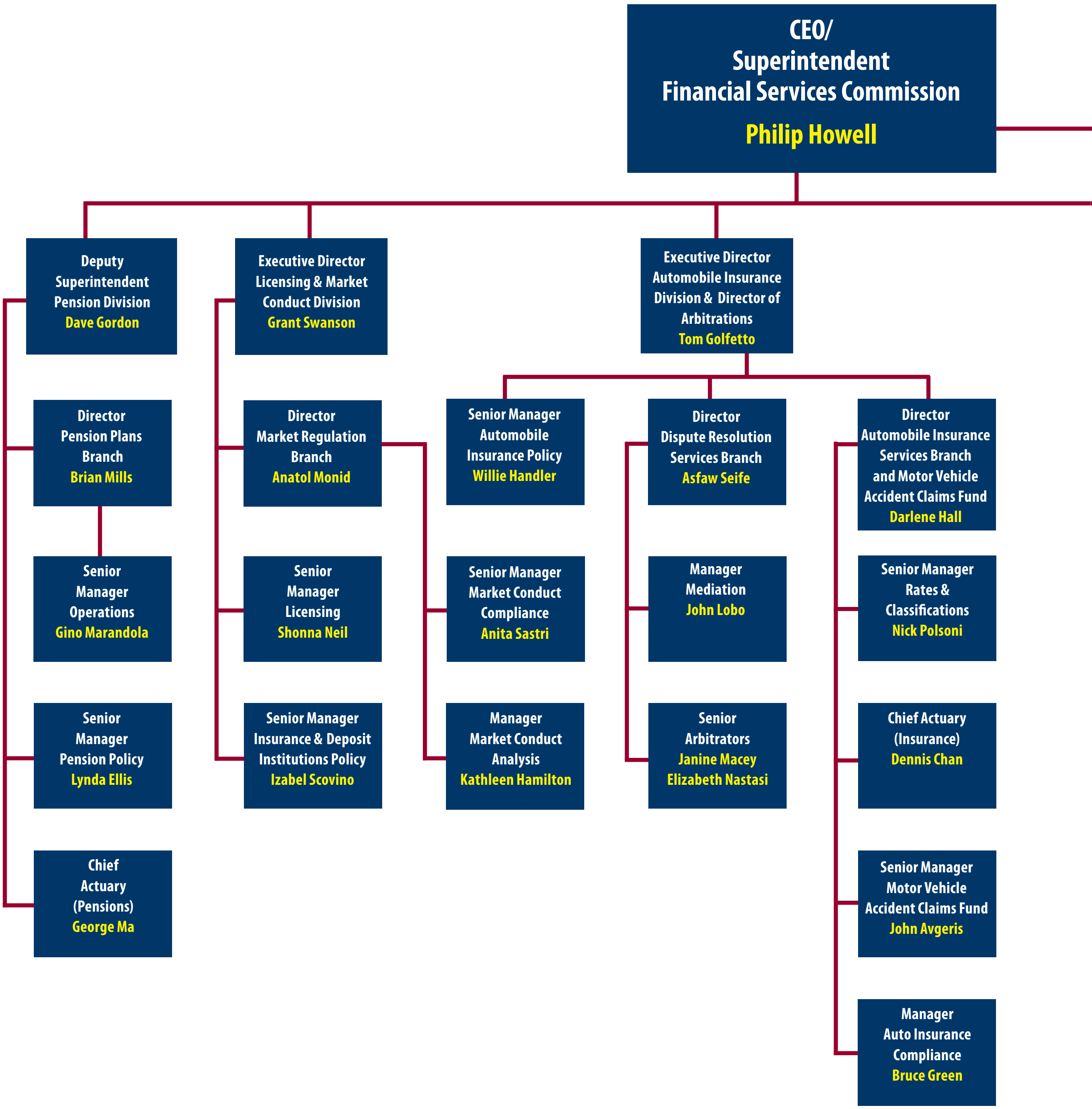
In 2010-2011, the FST embarked on an intensive review of its Rules of Practice and Procedure, including its prescribed forms. Updating is necessary to reflect the evolution of case law, financial services legislation and the principles of administrative law. The review is also intended to streamline the FST's processes to better meet the objective of delivering timely and fair hearings.

The FST has established a Legal Advisory Committee. During the year the committee provided input on the issue of who can act as a representative before the FST in light of recent changes under the Law Society Act. Consultations also began with the committee on issues arising during the course of the FST's review of its rules.

Financial Services Tribunal Activities							
Activity	**Pension Matters (Excluding Financial Hardship)**	**Mortgage Brokering Matters**	**Insurance Matters**	**Credit Union Matters**	**Loan & Trust Matters**	**Total 2010 - 2011**	**Total 2009 - 2010**
Number of Cases Pending at Beginning of Fiscal Year	16	8	–	–	–	24	83
New Cases Received	8	12	4	1	–	25	25
Oral Hearing Days	4	4	1	1	–	10	54
Written Hearings	3	–	1	–	–	4	–
Other Activity Days – Including: Pre-Hearing Conferences, Telephone Conferences, Settlement Conferences and Motions	28	15	2	4	–	49	83
Total Hearing (Oral and Written) and Activity Days before FST	35	19	4	5	–	63	137
Files Closed	20	17	–	–	–	37	84
Cases Pending at End of Fiscal Year	4	3	4	1	–	12	24

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 2010-2011 fiscal year.*
3. *Written hearings may relate to financial hardship matters, motions, requests for costs or requests for a review of a decision.*


CEO/ Superintendent Financial Services Commission
Philip Howell
Deputy Superintendent Pension Division
Dave Gordon
Director Pension Plans Branch
Brian Mills
Senior Manager Operations
Gino Marandola
Senior Manager Pension Policy
Lynda Ellis
Chief Actuary (Pensions)
George Ma
Executive Director Licensing & Market Conduct Division
Grant Swanson
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
Manager Market Conduct Analysis
Kathleen Hamilton
Executive Director Automobile Insurance Division & Director of Arbitrations
Tom Golfetto
Senior Manager Automobile Insurance Policy
Willie Handler
Director Dispute Resolution Services Branch
Asfaw Seife
Manager Mediation
John Lobo
Senior Arbitrators
Janine Macey
Elizabeth Nastasi
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

Organization Chart

As at March 31, 2011

Ontario

Executive Assistant
Roberto Pegoraro

Executive Director Corporate Services Division
Linda Della Rocca

- **Director Strategic & Operational Planning Branch**
  Isobel Fealdman
- **Senior Manager Finance & Planning**
  Gertrude Barbita
- **Manager Corporate Business Support Services**
  Peter Burston
- **Senior Manager Staff Services**
  Toni Mancini
- **CAC – CIO**
  Jim Hamilton
- **Senior Manager Business Solutions & Operational Support**
  John Marman
  (Reports to I&IT Cluster)

Director Corporate Policy & Public Affairs Branch
Martin Ship

- **Senior Manager Corporate Policy & Issues Management**
  Richard Tillmann
- **Senior Manager Public Affairs**
  Rowena McDougall
- **Manager Consumer Services**
  Mario Manov

Director Legal Services Branch
Cheryl Cottle

- **Deputy Director**
  Elena Szamosvari
- **Head of Investigations**
  Terry Weller

Director Regulatory Coordination Branch
Nurez Jiwani

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

FINANCIAL SERVICES COMMISSION OF ONTARIO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2011

Management's Statement

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

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

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

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

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

October 14, 2011

Management's Responsibility for Financial Information

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

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

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

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

Philip Howell
Chief Executive Officer and
Superintendent of Financial Services

Linda Della Rocca
Executive Director,
Corporate Services Division

Independent Auditor's Report

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

I have audited the accompanying financial statements of the Financial Services Commission of Ontario, which comprises the balance sheet as at March 31, 2011, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Opinion
In my opinion, these financial statements present fairly, in all material respects, the financial position of the Financial Services Commission of Ontario as at March 31, 2011 and the results of its operations, and its cash flows for the year then ended in accordance with Canadian generally accepted acounting principles.

Toronto, Ontario
October 14, 2011

Gary Peall, CA
Deputy Auditor General
Licensed Public Accountant

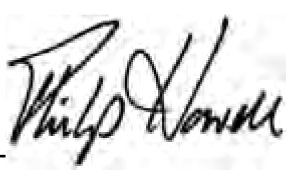
Balance Sheet
As at March 31, 2011

	2011 ($ 000)	2010 ($ 000)
ASSETS		
Current		
Cash	6	7
Accounts receivable	175	2,979
Prepaid expenses	32	78
Due from the Province (Note 8b)	30,291	30,832
	30,504	33,896
Computer software, net (Note 3)	4,483	3,540
Capital assets, net (Note 4)	6,325	5,886
	41,312	43,322
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	10,812	12,875
	10,812	12,875
Employee future benefits obligation (Note 8a)	8,038	7,705
Deferred revenue (Note 5)	9,746	10,875
Deferred lease inducements (Note 6)	1,908	2,441
Net assets		
Invested in computer software and capital assets	10,808	9,426
	41,312	43,322

Commitment and Contingencies (Note 10)

See accompanying notes to financial statements

Approved by:



Chief Executive Officer and
Superintendent of Financial Services

Statement of Operations

For the Year Ended March 31, 2011

	2011 ($ 000)	2010 ($ 000)
Revenue (Note 7)		
Assessments	46,800	42,102
Licences, Fees and Registrations	9,563	9,222
Other	36	129
	56,399	51,453
Expenses		
Salaries and wages	36,599	34,599
Employee benefits (Note 8a)	7,769	7,364
Transportation and communication	689	676
Services	14,695	14,737
Supplies and equipment	742	824
Amortization	1,947	1,662
	62,441	59,862
Less: Recoveries (Note 9)	3,435	3,452
Ministry of Finance contribution	0	1,037
	59,006	55,373
Deficiency of revenue over expenses	(2,607)	(3,920)

See accompanying notes to financial statements

Statement of Cash Flows

For the Year Ended March 31, 2011

	2011 ($ 000)	2010 ($ 000)
Net inflow (outflow) of cash related to the following activities		
Cash flows from operating activities		
Excess (deficiency) of revenue over expenses	(2,607)	(3,920)
Items not affecting cash		
Amortization of computer software and capital assets	1,947	1,662
Rent expense not paid in cash	-	640
Employee future benefits (Note 8a)	333	256
Changes in non-cash working capital		
Accounts receivable	2,804	(2,277)
Prepaid expenses	46	(5)
Accounts payable and accrued liabilities	(2,063)	2,536
Due from the Province	4,530	1,904
Amortization of deferred lease inducements	(533)	(311)
Deferred Revenue	(1,129)	2,906
	3,328	3,391
Cash flows from financing activity		
Leasehold improvement allowance from landlord	-	2,005
	-	2,005
Cash flows from investing activity		
Purchase of computer software and capital assets	(3,329)	(5,396)
	(3,329)	(5,396)
Net change in cash position	(1)	-
Cash position, beginning of year	7	7
Cash position, end of year	6	7

See accompanying notes to financial statements

1. OPERATIONS OF THE COMMISSION

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Computer Software

Computer software is an intangible asset and is recorded at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful life. The estimated useful life of the Commission's intangible assets has been estimated as follows:

Purchased software	3 years
Custom developed software	3-5 years

(b) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization is calculated on a straight-line basis over their estimated useful life. During fiscal 2011 the Commission changed the estimates of the useful life of its computer hardware to better reflect the economic life of the assets. The change has been adopted on a prospective basis and it did not have a significant impact on the financial statements. The useful life of the Commission's capital assets has been estimated as follows:

Office furniture and equipment	5 years
Computer hardware	3-6 years
Leasehold improvements	over the term of the lease

(c) Revenue Recognition

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

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

(d) Financial Instruments

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

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

i. Accounts receivable are classified as loans 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, 2011. A fair value estimate based on actuarial assumptions about when these benefits will actually be paid has not been made.

The Commission adopted the CICA Handbook Section 3861, Financial Instruments-Disclosures and Presentation. In accordance with the Accounting Standards Board's decision to exempt not-for-profit organizations from the disclosure requirement with respect to financial instruments contained in Section 3862, Financial Instruments-Disclosures and Section 3863, Financial Instruments-Presentation, the Commission has elected not to adopt these standards in its financial statements.

(e) Use of Estimates

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

3. COMPUTER SOFTWARE

	2011			2010
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
		($ 000)		($ 000)
Purchased computer software	777	741	36	239
Custom developed software	6,790	4,220	2,570	1,407
Custom software under development	1,877	0	1,877	1,894
	9,444	4,961	4,483	3,540

4. CAPITAL ASSETS

	2011			2010
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
		($ 000)		($ 000)
Leasehold improvements	6,122	2,218	3,904	3,739
Computer hardware	2,173	987	1,186	940
Office furniture and equipment	1,707	472	1,235	1,207
	10,002	3,677	6,325	5,886

5. DEFERRED REVENUE RELATED TO LICENCES AND REGISTRATION

Deferred revenue represents payments received for fees, licences and registrations that cover more than the current fiscal year. The deferred portion is recognized as revenue when the applicable future licence year occurs. The changes in the deferred revenue balances during fiscal 2010-11 are summarized as follows:

	Balance, beginning of year	Received during year	Recognized during year	Balance, end of year
		($ 000)		
Insurance Agents	3,252	4,546	4,009	3,789
Insurance Adjusters	24	116	116	24
Mortgage Brokers	6,752	2,152	4,091	4,813
Insurance Corporations	789	1,080	907	962
Other	58	720	620	158
	10,875	8,614	9,743	9,746

6. DEFERRED LEASE INDUCEMENTS

The Commission's office accommodation lease was extended from October 31, 2008 to October 31, 2015 with two further options to extend the term for five years each. The lease extension included a leasehold improvement allowance in the amount of $2.005 million for renovations in the first two years and no base rent payable in the amount of $0.64 million for the first ten months of the lease extension. The Commission has utilized the entire allowance.

The deferred lease inducement is made up of the portion of future lease payments attributed to the rent-free period and the leasehold improvements allowance and will be recognized as reduced rent expense over the term of the lease on a straight line basis

	2011 ($ 000)	2010 ($ 000)
Balance, beginning of year	2,974	640
Add: Lease Inducements		2,645
	2,974	3,285
Less: Lease Inducements Amortization	(533)	(311)
Deferred Lease Inducements	2,441	2,974
Less: current portion	(533)	(533)
Balance, end of year	1,908	2,441

7. REVENUE

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

	2011 ($ 000)	2010 ($ 000)
Insurance Act		
Insurer assessment	28,755	24,977
Fees, licences and other	5,208	5,001
Pension Benefits Act		
Pension plan assessment	16,885	15,669
Registration fees and other	106	122
Pension unlocking fees and other	27	241
Credit Unions and Caisses Populaires Act		
Credit Union assessment	976	1,262
Fees and other	149	106
Loan and Trust Corporations Act		
Loan and Trust assessment	184	195
Fees, licences and registrations	4	1
Mortgage Brokers, Lenders and Administrators Act		
Fees, Licences, Registrations and other	4,094	3,865
Co-operative Corporations Act		
Fees and other	11	14
	56,399	51,453

8. RELATED PARTY TRANSACTIONS

(a) Employee Benefits

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

i. Pension Benefits

The Commission's full-time employees participate in the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU-PF), which are defined benefit pension plans for employees of the Province and many provincial agencies. The Province of Ontario, which is the sole sponsor of the PSPF and a joint sponsor of the OPSEU-PF, determines the Commission's annual payments to the funds. Since the Commission is not a sponsor of these funds, gains and losses arising from statutory actuarial funding valuations are not assets or obligations of the Commission, as the sponsors are responsible for ensuring that the pension funds are financially viable. The Agency's annual payments of $2.728 million (2010 - $2.285 million) are included in employee benefits in the Statement of Operations.

ii. Employee Future Benefits Obligation

Employee future benefits include accrued severance entitlements, unused vacation and other future compensation entitlements earned. Severance entitlements under the *Public Service of Ontario Act (2006)* were non-actuarially estimated based on one week pay for every year of service for those employees with a minimum of five years of service. These costs for the year amount to $0.587 million (2010 - $0.241 million) and are included in employee benefits and salaries and wages in the Statement of Operations. Amounts due within one year totaling $2.8 million are included in accounts payable and accrued liabilities.

iii. Other Non-Pension Post-Employment Benefits

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

(b) Amounts due from/to the Province

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

(c) Other administrative expenses

The Ontario Ministry of Government Services absorbs the costs of certain administrative expenses. The Ministry of Finance and the Ministry of the Attorney General have also charged for both administrative costs and human resources costs related to information technology and legal staff provided to the Commission based on the Ministries' actual costs.

9. RECOVERIES

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

	2011 ($ 000)	2010 ($ 000)
Motor Vehicle Accident Claims Fund (Related Party)	1,927	1,934
Pension Benefits Guarantee Fund (Related Party)	508	506
General Insurance Statistical Agency	362	350
Joint Forum of Financial Market Regulators	212	232
Canadian Association of Pension Supervisory Authorities	181	173
Canadian Council of Insurance Regulators	227	243
Canada Revenue Agency	18	14
	3,435	3,452

10. COMMITMENT AND CONTINGENCIES

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

	($ 000)
2011-12	5,237
2012-13	5,450
2013-14	5,520
2014-15	5,590
2015-16	3,304
	25,101

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

11. SECURITIES ON DEPOSIT

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

As at March 31, 2011 the market value of the securities held by the Commission under the *Insurance Act* was $0.158 million (2010 - $1.732 million).

Income earned on the securities is paid directly to the insurance companies depositing the securities. These securities and the related income are not recorded in the financial statements.

12. CAPITAL DISCLOSURE

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

13. ACCOUNTING PRONOUNCEMENTS

The Canadian Institute of Chartered Accountants (CICA), Accounting Standards Board (AcSB) and the Public Sector Accounting Board (PSAB) recently announced new financial reporting standards for not-for-profit organizations in Canada. After discussions with the province, the Commission was classified as a government not-for profit and will follow Public Sector Accounting Board (PSAB) standards supplemented with the CICA's not-for profit standards. The new accounting framework will be effective with the Commission's fiscal 2013 financial statements, with comparative figures also having to be restated. It is anticipated that the move to the new standards will not result in any major changes to the accounting or presentation of the Commission's financial statements

14. COMPARATIVE FIGURES

Certain of the prior year's comparative figures have been reclassified to conform with the financial statement presentation adopted for 2011.

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, 2011

Management's Statement

Financial Services Commission of Ontario

Commission des services financiers de l'Ontario

Ontario

Deputy Superintendent
Pension Division

Surintendant adjoint
Division des régimes de retraite

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Toronto ON M2N 6L9

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June 24, 2011

Pension Benefits Guarantee Fund
Management's Responsibility for Financial Information

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

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

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

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

K. David Gordon
Deputy Superintendent, Pensions

Javier Aramayo
Acting Chief Accountant

Auditor’s Statement

Ontario

Independent Auditor’s Report

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

I have audited the accompanying financial statements of the Pension Benefits Guarantee Fund of the Financial Services Commission of Ontario, which comprises the balance sheet as at March 31, 2011, and the statements of operations and fund deficit and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Opinion

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, 2011 and the results of its operations, and its cash flows for the year then ended in accordance with Canadian generally accepted auditing principles.

Emphasis of Matter

Without qualifying my opinion, I draw attention to note 9, which indicates that the sustainability of the Fund is dependent upon a four-part strategy which the Government of Ontario committed to implementing in the Ontario Budget released in March 2011.

Toronto, Ontario
June 24, 2011

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

Balance Sheet

As at March 31, 2011

	2011 ($ 000)	2010 ($ 000)
ASSETS		
Current		
Cash	1	1
Accounts receivable	50,558	40,444
Investments (Note 4)	617,028	628,348
	667,587	668,793
LIABILITIES AND FUND DEFICIT		
Current		
Accounts payable and accrued liabilities	3,997	3,456
Current portion of loan payable (Note 5(a))	11,000	11,000
Claims payable	521,910	410,751
	536,907	425,207
Loan payable (Note 5(a))	136,861	140,243
	673,768	565,450
Fund surplus/ (deficit)	(6,181)	103,343
	667,587	668,793

See accompanying notes to financial statements

Approved by:

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

Statement of Operations

For the Year Ended March 31, 2011

	2011 ($ 000)	2010 ($ 000)
Revenue		
Provincial grant		500,000
Premium revenue	57,419	43,217
Pension plan recoveries (Note 6)	4,444	12,033
Investment income (Note 4)	5,242	556
	67,105	555,806
Expenses		
Claims	166,472	391,771
Amortization of loan discount (Note 5(a))	7,618	7,780
Pension Consulting Services (Note 7)	1,797	5,137
Interest on loans (Note 5 (b))		1,558
Administration fee (Note 8)	508	506
Investment management fees (Note 8)	205	69
Unrealized gain (loss) on investments (Note 4)	71	(180)
	176,671	406,641
Recoveries of pension management fees (Note 7)	(42)	(1,529)
Excess of expenses over revenue/(revenue over expenses)	109,524	(150,694)
Fund surplus / (deficit), beginning of year	(103,343)	47,351
Fund surplus / (deficit), end of year	6,181	(103,343)

See accompanying notes to financial statements

Statement of Cash Flows

For the Year Ended March 31, 2011

	2011 ($ 000)	2010 ($ 000)
Net inflow (outflow) of cash related to the following activities		
Cash flows from operating activities		
Excess of revenue over expenses/(expenses over revenue)	(109,524)	150,694
Items not affecting cash:		
Unrealized (gain) loss on investments (Note 4)	71	(180)
Amortization of loan discount (Note 5(a))	7,618	7,780
Loss on disposal of investments (Note 4)	627	351
	(101,208)	158,645
Changes in non cash working capital		
Accounts receivable	(10,114)	8,718
Accounts payable and accrued liabilities	541	(1,117)
Claims payable	111,159	327,235
	378	493,481
Cash flows from investing activities		
Purchases of investments	(9,661,394)	(4,040,087)
Proceeds from sale of investments	9,672,016	3,557,572
	10,622	(482,515)
Cash flows from financing activities		
Proceeds on Loans		130,000
Loan repayments	(11,000)	(141,000)
	(11,000)	(11,000)
Change in cash position	-	(34)
Cash position, beginning of year	1	35
Cash position, end of year	1	1

See accompanying notes to financial statements

1. STATUTORY AUTHORITY

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

2. FUND OPERATIONS

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Financial Instruments

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

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

(b) Claims payable

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

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

(c) Premium revenue

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

Differences in premium revenue, if any, between the estimated amounts recognized and the actual revenues due are charged or credited to premium 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 and the differences could be material. Areas where significant estimates must be made include premium revenue and claims payable.

4. INVESTMENTS

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

Investments consist of:

	2011 ($ 000)		2010 ($ 000)	
	Market Value	Cost	Market Value	Cost
Discounted notes	441,671	441,671	566,893	566,907
Government bonds	175,357	175,491	61,050	61,100
Master asset vehicle notes			405	405
	617,028	617,162	628,348	628,412

Investment income includes interest earned from interest bearing securities and realized gains and losses from the sale of securities. The realized loss on the sale of securities amounted to $627 thousand (2010 – realized loss of $351 thousand). Unrealized changes in the market value of investments are reflected separately on the statement of operations and fund deficit.

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, term and liquidity risk:

Discounted notes with maturities between April and July 2011 have yields in the range of 0.918% to 1.180% (2010 – maturities between April and July 2010 and yields in the range of 0.229% to 0.450%), and government bonds have yields in the range of 1.299% to 2.052% for the current year (2010 – yields of 0.288% and 0.435%). At March 31, 2011, a 1% move in interest rates could impact the market value by approximately $1,200 thousand. Discounted notes represent instruments in highly liquid investments that are readily converted into known amounts of cash.

5. LOAN PAYABLE

(a) Non-interest Bearing Loan

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

The face value of this non-interest bearing loan has been discounted to reflect its fair value outstanding as of March 31, 2011 as follows:

	2011 ($ 000)	2010 ($ 000)
Face Value	253,000	264,000
Less: Discount	(105,139)	(112,757)
Fair Value	147,861	151,243
Classified as:		
Current Portion	11,000	11,000
Long Term Portion	136,861	140,243
Balance	147,861	151,243

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 subsequent five fiscal years is as follows:

Fiscal Year	($ 000)
2012	7,447
2013	7,269
2014	7,081
2015	6,883
2016	6,676

(b) Interest Bearing Loans

During fiscal 2010, the Minister of Finance provided the Fund with two interest bearing loans, both of which were repaid with accrued interest totaling $1,558 thousand on March 31, 2010.

6. PENSION PLAN RECOVERIES

Following distribution of claims and submission of a final wind up report any remaining funds are recovered by the Fund. During fiscal 2011, $4,444 thousand (2010 - $12,033 thousand) in recoveries were made by the Fund.

7. PENSION CONSULTING SERVICES

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 2011, $1,797 thousand was paid to such experts related to negotiations involving one company (2010 - $5,137 thousand involving three companies). The Fund was reimbursed $42 thousand from the Ministry of Economic Development and Trade, a related party, for financial due diligence services received during the year.

8. RELATED PARTY TRANSACTIONS

For fiscal 2011, an administration fee of $508 thousand (2010 - $506 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 $205 thousand include fees of $191 thousand (2010 - $63 thousand) paid to the Ontario Financing Authority, a related party.

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

Other related party transactions during the year have been disclosed in notes 4, 5 and 7.

9. MEASURES TO SUSTAIN THE FUND

The 2011 Ontario Budget re-affirmed the government's August 2010 announcement of committing to a four-part strategy to mitigate risks and enhance the sustainability of the Fund as follows:

a) build reserves through the $500 million grant, provided in March 2010;

b) raise future Fund revenues by increasing assessments in 2012;

c) reduce risk to the Fund by extending the eligibility period for covering new plans and benefit improvements from three to five years; and

d) reduce the Fund's exposure by strengthening pension funding rules.

10. SUBSEQUENT EVENTS

a) Recoveries in the range of $10 - $15 million dollars are expected in 2011.

b) On May 31, 2011 two claim allocations totalling $384 million were paid to the subject pension funds. Cash was provided from the proceeds of sale of invested discounted notes.

MOTOR VEHICLE ACCIDENT CLAIMS FUND FINANCIAL STATEMENTS

AS AT MARCH 31, 2011

Management's Statement

Financial Services Commission of Ontario

Commission des services financiers de l'Ontario

Ontario

MOTOR VEHICLE ACCIDENT CLAIMS FUND

Management Responsibility for Financial Information

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

Deloitte.

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

Independent Auditor's Report

To the Audit and Risk 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 accompanying financial statements of the Fund, which comprise the statement of financial position of the Fund as at March 31, 2011, and the statements of operations and MVACF deficit and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
June 24, 2011

Statement of Financial Position

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

	As at March 31,2011 $	Restated See Note 3c As at March 31,2010 $
ASSETS		
Current		
Funds on Deposit with the Ministry of Finance	44,483,824	39,322,517
Accounts Receivable - Licence Fees	2,881,951	3,984,348
Accounts Receivable - Debtors (Note 3c)	45,920,998	45,232,402
Less: Allowance for Doubtful Accounts	28,716,139	28,166,110
	17,204,859	17,066,292
Long Term		
Tangible Capital Assets (Note 4)	571,899	555,216
Less: Accumulated Amortization	544,230	434,881
	27,669	120,335
Unpaid Claims Recoverable (Note 5)	1,850,739	2,637,628
Total Assets	66,449,042	63,131,120
LIABILITIES & FUND DEFICIT		
Accounts Payable and Accrued Expenses	1,491,865	1,324,909
Employee Future Benefits Obligation (Note 3g)	577,203	541,499
Deferred Revenue	68,854,672	67,536,791
Unpaid Claims and Adjustment Expenses (Note 5)	157,839,053	170,309,109
	228,762,793	239,712,308
MVACF Deficit (Note 2)	(162,313,751)	(176,581,188)
	(162,313,751)	(176,581,188)
Total Liabilities & MVACF Deficit	66,449,042	63,131,120

APPROVED:

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

Statement of Operations & MVACF Deficit

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

	Year ended March 31,2011 $	Year ended March 31,2010 $
REVENUE		
Fee on Issue or Renewal of Driver's Licences	28,727,445	28,645,345
Change in Deferred Revenue	(1,317,881)	(1,998,669)
Fees Earned	27,409,564	26,646,676
Prior Year Recoveries	1,519,655	5,926,631
Other Revenue	2,111	6,885
Total Revenue	28,931,330	32,580,192
EXPENSES		
Change in Net Unpaid Claims and Adjustment Expenses	(11,683,167)	(7,998,438)
Accident Benefits Claims Payments	14,846,673	16,116,738
Administrative Expenses		
Salaries and Wages	1,702,340	1,610,635
Employees' Benefits	278,193	229,513
Transportation and Communication	26,127	32,935
Services:		
Claims (Solicitors' Fees, etc.)	2,044,081	1,955,078
Accident Benefit Claims Expense	1,625,775	1,681,029
Other Services	1,468,359	1,611,082
Bad Debts Expense	4,215,697	2,809,379
Supplies and Equipment	25,315	20,129
Amortization Expense	114,500	114,940
Total Expenses	14,663,893	18,183,020
Excess of Expenses over Revenue	14,267,437	14,397,172
MVACF Deficit, Beginning of Year	(176,581,188)	(190,978,360)
MVACF Deficit, End of Year	(162,313,751)	(176,581,188)

Statement of Cash Flows

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

	Year ended March 31,2011 $	Year ended March 31,2010 $
OPERATING ACTIVITIES		
Cash Inflows		
Fee on Issue or Renewal of Driver's Licences	29,829,842	27,579,079
Repayment by Debtors	1,540,136	1,228,828
Prior Year Recoveries	1,519,655	5,926,631
Other Revenue	2,111	6,885
Cash Outflows		
Statutory Payments	(21,035,046)	(22,107,241)
Payments to Employees	(2,000,296)	(1,821,370)
Administrative Expenses	(4,673,261)	(5,542,180)
Net Cash Inflow from Operating Activities	5,183,141	5,270,632
CAPITAL ACTIVITIES		
Cash Outflows		
Acquisition of Computer Equipment	(21,834)	(3,829)
Net Cash Outflow from Investing Activities	(21,834)	(3,829)
Net Increase in Funds on Deposit with Minister of Finance	5,161,307	5,266,803
Funds on Deposit with Minister of Finance, Beginning of Year	39,322,517	34,055,714
Funds on Deposit with Minister of Finance, End of Year	44,483,824	39,322,517

1. STATUTORY AUTHORITY

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

2. MVACF OPERATIONS

The Motor Vehicle Accident Claims Fund is a program that was created on July 1, 1947 as the Unsatisfied Judgment Fund. Initially, MVACF was required to respond to victims of uninsured motorists and hit-and-run drivers who could not recover damages awarded by the courts from an automobile insurance company. MVACF legislation was amended in the early 1960's, in 1979 with the *Compulsory Automobile Insurance Act*, and in 1990 by the *Insurance Statute Law Amendment Act* which required MVACF to include in its statutory payments, accident benefits on a no-fault basis for the first time. Currently, MVACF responds to claims in the same fashion and with the same exclusions as automobile insurers in Ontario, and provides for two types of coverages: third party bodily injury and property damage liability (collectively referred to as TPL), and statutory accident benefits or SABS in accordance with legislated requirements.

The coverage provided by MVACF is analogous to the minimum required coverage under the standard automobile policy (OAP 1) approved by the provincial regulator. Unlike insurance companies, MVACF 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 MVACF 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.

MVACF operates administratively under the direction of the Financial Service Commission of Ontario (FSCO) and reimburses FSCO for the costs of the services it provides to MVACF.

The Lieutenant Governor in Council, having regard to the condition of MVACF and the amount paid out of MVACF 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 and fund MVACF's operations.

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.

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

a) Drivers' Licence Fees and Deferred Revenue

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

b) Accounts Receivable – Fees

Under the *Act*, MVACF 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.

c) Accounts Receivable – Debtors and Restatement

MVACF maintains an accounts receivable portfolio, accumulated over the years as a result of judgments and claims assigned to the Minister of Finance. MVACF 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 MVACF 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* (*FAA*).

In the 2009-2010 fiscal year a write-off of $3.3 million of accounts receivable was submitted to the Ministry of Finance for approval as required under the *FAA*. In August 2010, the Ministry, in accordance with its discretionary powers under the *FAA* recommended the removal of accounts totaling $941,308. As a result the March 31, 2010 figures were restated with an increase to Accounts Receivable and an increase to Allowance for Doubtful Accounts with no change to Net Receivables.

In the current year $1.6 million (2010 - $0.5 million) of the Accounts Receivable was reinstated through the bad debt expense account.

For fiscal 2010-11 a write-off of $5.3 million (2010 - $3.3 million) submitted to the Ministry of Finance was approved through an order-in-council on June 22, 2011 and is recorded in the current year financial statements.

d) Prior Year Recoveries

Prior year recoveries are generated from three main sources – insurance recoveries, reversionary interest (Note 6) and recoveries of court costs. MVACF 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, MVACF may be required to pursue private insurers for recoveries.

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

e) 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, because MVACF 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.

MVACF 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 MVACF 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 MVACF. MVACF 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 MVACF is any credit risk related to the life insurers. This credit risk is deemed nil at March 31, 2011. There exists the possibility of contingent gains based on the fact that MVACF has purchased insurance on some of the measured lives. Such amounts are described in Note 6 – Contingent Gains.

f) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires that MVACF'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. The most significant estimates relate to the provision for unpaid claims and adjustment expenses, unpaid claims recoverable and employee future benefits.

g) i. Employee Future Benefits Obligation

Prior to 2007, MVACF 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 fund them annually when due, the Auditor General has requested and management has agreed that MVACF also recognize the liability for these costs in these financial statements.

	2011	Increase (Decrease)	2010
Employee Future Benefits Obligation	$577,203	$35,704	$541,499

ii. Employee Benefits

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

These benefits are accounted for by MVACF 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. TANGIBLE CAPITAL ASSETS

Leasehold improvements, computer equipment, furniture and fixtures, and office equipment are carried at cost less accumulated amortization. MVACF 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.

	2011			2010
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Leasehold Improvements	**$500,000**	**$500,000**	**$ –**	$100,000
Computer Equipment	**48,839**	**24,453**	**24,386**	11,554
Furniture and Fixtures	**16,416**	**13,133**	**3,283**	6,566
Office Equipment	**6,644**	**6,644**	**–**	2,215
	$571,899	**$544,230**	**$27,669**	$120,355

5. UNPAID CLAIMS AND ADJUSTMENT EXPENSES

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

	March 31, 2011		March 31, 2010	
	Gross (000's)	**Recoverable (000's)**	Gross (000's)	Recoverable (000's)
ACCIDENT BENEFITS				
Statutory accident benefits	**$104,252**	**$ –**	$107,589	$ –
THIRD PARTY LIABLITY (TPL)				
Property damage	**890**	**20**	1,147	26
Bodily injury	**52,697**	**1,831**	61,573	2,611
Total TPL	**53,587**	**1,851**	62,720	2,637
Totals	**$157,839**	**$1,851**	$170,309	$2,637

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

	March 31, 2011	March 31, 2010
	(000s)	(000's)
Unpaid claims and adjustment expenses, beginning of year	**$170,309**	$179,454
Increase (decrease) in provision for losses that occurred in prior years	**(19,533)**	(14,670)
Amounts paid during the year on claims of prior years		
Statutory Payments	**(20,165)**	(20,663)
Claims Expenses	**(7,093)**	(6,638)
Amount paid during the year on claims of the current year		
Statutory Payments	**(576)**	(992)
Claims Expenses	**(203)**	(319)
Provision for losses on claims that occurred in the current year	**35,100**	34,317
Unpaid claims and adjustment expenses, end of year	**$157,839**	$170,309

6. CONTINGENT GAINS

Some payments out of MVACF 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, MVACF nevertheless has calculated the approximate reversionary interest represented by insurance on the claimant lives as at March 31, 2011 for information purposes.

As at March 31, 2011, the amount paid out of MVACF for accident benefit claims in the form of structured settlements was approximately $25.7 million (2010 - $23.4 million) with applicable reversionary interest of approximately $18.7 million (2010- $18.0 million).

7. ROLE OF THE ACTUARY AND AUDITOR

FSCO retains an independent actuary who acts as MVACF's actuary. The actuary's responsibility is to carry out an annual valuation of MVACF'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 MVACF. 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 and Risk Committee of 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.

SUPERINTENDENT'S REPORT ON INSURANCE

2010

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Ontario

Superintendent's Report 2010

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 to Minister of Finance

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

Dear Minister:

I am pleased to present the 132^{nd} annual report under Section 36 of the Insurance Act for the year ended December 31, 2010. Prior to the creation of the Financial Services Commission of Ontario, this report was issued by the Superintendent of Insurance.

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

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

Yours sincerely,

Philip Howell
Chief Executive Officer and
Superintendent of Financial Services

SUMMARY OF COMPANIES LICENSED BY TYPE OF BUSINESS ACTIVITY as of December 31, 2010, and December 31, 2009

					Analysis of 2010 total		
Business Type	**Total 2009**	**Additions**	**Withdrawals**	**Total 2010**	**Ontario**	**Extra Pro-vincial**	**Federal**
Property & Casualty Companies	213	4	8	209	55	10	144
Life Insurance Companies	85	2	3	84	2	15	67
Reinsurance Companies	39	1	3	37	2	1	34
Reciprocal Exchanges	10	0	0	10	8	1	1
Fraternal Societies	18	0	0	18	2	0	16
Totals	**365**	**7**	**14**	**358**	**69**	**27**	**262**

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.*

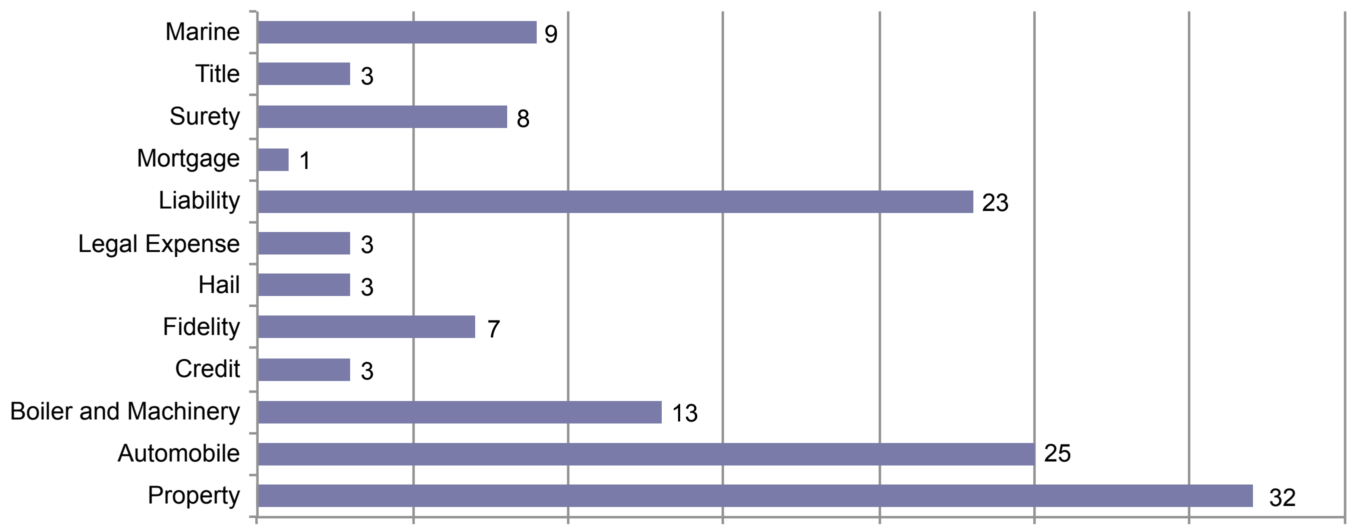
2. *Branch operations are included in the Federal totals.*

3. *The Superintendent's Report 2010 records figures as of the end of the calendar year (December 31, 2010), based on the companies' annual filings. The Financial Services Commission of Ontario Annual Report 2010-2011 records figures as of the end of the fiscal year (March 31, 2011).*

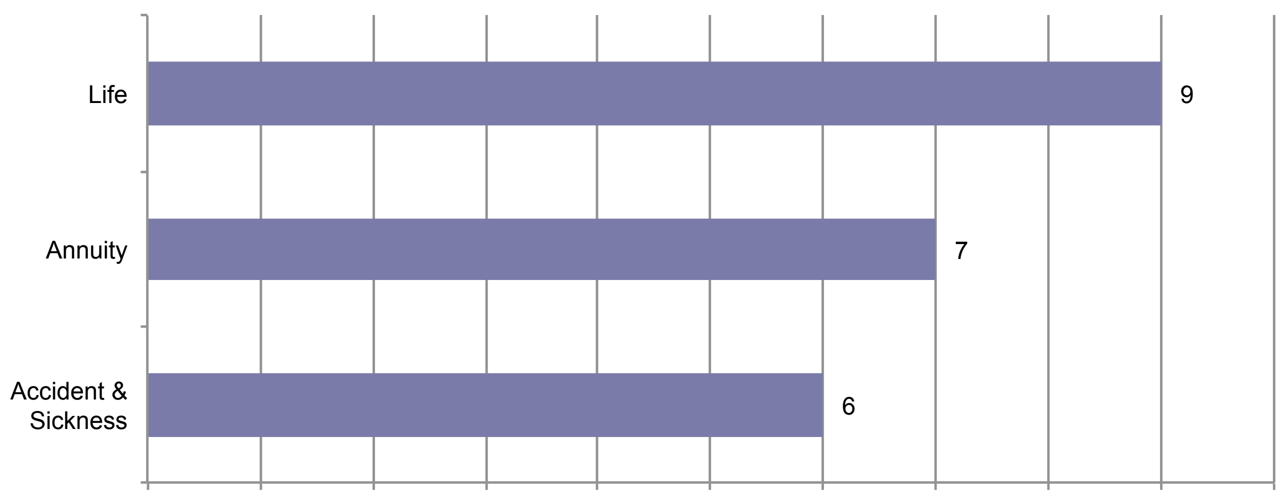
Insurer Statistics

To gauge the level of competition, FSCO calculates how many companies represent 80 percent of the market for key products. Please note that effective 2010, these figures are based on individual companies rather than groups of affiliated companies.

2010 Property and Casualty Insurers
Number of Companies Representing 80% of Ontario Market Share



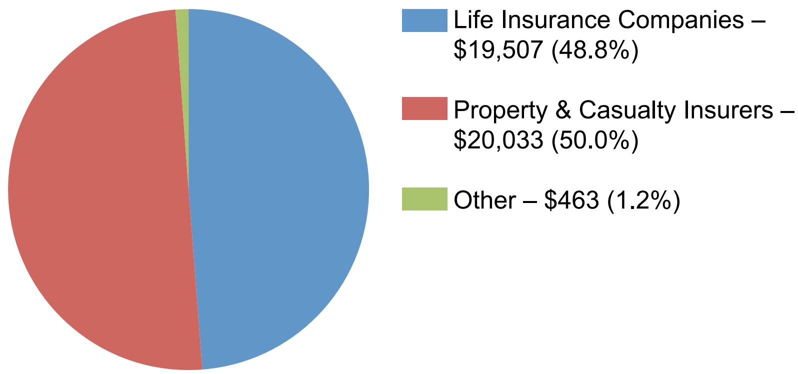
2010 Life Insurers
Number of Companies Representing 80% of the Ontario Market Share



Premium Statistics

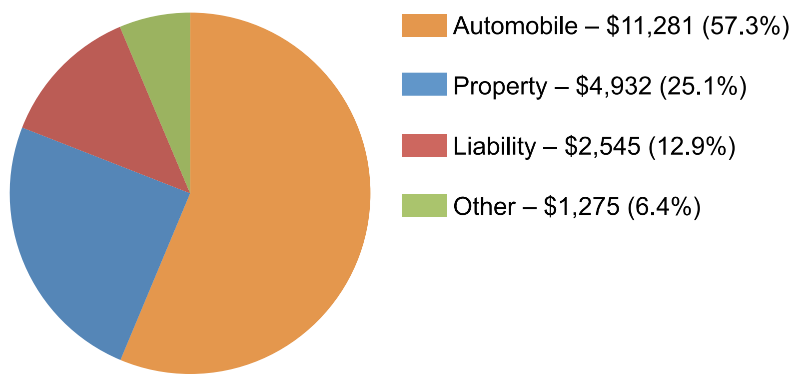
Insurance is a $40 billion business in Ontario. In 2010, of the the total premium dollar, 50.0 per cent went to the property and casualty (including automobile) insurers and 48.8 percent went to the life insurance industry.

2010
Direct Premium Volume in Ontario
Total $40,003 (millions)



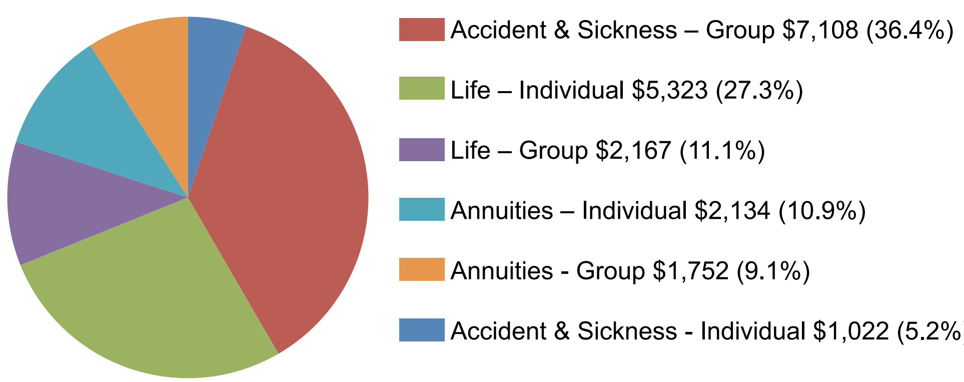
P&C insurers received $20.0 billion in premiums in 2010. The split among automobile, property and liability insurance remained constant compared to the past year.

2010
Property & Casualty Companies – Direct Written Premiums in Ontario – By Line
Total $20,033 (millions)



The broad pattern among life insurance companies likewise remained constant. Of the $19.5 billion spent on premiums to the life insurers, 20.0 percent went to buy annuities, 38.4 percent to purchase individual and group life coverage and 41.6 percent to obtain accident and sickness insurance.

2010
Life Companies – Direct Written Premiums in Ontario
Total $19,506 (millions)



Property & Casualty Insurance Companies

	Financial Summary Year Ended December 31, 2010 (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	12,432	11,452	27,581	21,704	5,877	54%	339
	AMHERST ISLAND MUTUAL INSURANCE COMPANY	675	99	2,377	728	1,649	17%	108
	AYR FARMERS MUTUAL INSURANCE COMPANY	19,534	8,536	58,512	30,616	27,896	44%	3,312
	BAY OF QUINTE MUTUAL INSURANCE CO.	18,081	6,221	39,158	15,682	23,476	39%	3,074
	BERTIE AND CLINTON MUTUAL INSURANCE COMPANY	11,004	7,277	52,267	22,728	29,539	45%	1,951
	BRANT MUTUAL INSURANCE COMPANY	6,800	4,796	18,288	10,678	7,610	66%	-339
	CAA INSURANCE COMPANY (ONTARIO)	129,482	84,656	402,480	325,218	77,262	68%	7,330
	CARADOC DELAWARE MUTUAL FIRE INSURANCE COMPANY	1,685	503	7,363	1,181	6,182	47%	15
	CAYUGA MUTUAL INSURANCE COMPANY	6,814	2,918	22,698	11,022	11,676	48%	644
	COACHMAN INSURANCE COMPANY	48,819	30,394	150,489	109,351	41,138	76%	740
1	CORONATION INSURANCE COMPANY, LIMITED	0	0	4,044	525	3,519	n/a	1
	DUFFERIN MUTUAL INSURANCE COMPANY	8,742	14,875	28,646	23,888	4,758	77%	-1,154
	DUMFRIES MUTUAL INSURANCE COMPANY	12,290	6,159	47,460	22,973	24,487	56%	1,442
	ERIE MUTUAL FIRE INSURANCE COMPANY	5,369	1,761	22,058	6,953	15,105	41%	559
	FARMERS' MUTUAL INSURANCE COMPANY (LINDSAY)	80,886	43,231	227,740	161,207	66,533	55%	12,283
	FENCHURCH GENERAL INSURANCE COMPANY	5,970	2,811	14,928	8,651	6,277	44%	619
	GCAN INSURANCE COMPANY	103,668	29,854	896,601	644,333	252,268	54%	30,456
2	GERMANIA MUTUAL INSURANCE COMPANY	15,350	3,627	31,771	17,834	13,937	33%	3,162
	GLENGARRY MUTUAL INSURANCE COMPANY	10,489	6,250	21,377	11,092	10,285	56%	28
	GRENVILLE MUTUAL INSURANCE COMPANY	20,729	13,754	59,599	28,076	31,523	65%	1,254
	GREY & BRUCE MUTUAL INSURANCE COMPANY	2,798	887	4,650	2,124	2,526	41%	180
	HALWELL MUTUAL INSURANCE COMPANY	15,648	9,788	44,797	23,974	20,823	55%	2,021
	HAMILTON TOWNSHIP MUTUAL INSURANCE COMPANY	18,631	7,891	47,728	28,904	18,824	43%	2,113
	HAY MUTUAL INSURANCE COMPANY	8,305	1,623	36,859	9,353	27,506	34%	1,733
	HOWARD MUTUAL INSURANCE COMPANY	9,302	5,449	41,516	14,451	27,065	49%	780
	HOWICK MUTUAL INSURANCE COMPANY	12,757	7,081	27,647	18,091	9,556	55%	1,249
	KENT & ESSEX MUTUAL INSURANCE COMPANY	20,048	18,890	71,153	38,816	32,337	73%	-247
	L&A MUTUAL INSURANCE COMPANY	8,006	5,215	14,743	9,127	5,616	72%	-250
	LAMBTON MUTUAL INSURANCE COMPANY	17,206	14,106	55,350	29,163	26,187	70%	690

Property & Casualty Insurance Companies

	Financial Summary Year Ended December 31, 2010 (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) $
	LANARK MUTUAL INSURANCE COMPANY	21,220	11,672	65,163	26,613	38,550	53%	2,879
	LAWYERS' PROFESSIONAL INDEMNITY COMPANY	106,227	75,944	550,989	391,682	159,307	80%	15,213
3	MARKHAM GENERAL INSURANCE COMPANY	0	0	0	0	0	n/a	0
	MAX CANADA INSURANCE COMPANY	4,442	1,753	14,790	7,798	6,992	57%	-31
	MCKILLOP MUTUAL INSURANCE COMPANY	8,397	4,570	26,544	15,310	11,234	50%	694
	MIDDLESEX MUTUAL INSURANCE CO.	10,405	5,061	36,926	20,443	16,483	48%	1,686
	NORFOLK MUTUAL INSURANCE COMPANY	6,263	4,963	19,640	10,294	9,346	64%	302
	NORTH BLENHEIM MUTUAL INSURANCE COMPANY	8,316	3,742	22,747	8,595	14,152	53%	906
	NORTH KENT MUTUAL FIRE INSURANCE COMPANY	7,040	5,961	31,258	11,837	19,421	71%	703
	OXFORD MUTUAL INSURANCE COMPANY	10,102	4,655	24,600	13,457	11,143	55%	701
	PEEL MARYBOROUGH MUTUAL INSURANCE COMPANY	16,722	10,281	46,905	30,179	16,726	55%	1,757
	PEEL MUTUAL INSURANCE COMPANY	36,080	16,129	90,884	62,289	28,595	61%	2,290
	PRO-DEMNITY INSURANCE COMPANY	19,632	7,457	88,543	62,355	26,188	42%	693
	SOUTH EASTHOPE MUTUAL INSURANCE COMPANY	13,067	6,914	42,088	19,748	22,340	40%	2,788
	THE WEST WAWANOSH MUTUAL INSURANCE COMPANY	14,912	3,359	44,005	23,543	20,462	37%	2,200
	THE WESTMINSTER MUTUAL INSURANCE COMPANY	8,826	5,063	20,195	15,016	5,179	69%	134
	THE YARMOUTH MUTUAL FIRE INSURANCE COMPANY	7,132	4,239	18,767	8,925	9,842	60%	183
	TOWN & COUNTRY MUTUAL INSURANCE COMPANY	10,721	5,697	32,782	18,087	14,695	55%	762
	TOWNSEND FARMERS' MUTUAL FIRE INSURANCE COMPANY	5,608	4,590	24,644	16,730	7,914	44%	524
	TRADITION MUTUAL INSURANCE COMPANY	12,270	-2,465	37,888	23,213	14,675	42%	1,893
	TRILLIUM MUTUAL INSURANCE COMPANY	36,204	18,756	96,600	62,852	33,748	49%	4,694
4	TTC INSURANCE COMPANY LIMITED	0	0	130,049	129,949	100	n/a	0
	USBORNE AND HIBBERT MUTUAL FIRE INSURANCE COMPANY	5,581	2,004	35,654	7,158	28,496	60%	979
	WABISA MUTUAL INSURANCE COMPANY	6,657	4,397	21,433	14,882	6,551	62%	135
	WEST ELGIN MUTUAL INSURANCE COMPANY	9,473	5,601	37,360	19,801	17,559	62%	672
	YORK FIRE & CASUALTY INSURANCE COMPANY	128,403	137,575	392,459	313,934	78,525	77%	2,490
		1,145,220	**698,022**	**4,432,793**	**2,983,133**	**1,449,660**		**119,340**

Property & Casualty Insurance Companies

	Financial Summary Year Ended December 31, 2010 (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) $
	EXTRA PROVINCIAL							
	ALBERTA MOTOR ASSOCIATION INSURANCE COMPANY	105	0	501,500	361,030	140,470	69%	26,048
	BELAIR INSURANCE COMPANY INC.	51,120	24,427	1,014,650	779,269	235,381	66%	27,994
	CANADIAN FARM INSURANCE CORP.	845	681	11,011	6,786	4,225	90%	-893
	GMS INSURANCE INC.	7,374	3,759	19,129	13,859	5,270	67%	-453
	LA MUTUELLE D'ÉGLISE DE L'INTER-OUEST	10	0	5,581	508	5,073	55%	-47
	L'UNIQUE GENERAL INSURANCE INC.	374	0	250,133	202,857	47,276	65%	5,351
	OPTIMUM INSURANCE COMPANY INC.	42,651	25,572	169,316	126,183	43,133	58%	3,938
	SGI CANADA INSURANCE SERVICES LTD.	138	33	160,279	71,176	89,103	62%	5,072
	THE CANADIAN UNION INSURANCE COMPANY	-26	-395	478,369	358,311	120,058	62%	10,168
	TRANS GLOBAL INSURANCE COMPANY	5,900	234	11,592	5,455	6,137	4%	1,292
		108,491	**54,311**	**2,621,560**	**1,925,434**	**696,126**		**78,470**
	FEDERAL							
	ACE INA INSURANCE	123,513	94,352	1,354,593	1,071,672	282,921	68%	27,455
	ALLSTATE INSURANCE COMPANY OF CANADA	425,260	286,512	1,912,710	1,235,948	676,762	68%	71,017
5	ALTA SURETY COMPANY	0	0	0	0	0	n/a	0
	ASCENTUS INSURANCE LTD.	2,838	-314	35,474	21,924	13,550	10%	1,262
	ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED	3,924	3,142	138,724	96,312	42,412	184%	-17,152
	AVIVA INSURANCE COMPANY OF CANADA	804,837	353,178	4,274,829	3,481,689	793,140	66%	67,357
	AXA INSURANCE (CANADA) AXA ASSURANCES (CANADA)	491,974	312,129	1,671,478	1,321,789	349,689	65%	59,111
	AXA PACIFIC INSURANCE COMPANY	47,303	34,145	1,258,558	988,855	269,703	55%	50,660
	CANADA GUARANTY MORTGAGE INSURANCE COMPANY	11,976	6,889	312,869	149,782	163,087	83%	5,827
	CANADIAN NORTHERN SHIELD INSURANCE COMPANY	1,311	985	293,095	230,023	63,072	62%	-2,134
	CERTAS DIRECT INSURANCE COMPANY	174,901	147,453	568,577	436,257	132,320	101%	-16,845
	CERTAS HOME AND AUTO INSURANCE COMPANY	1,915	2,440	8,020	3,425	4,595	154%	-1,331
	CHARTIS INSURANCE COMPANY OF CANADA	391,090	289,496	4,691,066	3,406,112	1,284,954	71%	153,533
	CHUBB INSURANCE COMPANY OF CANADA	343,012	142,822	2,425,085	1,596,921	828,164	33%	197,621
	COMMONWEALTH INSURANCE COMPANY	28,573	1,056	744,899	496,918	247,981	49%	25,545
6	CONSTITUTION INSURANCE COMPANY OF CANADA	0	0	2,744	71	2,673	n/a	470

Property & Casualty Insurance Companies

	ONTARIO BUSINESS		TOTAL COMPANY				
Financial Summary Year Ended December 31, 2010 (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) $
CO-OPERATORS GENERAL INSURANCE COMPANY	763,139	568,634	3,995,000	2,614,414	1,380,586	73%	80,744
COSECO INSURANCE COMPANY	148,823	122,253	595,675	452,985	142,690	80%	11,956
CUMIS GENERAL INSURANCE COMPANY	53,891	33,997	206,431	152,625	53,806	54%	5,290
DAS LEGAL PROTECTION INSURANCE COMPANY LIMITED	51	14	15,856	634	15,222	-106%	-2,278
ECHELON GENERAL INSURANCE COMPANY	127,915	104,568	428,842	325,090	103,752	76%	1,789
ECONOMICAL MUTUAL INSURANCE COMPANY	833,092	598,631	4,463,702	3,205,685	1,258,017	70%	64,409
ELITE INSURANCE COMPANY	295,560	211,414	863,776	705,940	157,836	69%	5,577
EVEREST INSURANCE COMPANY OF CANADA	0	0	3,871	85	3,786	n/a	-108
FCT INSURANCE COMPANY LTD.	62,605	11,917	198,764	124,239	74,525	21%	18,025
FEDERATED INSURANCE COMPANY OF CANADA	53,336	33,905	439,715	327,171	112,544	62%	11,679
FEDERATION INSURANCE COMPANY OF CANADA	6,312	-2,260	492,599	393,295	99,304	70%	5,667
FIRST NORTH AMERICAN INSURANCE COMPANY	1,070	236	6,966	1,765	5,201	24%	362
GENWORTH FINANCIAL MORTGAGE INSURANCE COMPANY CANADA	214,452	40,294	5,189,077	2,648,987	2,540,090	33%	355,133
GORE MUTUAL INSURANCE COMPANY	248,670	162,277	606,732	437,631	169,101	68%	9,078
GRAIN INSURANCE AND GUARANTEE COMPANY	11,245	3,802	91,579	56,419	35,160	48%	6,689
8 GRANITE INSURANCE COMPANY	0	0	0	0	0	n/a	0
INDUSTRIAL ALLIANCE PACIFIC GENERAL INSURANCE CORPORATION	3,515	1,337	180,435	92,662	87,773	31%	4,390
INTACT INSURANCE COMPANY	1,456,227	956,185	8,206,458	6,361,105	1,845,353	66%	247,144
JEVCO INSURANCE COMPANY	211,916	163,790	1,254,295	881,028	373,267	70%	29,277
LEGACY GENERAL INSURANCE COMPANY	15,928	1,952	17,773	-7,278	25,051	15%	2,365
LOMBARD GENERAL INSURANCE COMPANY OF CANADA	268,937	396,838	2,706,569	1,979,212	727,357	76%	26,786
LOMBARD INSURANCE COMPANY	130,122	123,677	470,690	347,816	122,874	114%	-15,638
MARKEL INSURANCE COMPANY OF CANADA	128,461	117,350	697,294	521,725	175,569	76%	5,447
NOVEX INSURANCE COMPANY	109,736	72,916	950,395	721,070	229,325	66%	36,088
OLD REPUBLIC INSURANCE COMPANY OF CANADA	45,756	27,772	185,725	134,622	51,103	66%	4,955
OMEGA GENERAL INSURANCE COMPANY	8,259	4,531	33,687	22,774	10,913	49%	2,065
PAFCO INSURANCE COMPANY	55,443	28,231	243,683	158,244	85,439	61%	11,095
PEMBRIDGE INSURANCE COMPANY	94,226	53,793	503,010	269,211	233,799	69%	12,758
PERTH INSURANCE COMPANY	78,440	103,465	492,012	433,566	58,446	70%	3,146

	ONTARIO BUSINESS		TOTAL COMPANY				
Financial Summary Year Ended December 31, 2010 (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) $**
PILOT INSURANCE COMPANY	180,500	124,118	1,355,396	1,146,483	208,913	60%	46,382
PMI MORTGAGE INSURANCE COMPANY CANADA	-4	527	18,369	3,669	14,700	208%	-1,328
PRIMMUM INSURANCE COMPANY	235,586	168,367	1,383,229	1,156,482	226,747	79%	20,039
QUEBEC ASSURANCE COMPANY	0	0	103,988	78,494	25,494	59%	3,635
RBC GENERAL INSURANCE COMPANY	362,854	323,596	1,148,776	891,116	257,660	93%	-32,593
RBC INSURANCE COMPANY OF CANADA	192,785	116,743	370,496	235,047	135,449	54%	-2,227
ROYAL & SUN ALLIANCE INSURANCE COMPANY OF CANADA	446,911	260,137	3,318,832	2,572,165	746,667	59%	87,772
S & Y INSURANCE COMPANY	9,242	41,992	223,441	191,337	32,104	80%	3,884
SAFETY NATIONAL CASUALTY CORPORATION	0	778	43,373	28,909	14,464	516%	-2,645
SCOTIA GENERAL INSURANCE COMPANY	0	0	7,208	29	7,179	n/a	-22
SCOTTISH & YORK INSURANCE CO. LIMITED	102,336	118,718	850,625	720,595	130,030	62%	33,514
SECURITY NATIONAL INSURANCE COMPANY	753,016	548,285	3,871,609	2,823,794	1,047,815	78%	55,034
9 TD DIRECT INSURANCE INC.	0	0	14,961	136	14,825	n/a	361
TD GENERAL INSURANCE COMPANY	259,318	350,705	1,055,356	916,499	138,857	94%	-9,371
TD HOME AND AUTO INSURANCE COMPANY	199,064	149,884	1,097,813	897,473	200,340	82%	16,155
TEMPLE INSURANCE COMPANY	76,769	43,312	865,586	719,813	145,773	56%	15,303
THE BOILER INSPECTION AND INSURANCE COMPANY OF CANADA	10,491	2,724	180,022	99,597	80,425	23%	21,509
THE DOMINION OF CANADA GENERAL INSURANCE COMPANY	926,807	631,788	3,119,868	2,335,541	784,327	71%	67,535
THE GUARANTEE COMPANY OF NORTH AMERICA	219,590	153,040	1,068,906	655,584	413,322	67%	19,528
THE MISSISQUOI INSURANCE COMPANY	210	386	482,757	381,161	101,596	70%	5,801
THE NORDIC INSURANCE COMPANY OF CANADA	290,807	296,358	1,561,864	1,130,409	431,455	66%	61,516
THE NORTH WATERLOO FARMERS MUTUAL INSURANCE COMPANY	69,379	31,069	121,606	86,192	35,414	60%	3,081
THE PERSONAL INSURANCE COMPANY	353,425	288,654	1,367,166	1,086,820	280,346	84%	3,599
THE PORTAGE LA PRAIRIE MUTUAL INSURANCE COMPANY	38,529	23,434	355,216	234,901	120,315	76%	-259
THE SOVEREIGN GENERAL INSURANCE COMPANY	65,627	32,791	661,320	487,285	174,035	55%	19,717
THE WAWANESA MUTUAL INSURANCE COMPANY	587,914	503,352	5,632,785	3,405,932	2,226,853	75%	135,611
TRADERS GENERAL INSURANCE COMPANY	314,316	217,334	1,285,268	1,079,518	205,750	67%	41,852
TRAFALGAR INSURANCE COMPANY OF CANADA	166,070	134,905	838,123	632,120	206,003	66%	32,340

Property & Casualty Insurance Companies

		ONTARIO BUSINESS		TOTAL COMPANY				
	Financial Summary Year Ended December 31, 2010 (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) $
	TRAVELERS GUARANTEE COMPANY OF CANADA	70,128	14,003	775,358	505,784	269,574	23%	46,736
	TRISURA GUARANTEE INSURANCE COMPANY	23,593	3,788	91,466	52,374	39,092	16%	6,277
	UNIFUND ASSURANCE COMPANY	469,409	354,419	1,540,791	1,273,083	267,708	74%	15,521
	WATERLOO INSURANCE COMPANY	89,594	68,206	364,297	304,392	59,905	70%	3,114
	WESTERN ASSURANCE COMPANY	131,623	75,022	708,520	590,197	118,323	59%	15,195
10	WESTERN FINANCIAL INSURANCE COMPANY	17,872	9,310	44,195	26,832	17,363	47%	5,792
	WESTERN SURETY COMPANY	3,530	1,419	46,943	31,044	15,899	40%	-690
	XL INSURANCE COMPANY LIMITED	44,782	44,267	586,033	384,041	201,992	60%	8,783
	ZENITH INSURANCE COMPANY	56,457	45,044	203,177	119,705	83,472	73%	8,389
		15,048,084	**10,794,279**	**89,998,071**	**65,184,973**	**24,813,098**		**2,321,126**
	BRANCH							
	AFFILIATED FM INSURANCE COMPANY	33,981	5,039	219,918	125,041	94,877	55%	18,533
	ALLIANZ GLOBAL RISKS US INSURANCE COMPANY	84,945	37,822	648,371	491,665	156,706	71%	19,643
	ALLSTATE INSURANCE COMPANY	0	0	0	0	0	n/a	0
	AMERICAN BANKERS INSURANCE COMPANY OF FLORIDA	163,807	13,544	431,027	253,957	177,070	21%	14,923
	ARCH INSURANCE COMPANY	52,491	12,638	223,977	166,265	57,712	53%	7,695
	ATRADIUS CREDIT INSURANCE N.V.	1,082	552	19,284	14,908	4,376	46%	-1,365
11	AVIATION & GENERAL INSURANCE COMPANY LIMITED	0	0	0	0	0	n/a	0
	AVIVA INTERNATIONAL INSURANCE LIMITED	0	-58	27,006	1,628	25,378	n/a	-70
	BERKLEY INSURANCE COMPANY	14,702	5,874	70,510	39,056	31,454	42%	721
12	CENTENNIAL INSURANCE COMPANY	0	0	0	0	0	n/a	0
	CHEROKEE INSURANCE COMPANY	925	180	11,408	1,377	10,031	68%	-11
	CHICAGO TITLE INSURANCE COMPANY	12,323	3,902	42,861	17,640	25,221	28%	4,402
	COMPAGNIE FRANCAISE D'ASSURANCE POUR LE COMMERCE EXTERIEUR	11,537	4,738	69,504	38,573	30,931	27%	6,875
	CONTINENTAL CASUALTY COMPANY	97,416	62,921	1,058,676	703,366	355,310	57%	37,388
13	COREPOINTE INSURANCE COMPANY	1,599	2,155	24,523	11,795	12,728	183%	-280
14	EAGLE STAR INSURANCE COMPANY LIMITED	0	0	0	0	0	n/a	0
	ECCLESIASTICAL INSURANCE OFFICE PUBLIC LIMITED COMPANY	16,770	8,011	137,037	77,831	59,206	50%	1,975
	ELECTRIC INSURANCE COMPANY	1,357	1,373	24,915	12,685	12,230	105%	-28

Property & Casualty Insurance Companies

	Financial Summary Year Ended December 31, 2010 (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) $
	EMPLOYERS INSURANCE COMPANY OF WAUSAU	0	-170	33,426	4,235	29,191	n/a	920
15	EULER HERMES AMERICAN CREDIT INDEMNITY COMPANY	17,326	1,760	92,231	41,631	50,600	-2%	6,066
	FACTORY MUTUAL INSURANCE COMPANY	72,854	6,333	872,687	439,737	432,950	61%	54,812
	FEDERAL INSURANCE COMPANY	10,433	3,345	178,240	88,776	89,464	7%	12,004
16	FIDELITY NATIONAL TITLE INSURANCE COMPANY	15	-95	5,620	204	5,416	-194%	107
	FIRST AMERICAN TITLE INSURANCE COMPANY	12,230	5,280	41,633	20,089	21,544	43%	2,745
	GENERAL REINSURANCE CORPORATION	0	0	457,444	317,403	140,041	26%	19,298
	GREAT AMERICAN INSURANCE COMPANY	23,590	34,691	309,054	132,916	176,138	74%	36,690
17	GREAT AMERICAN INSURANCE COMPANY OF NEW YORK	0	0	0	0	0	n/a	0
	HARTFORD FIRE INSURANCE COMPANY	6,965	4,012	214,760	46,959	167,801	40%	11,334
18	ICAROM PUBLIC LIMITED COMPANY	0	26	3,160	581	2,579	n/a	-102
	JEWELERS MUTUAL INSURANCE COMPANY	2,986	1,035	9,852	4,111	5,741	49%	142
	LIBERTY MUTUAL INSURANCE COMPANY	89,158	35,266	1,271,075	645,757	625,318	50%	58,598
	LLOYD'S UNDERWRITERS	487,955	287,997	4,318,991	2,930,189	1,388,802	59%	322,772
19	LUMBERMENS MUTUAL CASUALTY COMPANY	0	7	2,596	75	2,521	-10%	-1,486
	MITSUI SUMITOMO INSURANCE COMPANY, LIMITED	12,076	13,080	84,775	47,465	37,310	65%	-2,331
	MOTORS INSURANCE CORPORATION	159,788	114,631	732,445	429,503	302,942	72%	54,630
	MUNICH REINSURANCE AMERICA, INC.	0	-283	251,803	125,533	126,270	34%	5,641
	NATIONAL LIABILITY & FIRE INSURANCE COMPANY	4,430	1,030	386,784	186,159	200,625	43%	29,522
	NIPPONKOA INSURANCE COMPANY, LIMITED	730	-145	34,230	3,710	30,520	24%	1,072
	PEARL ASSURANCE PUBLIC LIMITED COMPANY	0	29	1,493	462	1,031	n/a	-351
20	PROGRESSIVE CASUALTY INSURANCE COMPANY	0	216	13,706	5,263	8,443	-889%	-623
	PROTECTIVE INSURANCE COMPANY	448	275	10,399	1,987	8,412	57%	80
21	RELIANCE INSURANCE COMPANY	0	0	0	0	0	n/a	0
	SECURITY INSURANCE COMPANY OF HARTFORD	0	-2,444	88,582	22,785	65,797	n/a	6,940
	SENTRY INSURANCE A MUTUAL COMPANY	695	-370	35,180	5,706	29,474	-10%	1,434
	SOMPO JAPAN INSURANCE INC.	4,044	4,336	46,482	11,124	35,358	96%	-769
	ST. PAUL FIRE AND MARINE INSURANCE COMPANY	79,856	60,503	1,299,933	745,457	554,476	72%	21,114
	STATE FARM FIRE AND CASUALTY COMPANY	442,362	239,931	1,225,191	697,338	527,853	58%	64,483

Property & Casualty Insurance Companies

	Financial Summary Year Ended December 31, 2010 (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) $
	STATE FARM MUTUAL AUTOMOBILE INSURANCE COMPANY	1,288,377	2,257,179	6,020,404	4,565,551	1,454,853	165%	-1,063,697
	STEWART TITLE GUARANTY COMPANY	58,854	17,526	166,224	95,852	70,372	30%	16,111
	T.H.E. INSURANCE COMPANY	89	-27	2,784	226	2,558	-50%	144
	THE AMERICAN ROAD INSURANCE COMPANY	1,776	303	20,999	656	20,343	101%	55
	THE BRITISH AVIATION INSURANCE COMPANY LIMITED	0	-42	3,128	108	3,020	-3%	-350
22	THE HANOVER INSURANCE COMPANY	0	-2	3,071	56	3,015	n/a	-78
23	THE HOME INSURANCE COMPANY	0	0	0	0	0	n/a	0
24	TIG INSURANCE COMPANY	0	58	37,165	3,458	33,707	n/a	1,951
	TOKIO MARINE & NICHIDO FIRE INSURANCE CO. ,LTD.	11,601	7,485	130,167	75,255	54,912	76%	-759
	TRITON INSURANCE COMPANY	2,929	5,625	175,589	105,604	69,985	27%	25,687
25	UTICA MUTUAL INSURANCE COMPANY	0	-70	5,524	747	4,777	n/a	233
	VIRGINIA SURETY COMPANY, INC.	5,320	1,899	31,235	12,981	18,254	81%	-454
	WESTPORT INSURANCE CORPORATION	37,613	15,620	615,890	460,985	154,905	37%	12,851
	XL REINSURANCE AMERICA INC.	18,873	10,192	423,877	274,623	149,254	46%	16,090
	ZURICH INSURANCE COMPANY LTD	385,168	227,847	3,020,140	2,409,425	610,715	72%	69,949
		3,731,476	**3,512,560**	**25,686,986**	**16,916,469**	**8,770,517**		**-107,124**
	TOTAL	**20,033,271**	**15,059,172**	**122,739,410**	**87,010,009**	**35,729,401**		**2,411,812**

Life Insurance Companies

	ONTARIO BUSINESS		TOTAL COMPANY			
Financial Summary Year Ended December 31, 2010 (In Thousands)	Direct Written Premiums $	Benefits & payments to policy-holders $	Total Assets $	Total Liabilities $	Excess of assets over liabilities $	Net Income/ (loss) $
ONTARIO						
CT FINANCIAL ASSURANCE COMPANY	3,090	699	32,280	20,461	11,819	599
UNION OF CANADA LIFE INSURANCE	1,369	1,457	86,645	76,584	10,061	-2,089
	4,459	**2,156**	**118,925**	**97,045**	**21,880**	**-1,490**
EXTRA PROVINCIAL						
ACADIA LIFE	31	8	85,020	58,349	26,671	1,026
ASSUMPTION MUTUAL LIFE INSURANCE COMPANY	12,746	6,566	596,970	501,549	95,421	5,831
AXA INSURANCE INC.	24,587	7,305	855,652	726,780	128,872	16,161
CANASSURANCE INSURANCE COMPANY	3,769	1,589	84,509	53,820	30,689	-355
DESJARDINS FINANCIAL SECURITY LIFE ASSURANCE COMPANY	565,894	484,422	15,642,415	14,323,186	1,319,229	235,758
FIRST CANADIAN INSURANCE CORPORATION	15,429	2,018	301,953	158,079	143,874	20,379
INDUSTRIAL ALLIANCE INSURANCE AND FINANCIAL SERVICES INC.	792,099	572,951	16,541,603	13,971,037	2,570,566	273,668
LA CAPITALE INSURANCE AND FINANCIAL SERVICES INC.	18,948	10,005	502,196	402,708	99,488	6,586
LA SURVIVANCE, COMPAGNIE MUTUELLE D'ASSURANCE VIE	2,062	155	234,178	192,353	41,825	3,406
NATIONAL BANK LIFE INSURANCE COMPANY	11,584	2,848	141,873	65,575	76,298	16,651
PROMUTUEL LIFE INC.	1	0	7,933	2,099	5,834	-667
SSQ, LIFE INSURANCE COMPANY INC.	145,441	89,299	2,592,183	2,271,030	321,153	40,479
26 THE INTERNATIONAL LIFE INSURANCE COMPANY	0	0	0	0	0	0
THE UNION LIFE MUTUAL ASSURANCE COMPANY	5,542	2	865,145	715,228	149,917	15,115
TRANS GLOBAL LIFE INSURANCE COMPANY	6,501	309	9,735	2,945	6,790	1,390
	1,604,634	**1,177,477**	**38,461,365**	**33,444,738**	**5,016,627**	**635,428**
FEDERAL						
ACE INA LIFE INSURANCE	62,206	19,252	131,775	59,909	71,866	14,104
ALLSTATE LIFE INSURANCE COMPANY OF CANADA	0	0	3,747	29	3,718	50
ASSURANT LIFE OF CANADA	159,713	30,294	1,023,604	940,976	82,628	-18,969
BLUE CROSS LIFE INSURANCE COMPANY OF CANADA	34,369	18,767	420,732	324,164	96,568	6,600
BMO LIFE ASSURANCE COMPANY	391,275	167,447	4,641,398	4,185,768	455,630	22,509
BMO LIFE INSURANCE COMPANY	23,248	1,705	427,321	-9,619	436,940	53,221
CANADIAN PREMIER LIFE INSURANCE COMPANY	92,587	18,837	189,056	100,621	88,435	15,109

Life Insurance Companies

Financial Summary Year Ended December 31, 2010 (In Thousands)	ONTARIO BUSINESS Direct Written Premiums $	Benefits & payments to policy-holders $	TOTAL COMPANY Total Assets $	Total Liabilities $	Excess of assets over liabilities $	Net Income/ (loss) $
CIBC LIFE INSURANCE COMPANY LIMITED	18,404	4,431	35,436	-76,593	112,029	13,368
CIGNA LIFE INSURANCE COMPANY OF CANADA	0	1,892	42,318	24,706	17,612	2,452
COMPCORP LIFE INSURANCE COMPANY	0	0	10,000	406	9,594	-52
27 CONFEDERATION LIFE INSURANCE COMPANY	0	0	0	0	0	0
CO-OPERATORS LIFE INSURANCE COMPANY	293,694	195,301	2,689,716	1,933,427	756,289	12,652
CROWN LIFE INSURANCE COMPANY	0	0	409,142	358,006	51,136	-4,165
CUMIS LIFE INSURANCE COMPANY	74,385	44,600	768,535	521,734	246,801	5,607
INDUSTRIAL ALLIANCE PACIFIC INSURANCE AND FINANCIAL SERVICES INC.	97,650	48,440	2,956,843	2,500,843	456,000	56,569
LONDON LIFE INSURANCE COMPANY	1,313,608	1,207,525	26,810,673	23,909,786	2,900,887	158,574
MANULIFE CANADA LTD.	29,872	16,120	1,553,597	1,275,205	278,392	12,124
MD LIFE INSURANCE COMPANY	0	0	36,318	3,922	32,396	5,084
PENNCORP LIFE INSURANCE COMPANY	24,680	8,797	397,228	294,721	102,507	12,336
PRIMERICA LIFE INSURANCE COMPANY OF CANADA	122,175	35,369	123,935	-19,948	143,883	66,690
RBC LIFE INSURANCE COMPANY	522,664	307,558	7,099,433	5,531,508	1,567,925	20,883
RELIABLE LIFE INSURANCE COMPANY	30,688	15,560	52,226	22,478	29,748	385
SCOTIA LIFE INSURANCE COMPANY	17,460	2,502	87,144	-9,352	96,496	15,560
SUN LIFE ASSURANCE COMPANY OF CANADA	3,700,576	3,245,931	75,789,831	64,671,142	11,118,689	1,571,565
SUN LIFE INSURANCE (CANADA) LIMITED	155,849	19,659	11,582,511	10,440,195	1,142,316	101,287
TD LIFE INSURANCE COMPANY	40,447	14,366	56,649	11,854	44,795	2,317
THE CANADA LIFE ASSURANCE COMPANY	1,701,642	1,356,595	22,785,351	14,745,589	8,039,762	1,040,458
THE CANADA LIFE INSURANCE COMPANY OF CANADA	0	0	9,411,898	8,631,877	780,021	88,120
THE EMPIRE LIFE INSURANCE COMPANY	437,921	305,252	4,910,265	4,061,142	849,123	28,754
THE EQUITABLE LIFE INSURANCE COMPANY OF CANADA	267,667	170,813	1,470,219	1,165,687	304,532	30,158
THE GREAT-WEST LIFE ASSURANCE COMPANY	2,433,177	1,932,903	28,003,291	16,005,055	11,998,236	1,376,529
THE MANUFACTURERS LIFE INSURANCE COMPANY	4,467,356	3,437,424	80,785,757	49,478,331	31,307,426	-146,973
THE STANDARD LIFE ASSURANCE COMPANY OF CANADA	559,137	859,360	17,678,455	16,105,803	1,572,652	288,839
THE WAWANESA LIFE INSURANCE COMPANY	22,199	12,427	603,682	487,088	116,594	1,494
TRANSAMERICA LIFE CANADA	280,922	193,714	6,034,112	5,159,654	874,458	-23,017
UNITY LIFE OF CANADA	142,235	63,722	1,116,003	1,017,659	98,344	14,073
VSP CANADA VISION CARE INSURANCE	0	0	9,342	13	9,329	29
WESTERN LIFE ASSURANCE COMPANY	22,133	8,125	96,878	67,578	29,300	4,588
	17,539,939	**13,756,563**	**310,147,543**	**233,853,786**	**76,293,757**	**4,844,324**

Life Insurance Companies

		ONTARIO BUSINESS		TOTAL COMPANY			
	Financial Summary Year Ended December 31, 2010 (In Thousands)	Direct Written Premiums $	Benefits & payments to policy-holders $	Total Assets $	Total Liabilities $	Excess of assets over liabilities $	Net Income/ (loss) $
	BRANCH						
	AETNA LIFE INSURANCE COMPANY	628	1,036	61,427	15,320	46,107	1,676
	ALLIANZ LIFE INSURANCE COMPANY OF NORTH AMERICA	520	1,932	44,800	9,162	35,638	2,411
	AMERICAN BANKERS LIFE ASSURANCE COMPANY OF FLORIDA	124,852	11,922	240,583	86,612	153,971	13,745
	AMERICAN HEALTH AND LIFE INSURANCE COMPANY	1,858	2,306	39,897	17,892	22,005	10,842
	AMERICAN INCOME LIFE INSURANCE COMPANY	24,474	5,006	186,057	71,807	114,250	20,607
28	AMEX ASSURANCE COMPANY	0	0	0	0	0	0
	AXA EQUITABLE LIFE INSURANCE COMPANY	27	42	91,422	32,509	58,913	-3,523
	COMBINED INSURANCE COMPANY OF AMERICA	40,392	13,131	553,215	230,241	322,974	44,577
	CONNECTICUT GENERAL LIFE INSURANCE COMPANY	2,738	1,254	103,582	63,579	40,003	4,138
	CUNA MUTUAL INSURANCE SOCIETY	141	340	21,195	14,962	6,233	-405
	FIRST ALLMERICA FINANCIAL LIFE INSURANCE COMPANY	5	192	2,308	1,100	1,208	-237
	GENERAL AMERICAN LIFE INSURANCE COMPANY	0	0	1,401,013	582,695	818,318	57,927
	GERBER LIFE INSURANCE COMPANY	1,588	143	27,990	12,108	15,882	-481
	HARTFORD LIFE INSURANCE COMPANY	0	766	9,876	3,391	6,485	293
	HOUSEHOLD LIFE INSURANCE COMPANY	10,872	1,205	182,559	37,242	145,317	10,903
	LIBERTY LIFE ASSURANCE COMPANY OF BOSTON	180	143	14,848	2,704	12,144	-919
	LIFE INSURANCE COMPANY OF NORTH AMERICA	2,294	2,479	46,571	23,029	23,542	1,676
	MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY	469	336	80,662	20,128	60,534	2,046
29	METROPOLITAN LIFE INSURANCE COMPANY	0	0	202,230	45,352	156,878	5,088
	MINNESOTA LIFE INSURANCE COMPANY	0	0	0	0	0	0
	NEW YORK LIFE INSURANCE COMPANY	28,182	27,018	354,711	110,487	244,224	15,521
	PHOENIX LIFE INSURANCE COMPANY	0	0	0	0	0	0
	PRINCIPAL LIFE INSURANCE COMPANY	0	220	8,052	5,274	2,778	86
	REASSURE AMERICA LIFE INSURANCE COMPANY	4	62	6,688	5,034	1,654	365
	STANDARD LIFE ASSURANCE LIMITED	3,813	65,343	53,822	47,757	6,065	227
	STATE FARM INTERNATIONAL LIFE INSURANCE COMPANY LTD	114,537	53,120	1,243,304	950,659	292,645	62,736
30	THE PRUDENTIAL INSURANCE COMPANY OF AMERICA	0	0	0	0	0	0
31	THE STANDARD LIFE ASSURANCE COMPANY 2006	0	0	1,270	0	1,270	7
	UNITED AMERICAN INSURANCE COMPANY	247	310	12,139	4,430	7,709	413

Life Insurance Companies

	ONTARIO BUSINESS		TOTAL COMPANY			
Financial Summary Year Ended December 31, 2010 (In Thousands)	Direct Written Premiums $	Benefits & payments to policy-holders $	Total Assets $	Total Liabilities $	Excess of assets over liabilities $	Net Income/ (loss) $
	357,821	188,306	4,990,221	2,393,474	2,596,747	249,719
TOTAL	19,506,853	15,124,502	353,718,054	269,789,043	83,929,011	5,727,981

Reinsurance Companies

Financial Summary Year Ended December 31, 2010 (In Thousands)	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							
ONTARIO							
FARM MUTUAL REINSURANCE PLAN INC.	129,012	73,879	708,504	545,361	163,143	101%	14,312
GLOBAL REINSURANCE COMPANY	0	106	87,103	54,428	32,675	n/a	1,177
	129,012	**73,985**	**795,607**	**599,789**	**195,818**		**15,489**
EXTRA PROVINCIAL							
OPTIMUM REASSURANCE INC.	38,269	5,835	366,929	306,219	60,710	n/a	7,658
FEDERAL							
ASPEN INSURANCE UK LIMITED	16,456	19,036	325,714	219,015	106,699	64%	8,320
AURIGEN REINSURANCE COMPANY	14,326	10,782	99,117	22,536	76,581	n/a	1,685
AXA GENERAL INSURANCE	1,214	1,065	131,890	99,880	32,010	69%	5,543
MUNICH REINSURANCE COMPANY OF CANADA	120,401	38,752	1,168,909	903,676	265,233	65%	41,230
32 PARTNER REINSURANCE COMPANY OF THE U.S.	0	0	0	0	0	n/a	0
RGA LIFE REINSURANCE COMPANY OF CANADA	577,975	43,444	4,265,342	3,742,118	523,224	n/a	70,606
SCOR CANADA REINSURANCE COMPANY	79,219	42,262	527,569	368,530	159,039	73%	10,451
SUECIA REINSURANCE COMPANY	-7	2	9,965	4,018	5,947	-29%	-21
THE MORTGAGE INSURANCE COMPANY OF CANADA	0	115	27,149	5,691	21,458	11%	801
	809,584	**155,458**	**6,555,655**	**5,365,464**	**1,190,191**		**138,615**
BRANCH							
ALEA (BERMUDA) LTD.	11	341	34,407	18,520	15,887	n/a	665
AMERICAN AGRICULTURAL INSURANCE COMPANY	8,143	1,842	60,529	24,756	35,773	55%	3,940
AXIS REINSURANCE COMPANY	421	3,526	55,109	40,399	14,710	70%	-6,038
CAISSE CENTRALE DE REASSURANCE	22,551	11,674	206,446	151,419	55,027	63%	4,854
CAVELL INSURANCE COMPANY LIMITED	0	193	8,814	2,396	6,418	n/a	-270
COLISEE RE.	-10	-885	624,768	547,439	77,329	n/a	3,420
CONVERIUM REINSURANCE (NORTH AMERICA) INC.	1	-2	49,517	2,786	46,731	n/a	1,760
EMPLOYERS REASSURANCE CORPORATION	67,853	45,652	1,029,073	475,687	553,386	n/a	89,566

Reinsurance Companies

		ONTARIO BUSINESS		TOTAL COMPANY				
	Financial Summary Year Ended December 31, 2010 (In Thousands)	**Premiums Assumed $**	**Net Losses Incurred $**	**Total Assets $**	**Total Liabilities $**	**Excess of assets over liabilities $**	**Claims Incurred to earned premium %**	**Net Income/ (Loss) $**
	ENDURANCE REINSURANCE CORPORATION OF AMERICA	18	-187	19,113	1,793	17,320	n/a	625
	EVEREST REINSURANCE COMPANY	91,387	9,529	860,517	580,729	279,788	61%	30,857
	GENERAL RE LIFE CORPORATION	1,488	760	13,508	2,423	11,085	n/a	1,151
	HANNOVER RUCKVERSICHERUNG AG	74,234	3,193	574,494	393,197	181,297	77%	11,662
	MUNICH REINSURANCE COMPANY	2,708,410	1,857,341	6,247,285	4,002,696	2,244,589	n/a	401,976
33	NATIONWIDE MUTUAL INSURANCE COMPANY	0	0	0	0	0	n/a	0
	NRG VICTORY REINSURANCE LIMITED	0	-301	7,976	3,537	4,439	n/a	310
	ODYSSEY REINSURANCE COMPANY	63,311	39,544	311,456	151,475	159,981	65%	20,758
	PARTNER REINSURANCE COMPANY LTD.	10,130	5,877	301,013	185,476	115,537	n/a	17,282
	PARTNER REINSURANCE EUROPE LIMITED	28,858	21,296	913,944	678,488	235,456	81%	5,668
	RELIASTAR LIFE INSURANCE COMPANY	9,416	80	58,933	16,486	42,447	n/a	6,395
	SCOR GLOBAL LIFE	21,744	9,498	402,074	259,217	142,857	n/a	-5,281
34	SEATON INSURANCE COMPANY	0	0	5,666	0	5,666	n/a	98
	SWISS REINSURANCE COMPANY LTD	989,902	223,351	7,467,573	5,553,233	1,914,340	33%	174,609
	THE TOA REINSURANCE COMPANY OF AMERICA	25,595	15,041	207,150	161,368	45,782	72%	5,545
	TRANSATLANTIC REINSURANCE COMPANY	85,362	36,654	835,951	582,704	253,247	69%	15,557
	WHITE MOUNTAINS REINSURANCE COMPANY OF AMERICA	3,475	-1,410	101,249	46,524	54,725	7%	6,276
		4,212,300	**2,282,607**	**20,396,565**	**13,882,748**	**6,513,817**		**791,385**
	TOTAL	**5,189,165**	**2,517,885**	**28,114,756**	**20,154,220**	**7,960,536**		**953,147**

Reciprocal or Interinsurance Exchanges

Financial Summary Year Ended December 31, 2010 (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							
CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY	13,178	8,701	120,471	99,254	21,217	72%	-413
CANADIAN UNIVERSITIES RECIPROCAL INSURANCE EXCHANGE	11,240	5,997	120,738	77,450	43,288	59%	9,225
COMMUNITY NEWSPAPERS RECIPROCAL INSURANCE EXCHANGE	87	74	726	233	493	75%	-97
HEALTHCARE INSURANCE RECIPROCAL OF CANADA	130,463	123,221	783,579	561,365	222,214	94%	25,520
MUNICIPAL ELECTRIC ASSOCIATION RECIPROCAL INSURANCE EXCHANGE	9,246	5,750	69,130	23,990	45,140	31%	3,926
ONTARIO MUNICIPAL INSURANCE EXCHANGE	13,625	28,526	145,013	125,292	19,721	121%	-931
ONTARIO SCHOOL BOARDS' INSURANCE EXCHANGE	35,919	26,752	192,044	134,858	57,186	79%	6,760
POULTRY INSURANCE EXCHANGE RECIPROCAL OF CANADA	456	226	3,878	586	3,292	100%	-8
	214,214	**199,247**	**1,435,579**	**1,023,028**	**412,551**		**43,982**
EXTRA PROVINCIAL							
CANADIAN AIRPORTS RECIPROCAL INSURANCE EXCHANGE (CARIE)	220	4	4,494	1,638	2,856	3%	182
BRANCH							
LUMBERMEN'S UNDERWRITING ALLIANCE	6,230	818	104,531	66,523	38,008	74%	-7,080
	220,664	**200,069**	**1,544,604**	**1,091,189**	**453,415**		**37,084**

Fraternal Societies

Financial Summary Year Ended December 31, 2010 (In Thousands)	ONTARIO BUSINESS Direct Written Premiums $	ONTARIO BUSINESS Benefits & 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)	70,664	32,555	269,115	266,209	2,906	189
TORONTO POLICE WIDOWS AND ORPHANS FUND	1,682	2,237	79,717	72,096	7,621	-771
	72,346	**34,792**	**348,832**	**338,305**	**10,527**	**-582**
FEDERAL						
ACTRA FRATERNAL BENEFIT SOCIETY	8,047	5,226	66,603	45,096	21,507	-2,027
FAITHLIFE FINANCIAL	12,172	12,261	320,851	281,248	39,603	1,707
SONS OF SCOTLAND BENEVOLENT ASSOCIATION	1,287	547	13,062	10,335	2,727	-47
TEACHERS LIFE INSURANCE SOCIETY (FRATERNAL)	9,124	4,639	54,234	43,031	11,203	903
THE GRAND ORANGE LODGE OF BRITISH AMERICA	1,161	1,059	23,998	20,005	3,993	47
THE INDEPENDENT ORDER OF FORESTERS	15,634	20,824	4,397,816	2,971,430	1,426,386	105,825
THE ORDER OF ITALO-CANADIANS	23	48	1,527	1,116	411	-15
UKRAINIAN FRATERNAL SOCIETY OF CANADA	11	64	6,845	5,778	1,067	-55
UKRAINIAN MUTUAL BENEFIT ASSOCIATION OF ST. NICHOLAS OF CANADA	5	12	4,880	4,127	753	-236
	47,464	**44,680**	**4,889,816**	**3,382,166**	**1,507,650**	**-291**
BRANCH						
ACA ASSURANCE	0	0	2,012	83	1,929	-433
CROATIAN FRATERNAL UNION OF AMERICA	422	278	13,441	10,636	2,805	-306
KNIGHTS OF COLUMBUS	122,008	57,428	2,258,623	1,877,994	380,629	13,687
THE ROYAL ARCANUM, SUPREME COUNCIL OF	227	678	14,174	9,384	4,790	866
UKRAINIAN NATIONAL ASSOCIATION	47	94	10,124	6,157	3,967	237
UNITED COMMERCIAL TRAVELERS OF AMERICA, ORDER OF	34	29	5,120	3,548	1,572	-162
WOMAN'S LIFE INSURANCE SOCIETY	0	0	4,012	413	3,599	662
	122,738	**58,507**	**2,307,506**	**1,908,215**	**399,291**	**500**
TOTAL	**242,548**	**137,979**	**7,546,154**	**5,628,686**	**1,917,468**	**-373**

Financial Summary Notes

1. The company has a licence condition not to undertake or renew insurance contracts in Ontario after June 8, 1994.
2. Germania Farmers' Mutual Fire Insurance Company and Culross Mutual Insurance Company entered into an amalagamation agreement on September 21, 2009 The new company is Germania Mutual Insurance Company, effective January 1, 2010.
3. No financial information was reported for Markham General Insurance Company in 2010. The company was ordered into liquidation effective July 24, 2002.
4. The company's licence is limited to automobile risks of Toronto Transit Commission.
5. No financial information was reported for Alta Surety Company in 2010. 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 2010. 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 former name of Western Financial Insurance Company was SecuriCan General Insurance Company.
11. The company has a licence condition not to undertake or renew insurance contracts in Ontario after July 18, 1995. No financial information was reported in 2010.
12. No financial information was reported in 2010. Company's licence was subsequently cancelled in 2011.
13. The former name of CorePointe Insurance Company was Chrysler Insurance Company.
14. No financial information was reported in 2010. Company's licence was subsequently cancelled in 2011.
15. The former name of Euler Hermes American Credit Indemnity Company was EULER American Credit Indemnity Company.
16. The former name of Fidelity National Title Insurance Company was Lawyers Title Insurance Corporation.
17. No financial information was reported in 2010. Company's licence was subsequently cancelled in 2011.
18. The company has a licence condition not to undertake or renew insurance contracts in Ontario after October 31, 1985.
19. The company has a licence condition not to undertake or renew insurance contracts in Ontario after July 11, 2003.
20. The company has a licence condition not to undertake or renew insurance contracts in Ontario after January 9, 2006.
21. No financial information was reported for Reliance Insurance Company in 2010 Company has been in liquidation since August 2001.
22. The company has a licence condition not to undertake or renew insurance contracts in Ontario after October 20, 1992.
23. No financial information was reported for The Home Insurance Company in 2010. Company has been in liquidation since November 1997. Company's licence was subsequently cancelled in 2011.
24. The company has a licence condition not to undertake or renew insurance contracts in Ontario after June 20, 2007.
25. The company has a licence condition not to undertake or renew insurance contracts in Ontario after November 20, 2006.
26. No financial information was reported for 2010. Company's licence was subsequently cancelled in 2011.
27. No financial information was reported in 2009 for Confederation Life Insurance Company. Company has licence condition not to take on new contracts and it is being wound up.
28. No financial information was reported for 2010. Company's licence was subsequently cancelled in 2011.
29. The company has a licence condition not to undertake or renew insurance contracts in Ontario after March 9, 2006.
30. No financial information was reported for 2010.
31. The company has a licence condition not to undertake or renew insurance contracts in Ontario after August 8, 2007.
32. The company has a licence condition not to undertake or renew insurance contracts in Ontario after October 31, 1989.
33. The company has a licence condition not to undertake or renew insurance contracts in Ontario after March 27, 2006.
34. The company has a licence condition not to undertake or renew insurance contracts in Ontario after October 31, 1989.

Notes

Notes

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Commission
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