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Annual Report 2014-2015

Table of Contents

- **Message from the Chair and the Chief Executive Officer**
- **About the Financial Services Commission of Ontario**
- **Executive Committee Organizational Chart**
- **The Regulated Sectors in Profile**
 - Pension Plans
 - Insurance
 - Auto Insurance
 - Regulated Financial Services
- **Licensing, Monitoring and Enforcement Activity Across the Sectors: Statistics**
 - Licensing Activities
 - Regulatory Oversight and Enforcement Activities
 - Advisory Board Activities
 - Public and Stakeholder Inquiries and Complaints Reporting
- **Report of the Financial Services Tribunal**
- **Financial Statements**
 - Financial Statements: Financial Services Commission of Ontario
 - Financial Statements: Pension Benefits Guarantee Fund
 - Financial Statements: Motor Vehicle Accident Claims Fund
- Superintendent's Report on Insurance 2014

Message from the Chair and the Chief Executive Officer

We are pleased to present the 2014-15 Annual Report of the Financial Services Commission of Ontario (FSCO) which reports on FSCO's activities over the 12 months ending March 31, 2015.

Ontarians entrust significant financial security to the sectors regulated by FSCO. Insurance is a \$43 billion a year business and supports Ontario families and businesses in managing risk. Ontario's pension plans generate retirement income through assets valued at just over \$522 billion and have over four million members including retirees. Ontario's deposit-taking institutions also contribute to the province's economic well-being. Credit unions and caisses populaires alone hold assets totalling more than \$43.5 billion and provide savings, loans and other financial services to millions of Ontarians.

Environment

The financial services sector is crucial to the health of both the provincial and national economies. Since the financial crisis of 2008, ensuring that financial services regulatory frameworks effectively foster a strong sector and protect the interests of the public has become a worldwide priority.

At the same time, financial services participants and the products they market are rapidly evolving. Multi-jurisdictional entities, product innovation and the trend towards consolidation among market players are resulting in new risks and complexities. Financial services firms and intermediaries are now increasingly active in multiple product lines, blurring the lines that once delineated the various financial services industries.

Pension plans, the once-perceived unbending pillars of the sector, are changing too. Today, they represent increasingly large pools of capital and are steadily expanding the asset classes in which they invest.

Understandably, consumers and pension plan beneficiaries are responding to the change by demanding more of their financial services intermediaries, and more from regulators to safeguard their interests and marketplace integrity.

Against the backdrop of these progressions, FSCO remains committed to continually examining its systems and processes to ensure they efficiently and effectively support [FSCO's Regulatory Framework](#) by adequately capturing and assessing emergent risks that may impact consumers.

Auto Insurance

During the year, the Ontario government continued to focus on its cost- and rate-reduction strategy that aims to improve the affordability of auto insurance coverage for Ontario drivers. In the fiscal year, the Superintendent of Financial Services exercised authority conferred to him by the 2013 Budget Bill and required 95 percent of insurers to refile their auto insurance rates.

Regulating Service Providers


A key government strategy to help reduce auto insurance rates and eliminate fraud is the licensing and regulation of health care facilities that provide medical and rehabilitation services to injured auto accident benefit claimants.

In 2013, new legislation assigned FSCO the responsibility to license health service providers that invoice automobile insurers through the Health Claims for Auto Insurance system, and to regulate their business and billing practices.

In the months leading up to its launch, FSCO built up a great deal of awareness of the new regime in the health service provider community. By the December 1, 2014 launch date, FSCO had processed licence applications for almost 95 percent of the top 1,200 facilities by market share in the industry. By fiscal year end, more than 98 percent of the entire market was licensed and FSCO had begun regulatory exercises for the sector such as site compliance examinations and annual information return reviews.


Modernization

Dispute Resolution Services

In early 2014, the Honourable J. Douglas Cunningham, Q.C., delivered his report, [Ontario Automobile Insurance Dispute Resolution System Review](#) , to the Minister of Finance. The report included a recommendation to establish a new dispute resolution system as a public sector tribunal. Later in the year, the government passed legislative amendments in response to the report, including transferring FSCO's dispute resolution services system to the Ministry of the Attorney General's Licence Appeal Tribunal.

In 2014-15, FSCO devoted significant resources to preparations for the transfer of the system which is scheduled to take place in 2016. In the interim, it continued to use an external service provider to assist with the remaining backlog.

Disciplinary Framework for Insurance Agents and Adjusters

The [Fighting Fraud and Reducing Automobile Insurance Rates Act](#)  brought about the implementation of a new disciplinary model for insurance agents and adjusters in Ontario. Since January 2015, the Financial Services Tribunal decides all enforcement actions for agents and adjusters. This simplifies the previous process where, depending on the nature of the matter, agents and adjusters could also be subject to enforcement review and recommendations of the Advisory Board. This new model also aligns agent disciplinary hearings with FSCO's other sectors.

Regulatory Approach for Pension Plans

After three successful pilot projects in 2014, FSCO moved to full implementation of the Risk-Based Regulation Framework for pension plans, adopting the appropriate structure, processes and measures to put the approach into full motion.

In 2014-15, FSCO completed Improving Pension Regulatory Services, a multi-year project that responded to recommendations of the 2008 Ontario Expert Commission on Pensions to strengthen our regulatory services for pension stakeholders. FSCO designed, tested and implemented a host of improvement initiatives in four areas:

- Stakeholder engagement and outreach
- Defined benefit application processing
- Inquiries and complaints handling

- Risk-based regulation


During the year, FSCO expanded self-service electronic filing for pension plan administrators and their agents through the Pension Services Portal on FSCO's website. FSCO added numerous user options, for example, uploading supporting documentation, amending applications, and report customization for pension plans not registered with FSCO.


As well, in 2014-15, FSCO began issuing [Investment Guidance Notes](#), setting out its expectations of plan administrators relating to investment of pension plan assets and the administrator's investment-related obligations under the PBA and Regulation. FSCO posts the Guidance Notes for public consultation before finalizing.

Fostering National Regulatory Coordination

FSCO strives to play a leadership role in the development of national regulatory standards by working collaboratively with other regulatory bodies across the country.

This year, working together with other members of the Mortgage Broker Regulators' Council of Canada (MBRCC), FSCO prepared competency and curriculum requirements for mortgage agent and broker licensing courses. The requirements are the first step in the harmonization of licensing courses across jurisdictions.


The MBRCC also launched an [online tool](#)  that helps to identify licensing requirements that apply in multi-jurisdictional mortgage brokering transactions.

FSCO worked with the MBRCC to publish [Know Your Mortgage Risks & Responsibilities](#) , which educates consumers about the risks and responsibilities associated with a mortgage commitment. The information applies to mortgage consumers across the country.

During the year, FSCO played a lead role to update and standardize across Canada the entry level qualification program for new life insurance agents. The updated program is scheduled for implementation in January 2016.

Throughout 2014-15, FSCO continued to support and make contributions to the work of other national groups including the Canadian Association of Pension Supervisory Authorities, the Canadian Council of Insurance Regulators, and the Joint Forum of Financial Market Regulators.

Auditor General

The [2014 Annual Report of the Auditor General of Ontario](#)  made several recommendations directed toward FSCO on improving pension plan and financial services regulatory oversight.

FSCO is addressing all the recommendations with particular focus on matters directly related to its authority.


The report asked FSCO to devise strategies to curb the underfunding of defined-benefit Ontario pension plans as well as the financial exposure risk of Pension Benefits Guarantee Fund (PBGF). To this end, FSCO is analysing pension plan funding trends to predict the rate of underfunding over the next few years and to develop mitigating strategies.

As well, FSCO is putting measures in place to improve the financial statements of the PBGF so as to better illustrate the plan's exposure.

The report also suggested FSCO enhance its system for licensing life insurance agents. In response, FSCO is implementing a new system to improve data control and generate more early-warnings. FSCO recently implemented an arrangement with the Mutual Fund Dealers Association to share information about dually-licensed registrants. As well, FSCO will be piloting the verification of errors and omissions insurance coverage and continuing education credits at on-site examinations for agents.

FSCO is also addressing the Auditor General's recommendations on complaints handling through new processes that will monitor timelines and report outcomes of investigations.

Mandate Review

In reference to a [2014 Ontario Budget](#)  commitment to review all government agencies, the Ontario Ministry of Finance, on March 3, 2015, announced the appointment of an expert panel to conduct the review of FSCO, the Financial Services Tribunal and the Deposit Insurance Corporation of Ontario (DICO).

The panel intends to consult broadly with the financial services sectors regulated by FSCO and DICO, and intends to publish a consultation paper for public comment on the issues being examined. FSCO will be working with the panel to advise on FSCO's regulatory activities.

The government anticipates receiving the final report and recommendations of the expert panel by early 2016.

Serving the Best Interests of Ontarians

FSCO has worked hard to establish relationships with Ontario consumers and pension plan beneficiaries. The interaction helps FSCO deliver on its mandate to protect the public interest and enhance confidence in the sectors we regulate.

FSCO also values its relationships with industry stakeholders. Their input on projects and initiatives is always worthwhile.

On behalf of the commission members, we wish to recognize the strategic guidance of FSCO's executive committee, the solid leadership of management, and the expertise and dedication of employees in delivering FSCO's regulatory services. Indeed, this report provides a mere snapshot of the scope and depth of their efforts to serve Ontarians.



Florence A. Holden
Chair
Financial
Services Commission of
Ontario (Acting),
Financial Services Tribunal
(Acting)



Brian Mills
Chief Executive Officer
and
Superintendent of
Financial Services
(Interim)
Financial Services
Commission of Ontario

[Return to top](#)

Content on this page has been transferred from the Financial Services Commission of Ontario (FSCO) site as a PDF for reference. Links that appear as related content have also been transferred and can be found at the end of this document.

Annual Report 2014-2015

[Table of contents](#)

About the Financial Services Commission of Ontario

The Financial Services Commission of Ontario (FSCO) is a regulatory agency accountable to the Minister of Finance, established by the Financial Services Commission of Ontario Act, 1997 (FSCO Act). FSCO oversees insurance, pension plans, mortgage brokering, credit unions and caisses populaires, co-operative corporations, loan and trust companies in Ontario, and health service providers that invoice auto insurers for statutory accident benefits claims.

As an organization, FSCO is committed to being a progressive and fair regulator, working with stakeholders to support a strong financial services industry, and protecting the interests of financial services consumers and pension plan members.




Who We Regulate

As of March 31, 2015, FSCO regulated or registered:

- 331 insurance companies
- 7,189 pension plans
- 114 credit unions and caisses populaires
- 51 loan and trust corporations
- 1,185 mortgage brokerages
- 2,611 mortgage brokers
- 9,988 mortgage agents
- 133 mortgage administrators
- 1,785 co-operative corporations
- 49,282 insurance agents
- 5,322 corporate insurance agencies
- 1,617 insurance adjusters
- 3,883 accident benefit service providers

Relevant Statutes


- [Financial Services Commission of Ontario Act](#) , 1997
- [Automobile Insurance Rate Stabilization Act](#) 

- [Insurance Act](#) 
- [Compulsory Automobile Insurance Act](#) 
- [Prepaid Hospital and Medical Services Act](#) 
- [Registered Insurance Brokers Act](#) 
- [Motor Vehicle Accident Claims Act](#)  Size: ## kb
- [Marine Insurance Act](#) 
- [Co-operative Corporations Act](#) 
- [Credit Unions and Caisses Populaires Act](#) , 1994
- [Loan and Trust Corporations Act](#) 
- [Mortgage Brokerages, Lenders and Administrators Act](#) , 2006
- [Pension Benefits Act](#) 

Governance and Accountability

FSCO is comprised of a commission, the Superintendent of Financial Services and staff, and the Financial Services Tribunal.

Commission Membership and Purposes

Appointments to the commission are made in accordance with the guidelines established by Ontario's [Public Appointments Secretariat](#) .

Members of the Commission

Name	Position	Tenure	
Florence A. Holden	Chair (Acting)	August 8, 2014	September 5, 2017
Denis Boivin	Vice Chair (Acting)	December 1, 2014	July 22, 2017
Tom Golfetto	Director of Arbitrations	May 4, 2009	May 3, 2017
Brian Mills	CEO and Superintendent of Financial Services (Interim)	October 18, 2014	N/A

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

- Agency Business Plan;
- Program Review, Renewal and Transformation 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 a well-established series of on-going internal committees on various policy and operational issues, which play a key role in FSCO's day-to-day activities. As well, internal steering committees guide key projects that involve different units or affect a number of areas within FSCO.


Superintendent and Staff

The Superintendent of Financial Services (Superintendent) administers and enforces the FSCO Act and all other acts that confer powers on or assign duties to the Superintendent. All FSCO staff report directly or indirectly to the Superintendent. FSCO staff, who are public servants under the Public Service of Ontario Act, 2006, perform FSCO's day-to-day work.


Under the FSCO Act, the powers and duties of the Superintendent include:

- generally supervising the regulated sectors;
- administering and enforcing the FSCO Act and every other act that confers powers on or assigns duties to the Superintendent; and
- being responsible for FSCO's financial and administrative affairs.

Financial Services Tribunal

The [Financial Services Tribunal](#)  (FST) is an expert, independent adjudicative body. The chair and vice-chairs of the FST are also the chairs and vice-chairs of the commission. More information on the FST appears later in this report.

Governance and Management Processes

The foundation for FSCO's corporate governance is provided by the Management Board of Cabinet's Agencies and Appointments Directive (AAD) and the [Memorandum of Understanding](#)  Size: ## kb (MOU) between the Minister of Finance, the Chair of the Commission and the Chief Executive Officer and Superintendent.


The AAD sets out the process for establishing a new agency classified under the directive, the accountability framework governing agencies and ministries in the operation of agencies, and uses a risk-based approach in managing agency accountability.

The MOU outlines the accountability framework between the minister and FSCO, establishes tools for governance and accountability and explains roles, relationships and mutual expectations.

Performance Measurement Framework

FSCO's Performance Measurement Framework ensures greater transparency, accountability and value-for-money. It also ensures that FSCO measures performance, focuses on meaningful results, and reports on outcomes.

Financial Reporting

As an Ontario government agency, FSCO receives an annual spending authority through the government planning process, based on needs and government priorities. FSCO files quarterly reports on its spending. The [Office of the Auditor General of Ontario](#)  audits FSCO's annual financial statements.

Fiscal and Human Resources

In 2014–15, FSCO's expenditures totalled \$96.8 million up \$8.8 million, or 10 percent, from the previous year. The spending increase was due primarily to the increase in billable services by ADR Chambers under the Dispute Resolution Services program, accrued severance costs, and the new sector costs for health service providers.

More information on FSCO's 2014–15 expenditures is contained within the financial statements and notes which appear later in this report.

On March 31, 2015, FSCO had 442 full time staff. This total does not include legal services staff who are employees of the Ministry of the Attorney General.

Recovering FSCO's Costs

Most of FSCO's costs are recovered from the regulated sectors through a combination of assessments and fees. Under the FSCO Act, the Lieutenant Governor in Council may assess all businesses, individuals and pension plans that form part of a regulated sector with respect to expenditures incurred by the Ministry of Finance, the commission and the FST. The Minister of Finance is authorized to establish fees with respect to the regulatory services provided by FSCO.

The government supports co-operative corporations by providing an allocation of \$500,000 to help cover the costs of administering the sector.

Executive Committee

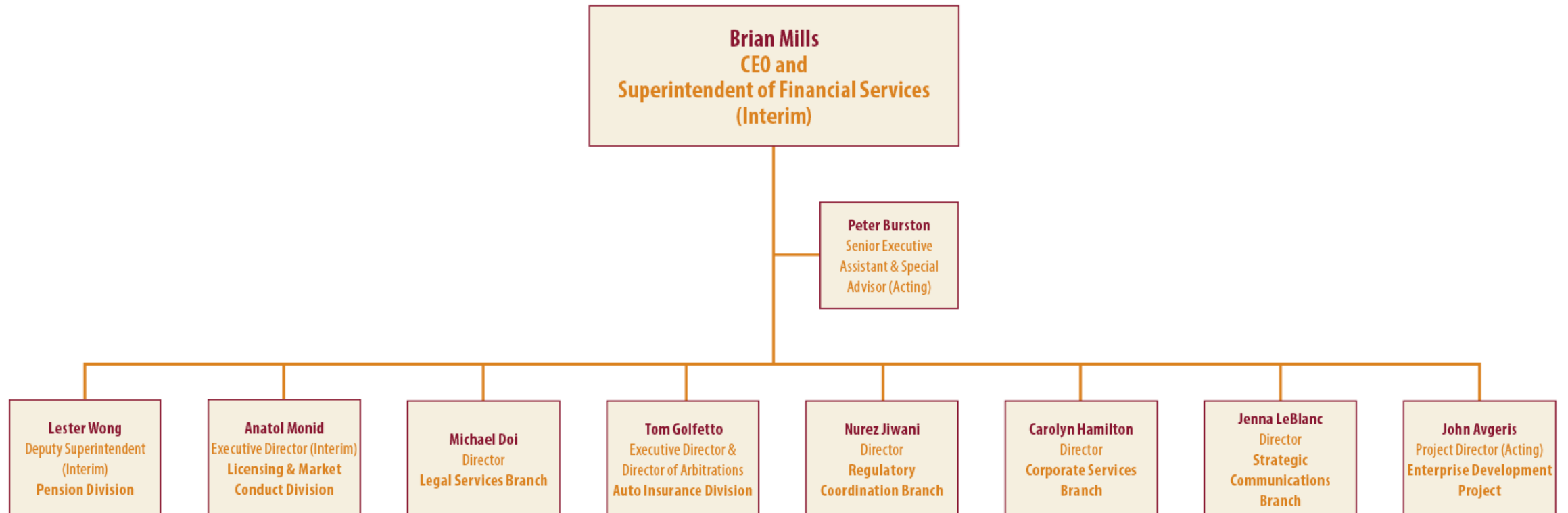
(Effective March 31, 2015)

[View a full-size version of the Executive Committee chart image !\[\]\(cead67df4d82d6c83effe4f8699a7d8f_img.jpg\).](#)

[Description of the Executive Committee chart image !\[\]\(1d3a1175dd4902218e694b9c098adb83_img.jpg\).](#)

[Return to top](#)

EXECUTIVE COMMITTEE (EFFECTIVE MARCH 31, 2015)



Financial Services Commission of Ontario's Executive Committee

Effective March 31, 2015

CEO and Superintendent of Financial Services (Interim), Brian Mills

Acting Senior Executive Assistant and Special Advisor, Peter Burston

Pension Division

Deputy Superintendent (Interim), Lester Wong

Licensing and Market Conduct Division

Executive Director (Interim), Anatol Monid

Legal Services Branch

Director, Michael Doi

Auto Insurance Division

Executive Director and Director of Arbitrations, Tom Golfetto

Regulatory Coordination Branch

Director, Nurez Jiwani

Corporate Services Division

Director, Carolyn Hamilton

Strategic Communications Branch

Director, Jenna LeBlanc

Enterprise Development Project

Acting Project Director, John Avgeris

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Annual Report 2014-2015

[Table of contents](#)

The Regulated Sectors in Profile

[Pension Plans](#)

[Insurance](#)

[Auto Insurance](#)

[Regulated Financial Services](#)

Together, the Financial Services sectors regulated by FSCO represent a large, dynamic industry that underpins Ontario's economy and quality of life. The industry delivers products and services that support the financial security of individuals and families and the financial stability of businesses and other organizations.

Pension Plans

FSCO regulates the following types of pension plans registered in Ontario:

- Defined benefit plans, which provide a pre-determined level of benefits during retirement;
- Defined contribution plans, which 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), which allow two or more unrelated employers to contribute to a single pension fund and recognize a member's service with all participating employers when determining benefits. MEPPs have usually been established in industries or trades where workers change employers frequently but have a common union affiliation (for example, carpenters or painters). The benefits provided under a MEPP can be either defined benefit or defined contribution. While most MEPPs have been created through collective agreements, some have been established by statute or municipal by-law. In MEPPs created through collective agreements that provide defined benefits, the defined benefits may be reduced if there are funding shortfalls.
- Jointly sponsored pension plans (JSPPs) are pension 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. Currently, most JSPPs are very large public sector plans, such as those for teachers or municipal workers.

Some defined benefit plans are hybrid plans combining defined benefit and defined contribution provisions, or providing the greater of a defined benefit or defined contribution provision.

Employment pension plans registered in Ontario must meet minimum standards for administration and funding under the Pension Benefits Act and regulations. FSCO monitors and enforces compliance with the legislation and regulations and advises the government on pension issues. As well, FSCO administers the Pension Benefits Guarantee Fund that protects a minimum level of benefits in most private single employer defined benefit plans if the employer is insolvent.

Ontario-Registered Active Pension Plans and Membership

Pension Plan Type	As of March 31, 2015		As of March 31, 2014	
	Number	Percentage of Total	Number	Percentage of Total
Single Employer Plans*	7,060	98	7,188	98
Defined Benefit Plans*	4,012	56	4,097	56
Members**	1,325,373	33	1,344,000	34
– Active Members***	656,194	30	676,000	31
– Retired Members, Deferred Members and Other Beneficiaries****	669,179	37	668,000	38
Defined Contribution Plans*	3,048	42	3,091	42
Members**	424,750	11	435,000	11
– Active Members***	358,460	16	368,000	16
– Retired Members, Deferred Members and Other Beneficiaries****	66,290	4	67,000	4
Multi-Employer Plans*	119	2	118	2
Defined Benefit Plans*	77	1	78	1
Members**	873,732	22	860,000	22
– Active Members***	373,210	17	382,000	17
– Retired Members, Deferred Members and Other Beneficiaries****	500,522	28	478,000	27
Defined Contribution Plans*	42	1	40	1
Members**	126,459	3	80,000	2
– Active Members***	83,399	4	53,000	2
– Retired Members, Deferred Members and Other Beneficiaries****	43,060	2	27,000	2
Jointly Sponsored Plans*	10	0	10	0

Pension Plan Type	As of March 31, 2015		As of March 31, 2014	
	Number	Percentage of Total	Number	Percentage of Total
Defined Benefit Plans*	10	0	10	0
Members**	1,250,869	31	1,223,000	31
– Active Members***	717,736	33	706,000	32
– Retired Members, Deferred Members and Other Beneficiaries****	533,133	29	517,000	29
Total Pension Plans*	7,189	100	7,316	100
Total Members**	4,001,183	100	3,942,000	100
– Active Members***	2,188,999	100	2,185,000	100
– Retired Members, Deferred Members and Other Beneficiaries****	1,812,184	100	1,757,000	100

* Percentages are expressed as a percentage of the total number of Plans.

** Percentages are expressed as a percentage of the total number of Members in all Plans.

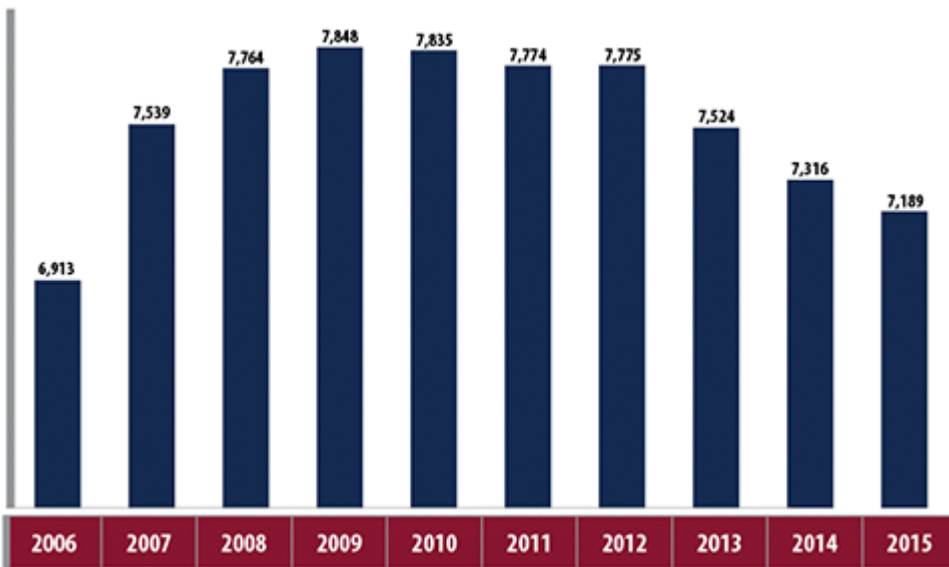
*** Percentages are expressed as a percentage of the total number of Active Members in all Plans.


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

Notes:

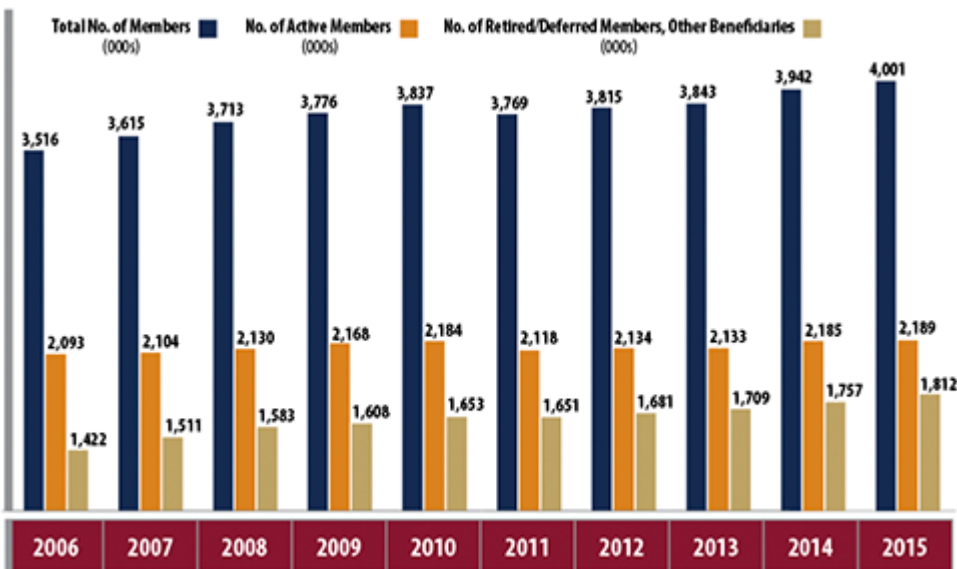
1. 2014 Membership numbers rounded to the nearest thousand.
2. Percentages may not add up due to rounding.
3. Data on defined benefit plans includes hybrid/combination plans with both defined benefit and defined contribution components.
4. Percentages for JSPPs are reported as zero as they represent less than 0.1%.

Total Number of Ontario Pension Plans, 2006–2015



Description of total number of Ontario Pension Plans image 

Ontario Pension Plan Membership, 2006–2015



Description of Ontario Plan Membership image 

Ontario-Registered Active Pension Plan Assets

Plan Type	Market Value of Assets at March 31, 2015		Market Value of Assets at March 31, 2014	
	\$ Billion	%	\$ Billion	%
<i>Single Employer Plans</i>				
Defined Benefit	191.84	36.7%	172.59	36.4%
Defined Contribution	17.35	3.3%	14.97	3.1%
<i>Jointly Sponsored Plans</i>				
Defined Benefit	285.77	54.7%	261.23	55.5%
<i>Multi-Employer Plans</i>				
Defined Benefit	25.19	4.8%	21.76	4.6%
Defined Contribution	1.99	0.5%	1.67	0.4%
Total	522.15	100%	474.22	100%

Pension Plan Transactions Processed by FSCO

Under the Pension Benefits Act, the Superintendent of Financial Services makes regulatory decisions on various pension plan transactions, from initial registration to full wind-up. The following table lists key plan transactions dealt with by FSCO.

Transaction Type	2014-15	2013-14
New Plans Registered		
<i>Single Employer Plans</i>		
Defined Benefit	79	93
Defined Contribution	73	41
<i>Multi-Employer Plans</i>		
Defined Benefit	0	1
Defined Contribution	3	2
Total	155	137
Plan Amendments Registered		
	2,324	2,928
Full Wind-Ups Processed		
<i>Single Employer Plans</i>		
Defined Benefit	202	218
Defined Contribution	104	101
<i>Multi-Employer Plans</i>		
Defined Contribution	-	-

Transaction Type	2014-15	2013-14
Total	306	319
Partial Wind-Ups Processed		
<i>Single Employer Plans</i>		
Defined Benefit	12	7
Defined Contribution	0	2
<i>Multi-Employer Plans</i>		
Defined Benefit	1	-
Defined Contribution	-	-
Total	13	9
Plan Mergers/Asset Transfers Processed		
<i>Single Employer Plans</i>		
Defined Benefit	9	15
Defined Contribution	18	31
<i>Multi-Employer Plans</i>		
Defined Benefit	1	-
Defined Contribution	2	6
<i>Jointly Sponsored Plans</i>		
Defined Benefit	-	-
Defined Contribution	-	-
Total	30	52
Surplus Refunds to Employers on Full Wind-Up Applications Processed		
<i>Single Employer Plans</i>		
Defined Benefit	5	5
Defined Contribution	-	-
Total	5	5
Surplus Refunds to Employers on Partial Wind-Up Applications Processed		
<i>Single Employer Plans</i>		
Defined Benefit	8	7
Total	8	7

On-site Examination Program

FSCO performs on-site examinations of pension plans which are selected through the risk-based funding and investment monitoring programs, as well as on the basis of risk profiles in FSCO's pension plans database.

In addition to identifying areas of non-compliance, FSCO commonly issues recommendations at the conclusion of an examination to strengthen the alignment of plans' administrative and governance practices with generally accepted industry best practices. This year, FSCO undertook examinations of 50 plans. The results are summarized in the tables below.

Pension Plans Examined	2014-15	2013-14
<i>Single Employer Plans</i>		
Defined Benefit	23	25
Defined Contribution	5	3
Defined Benefit/Defined Contribution Hybrid	20	20
<i>Multi-Employer Plans</i>		
Defined Benefit	2	2
Defined Contribution	-	-
Total	50	50

Common Examination Compliance Findings	2014-15		2013-14	
	Number of Plans	% of Plans Examined	Number of Plans	% of Plans Examined
Disclosure on member benefit statements deficient	32	64	30	60
Member benefit statements issued late	20	40	8	16
Plan member information booklet out of date	20	40	5	10
Statement of Investment Policies & Procedures out of date	18	36	23	46
Regulatory filing deadlines not met	13	26	16	32
Incorrect information reported in statutory filings	11	22	12	24
Plan amendment not registered with FSCO	8	16	3	6
Contributions remitted late/incorrectly	5	10	4	8
Current trust agreement not registered with FSCO	4	8	6	12
Statement of Investment Policies & Procedures not compliant	3	6	10	20

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, should the plan sponsor become insolvent. The Superintendent of Financial Services is responsible for the administration of the PBGF, which is established under the Pension Benefits Act.


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, including any loans or grants received from the province. The Office of the Auditor General of Ontario audits the PBGF's annual financial statements.

Pension Benefits Guarantee Fund Claims Paid by FSCO

	2014–15	2013–14
Number of Pension Plan Claims	14	9
Total Amount Paid	\$21,036,758	\$46,354,529

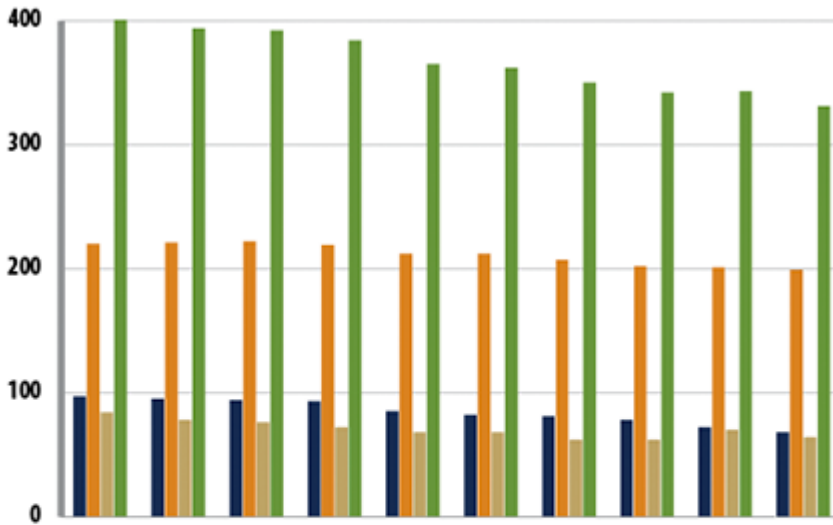
[Return to top](#)

Insurance

Most insurance business in Ontario is conducted by federally incorporated companies that are subject to prudential regulation by the federal [Office of the Superintendent of Financial Institutions \(OSFI\)](#) .

Prudential regulation of provincially-incorporated insurance companies licensed to conduct business in Ontario is overseen by the regulators for the provinces in which they are incorporated. The number of Ontario-incorporated insurance companies has been steadily declining. Over the past few years, a number of Ontario-incorporated insurers have ceased operations or continued under federal or other provincial laws for operational or strategic reasons. FSCO's focus in regulating insurance companies is on market conduct reviews.

Insurance Companies in Ontario, 2006–2015 Number as of March 31

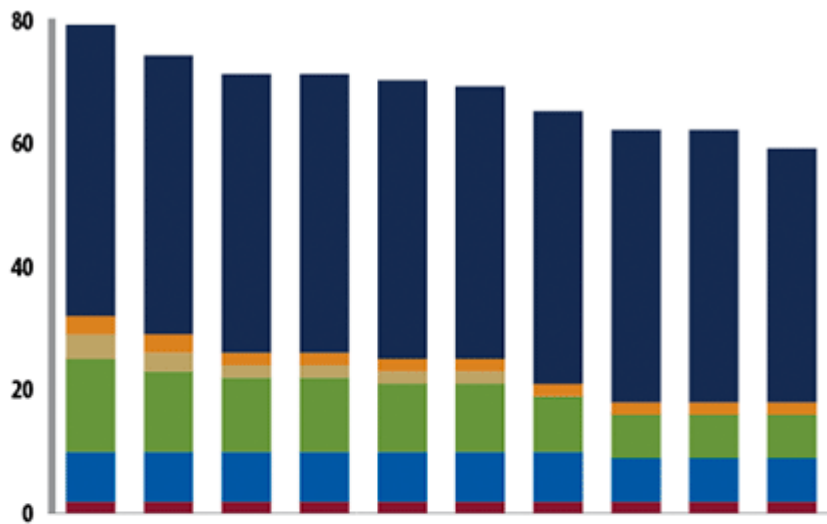


	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Life	97	95	94	93	85	82	81	78	72	68
Property & Casualty	220	221	222	219	212	212	207	202	201	199
Other	84	78	76	72	68	68	62	62	70	64
Total	401	394	392	384	365	362	350	342	343	331

[Description of Insurance Companies in Ontario image](#) 

Note: includes reciprocal insurance exchanges.

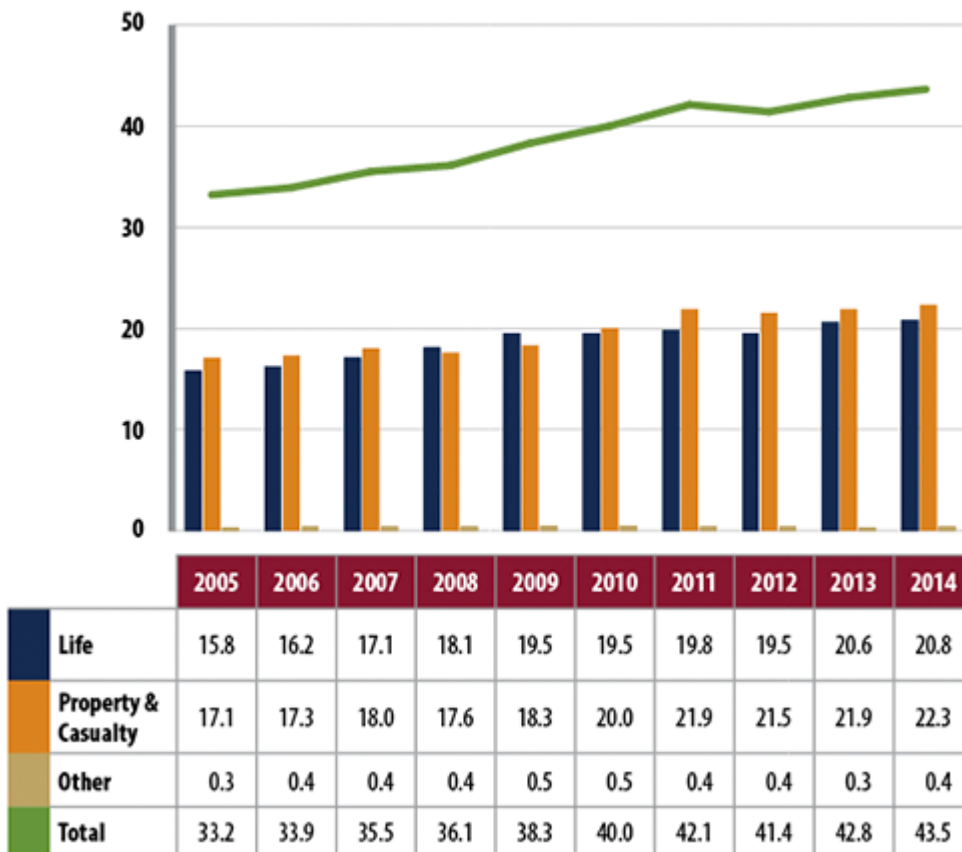
Insurance Companies Incorporated or Formed under Ontario Law 2006–2015 Number as of March 31



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Farm Mutuals	47	45	45	45	45	44	44	44	44	41
Fraternal	3	3	2	2	2	2	2	2	2	2
Life	4	3	2	2	2	2	0	0	0	0
P&C	15	13	12	12	11	11	9	7	7	7
Reciprocal	8	8	8	8	8	8	8	7	7	7
Reinsurers	2	2	2	2	2	2	2	2	2	2

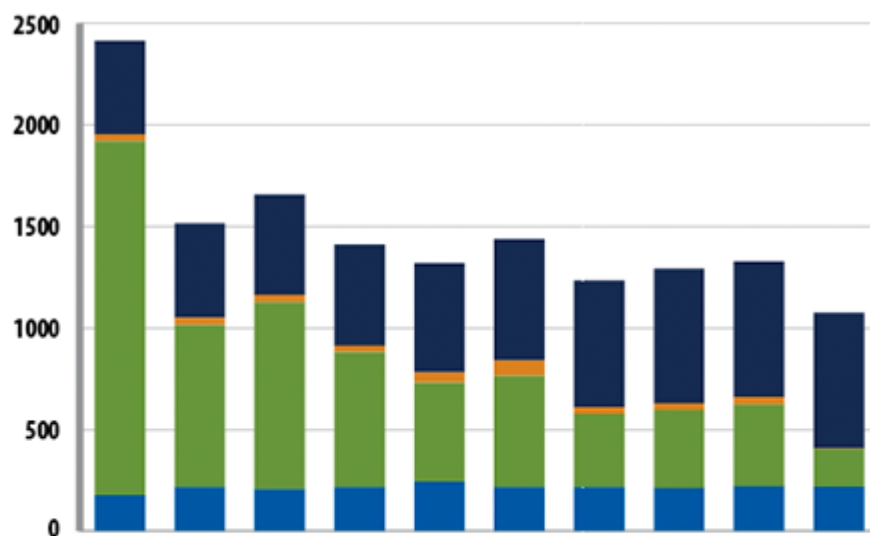
[Description of Insurance Companies Incorporated or Formed under Ontario Law image](#) 

Direct Written Insurance Premiums in Ontario 2005–2014 (\$ billions)



Description of Direct Written Insurance Premiums in Ontario image 

Insurers Incorporated or Formed under Ontario Law Direct Written Insurance Premiums, 2005–2014



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Farm Mutuals	461.2	466.9	493.9	499.9	537.0	598.6	623.7	663.1	667.1	670.5
Fraternal	30.5	32.4	33.1	29.6	49.4	72.3	33.7	33.2	37.1	1.9*
Life	5.8	4.9	4.6	4.3	4.1	4.5	-	-	-	-
Property & Casualty	1,741.5	795.8	920.2	662.1	484.6	546.6	361.0	383.8	402.1	386.5
Reciprocals	174.7	215.3	204.5	215.1	242.7	214.2	214.8	211.0	219.4	215.8

Description of Insurers Incorporated or Formed in Ontario Law Direct Written Insurance Premiums image

* Financial information for one of the two fraternal incorporated/formed under Ontario law is not included. See Financial Summary Note 22 in **Superintendent’s Report on Insurance 2014** later in this report.

The Registered Insurance Brokers of Ontario

The Registered Insurance Brokers of Ontario (RIBO) is a self-governing, self-supporting organization of general insurance brokers in Ontario that administers the Registered Insurance Brokers Act. It regulates the licensing, professional competence, ethical conduct and insurance related financial obligations of all general insurance brokers in the province of Ontario. In Ontario, FSCO licenses general insurance agents while RIBO licenses persons employed by general insurance brokers. The Superintendent has the responsibility to ensure that RIBO is fulfilling its regulatory responsibilities, and conducts an annual examination of its affairs and reports the results to the minister. For more information, visit [RIBO’s website](#) .

[Return to top](#)

Auto Insurance

Automobile insurance is compulsory for drivers in Ontario. FSCO reviews and approves automobile insurance rates, risk classification systems and underwriting rules, as well as policy

endorsements, forms and rate manuals. FSCO also advises the government on the need for changes to auto insurance legislation and regulations, and works with stakeholders to improve the system's operation.

Automobile Insurance Filings Processed

Type	2014-15	2013-14
Private Passenger Auto Rate Filings		
Major	31	57
Simplified*	15	4
CLEAR**	33	55
Fees***	0	10
Total	79	126
Non-Private Passenger Auto Rate Filings****	71	61
Underwriting Rule Filings	56	30
Endorsement Filings	44	39
Form Filings	67	51
Rate Manual Filings	103	129

* 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.

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

**** Includes 13 fees filings for 2013-14 and 6 fee filings for 2014-15..

Dispute Resolution Services Activities

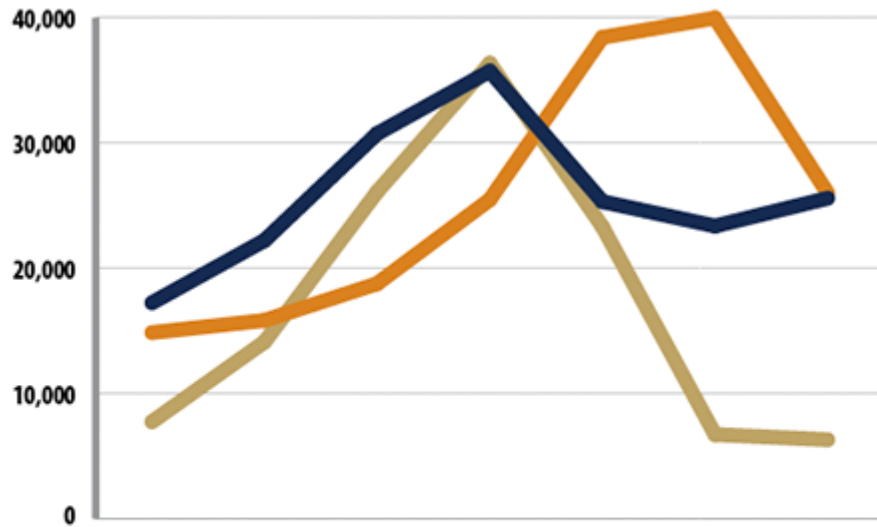
FSCO's dispute resolution services are an integral part of Ontario's no-fault automobile insurance system. Mediation is compulsory when a claimant and insurer disagree about entitlement to statutory accident benefits or the amount of benefits. If mediation fails, the claimant can apply for arbitration at FSCO or take the matter to court.

In addition to mediation and arbitration services, FSCO also offers neutral evaluation, appeal of arbitration orders on a point of law, and variation or revocation of an arbitration order under a defined set of circumstances.

Dispute Resolution Services Activity	2014-15	2013-14
Mediation		

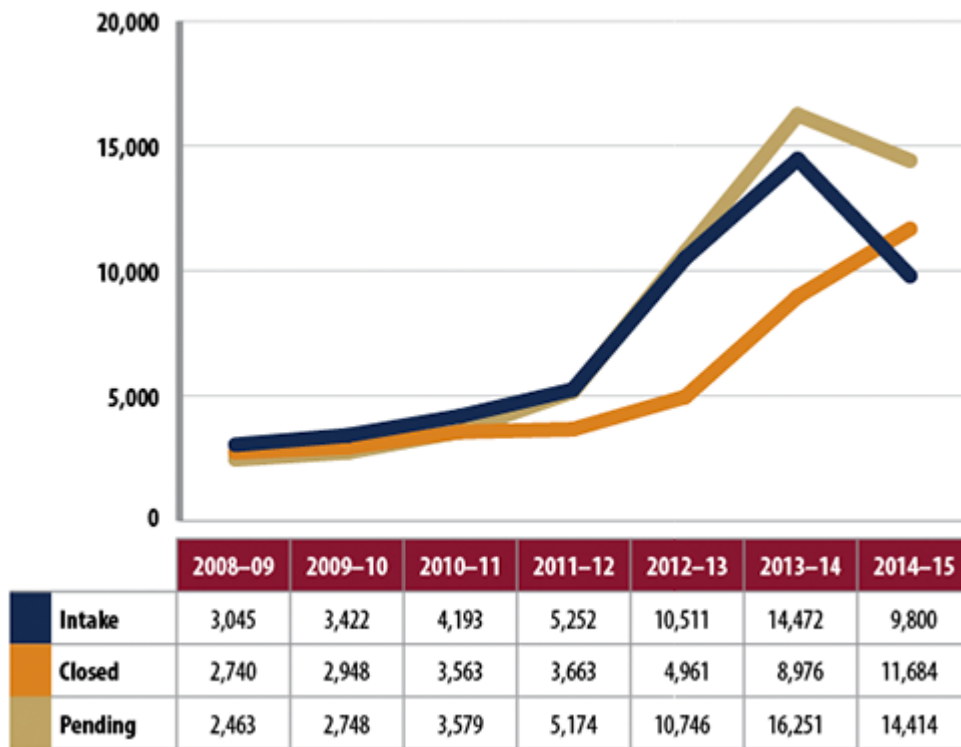
Dispute Resolution Services Activity	2014-15	2013-14
New Applications Received	25,583	23,366
Cases Closed	26,004	39,980
Settlement Rate – Full	31%	41%
Settlement Rate – Partial	11%	8%
Arbitration		
New Applications Received	9,800	14,472
Cases Closed	11,684	8,976
Settled	10,851	8,469
Decisions Issued	356	225
Appeals		
New Applications Received	64	41
Cases Closed	44	31
Settled	12	12
Decisions Issued	29	37

Mediation – Intake, Closed and Pending, last 7 years



	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Intake	17,233	22,219	30,747	35,734	25,317	23,366	25,583
Closed	14,852	15,826	18,762	25,473	38,434	39,980	26,004
Pending	7,728	14,116	26,101	36,360	23,311	6,710	6,295

Arbitration – Intake, Closed and Pending, last 7 years



Description of Arbitration - Intake, closed and Pending image 

Compared to the previous year, new applications for arbitration decreased markedly in 2014-15. This can largely be attributed to the fact that by April 2014, FSCO had received the vast majority of arbitration files flowing from the clearing of the mediation backlog in 2013.

The volume of open or pending arbitration files remained high at year end due to the length of time these cases typically remain open. However, FSCO's continued use of a private dispute resolution service provider to help dispose of these files is proving successful. The number of files closed in 2014-15 increased by 2,739 over the previous year, resulting in a significant reduction in pending files.

Motor Vehicle Accident Claims Fund

FSCO administers the [Motor Vehicle Accident Claims Fund](#) for victims of accidents involving uninsured or unidentified vehicles.

Measure	2014-15	2013-14
Number of New Claims Reported	528	515
Total Cash Payouts	\$17.1 million	\$22.3 million

Measure	2014–15	2013–14
Number of Total Statutory Accident Benefits Claims Paid	463	400
Total Statutory Accident Benefits Payments	\$13 million	\$17 million
Number of Total Third Party Liability Claims Paid	75	87
Total Third-Party Liability Payments for Bodily Injury and Property Damage	\$3.9 million	\$5.3 million
Collection of Repayments	\$1.2 million	\$1.1 million
Number of Suspended Driver's Licences	224	252
Number of Reinstated Driver's Licences	203	252
Number of Repayments Processed	4,743	5,614
Number of Debtors Making Payments	556	707
Number of Active Accounts Receivable	872	1,040

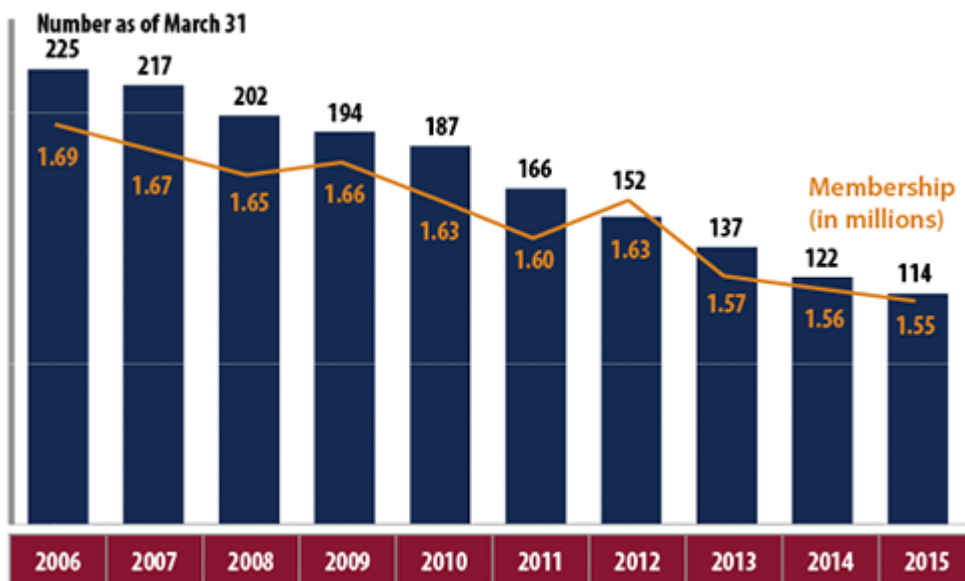
[Return to top](#)

Regulated Financial Services

Ontario Credit Unions and Caisses Populaires

As of March 2015, Ontario's credit unions and caisses populaires held total assets of \$43.5 billion. The sector continues to undergo significant consolidation and transformation. Amalgamations continued in 2014–15, with the number of credit unions and caisses populaires decreasing by almost seven percent to 114.

Ontario Credit Unions & Caisses Populaires, 2006–2015



Ontario Credit Unions & Caisses Populaires Total Assets, 2006–2015 As of March 31 (\$ billions)



Description of Ontario Credit Unions & Caisses Populaires Total Assets image 

Measure	As of March 31, 2015	As of March 31, 2014
Institutions with Assets over \$50 Million		
Number	76	81
Assets	\$42.5 billion	\$38.4 billion
Membership	1,473,342	1,472,171
Institutions with Assets under \$50 Million		
Number	38	41
Assets	\$982 million	\$1 billion
Membership	77,055	90,753
All Institutions		
Number	114	122
Assets	\$43.5 billion	\$39.4 billion
Membership	1,550,397	1,562,924

The Deposit Insurance Corporation of Ontario

The Deposit Insurance Corporation of Ontario (DICO) is a provincial government agency that protects depositors of Ontario credit unions and caisses populaires from loss of their deposits.

FSCO and DICO share responsibility for regulating credit unions and caisses populaires under the Credit Unions and Caisses Populaires Act, 1994, and ensuring their compliance with its provisions. The statute establishes solvency requirements including rules relating to capital, liquidity and exposure to interest rate risk, and assigns responsibility to DICO for enforcing those provisions.

FSCO is responsible for enforcing the market conduct provisions in the act, including those relating to consumer protection and governance.

For more information, visit [DICO's website](#) .

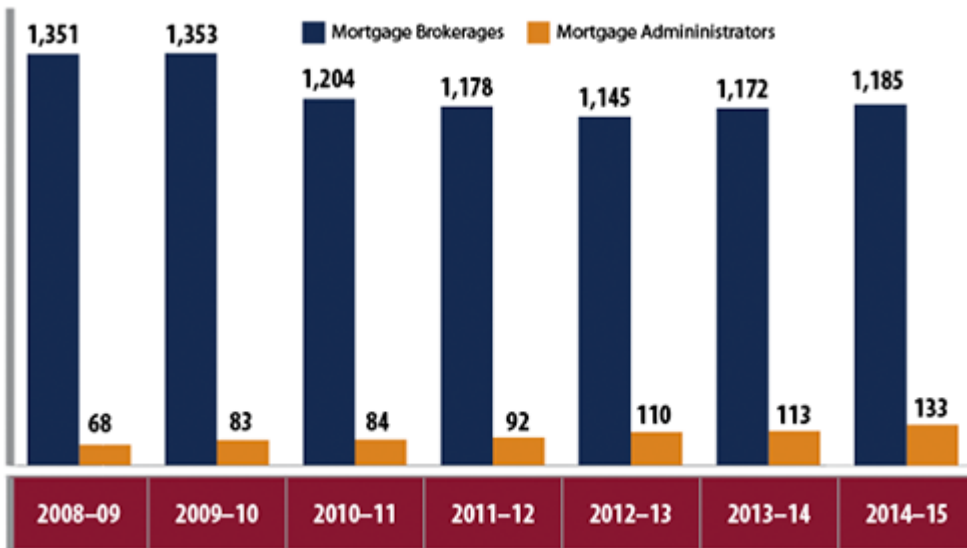
Loan and Trust Companies

FSCO's role in the regulation of loan and trust companies is limited to registration of companies operating in Ontario and taking action against unlicensed deposit takers. Fifty-one loan and trust companies were registered to operate in Ontario as of March 31, 2015. All were federally incorporated, which is a requirement for registration. FSCO is largely concerned with protecting the public from unlicensed businesses and individuals that purport to be legitimate loan or trust corporations.

Mortgage Brokering

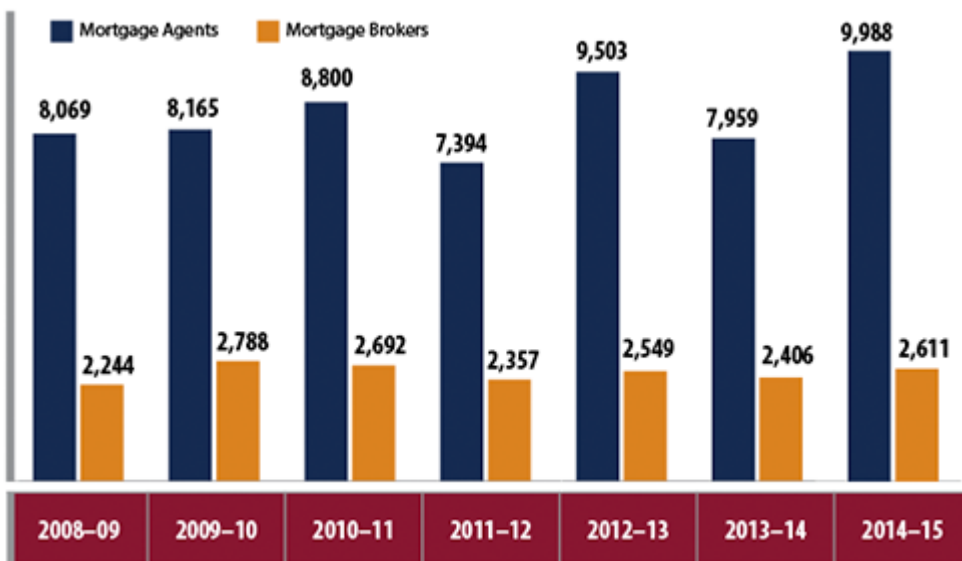
All mortgage brokerages, administrators, brokers and agents conducting mortgage brokering business in Ontario are required to be licensed by FSCO. Mortgage broker and agent licences are issued for a two-year term.

Total Number of Ontario Mortgage Brokerages and Administrators, 2009–2015



Description of Total Number of Ontario Mortgage Brokerages and Administrators image 

Total Number of Ontario Mortgage Brokers and Agents, 2009-2015

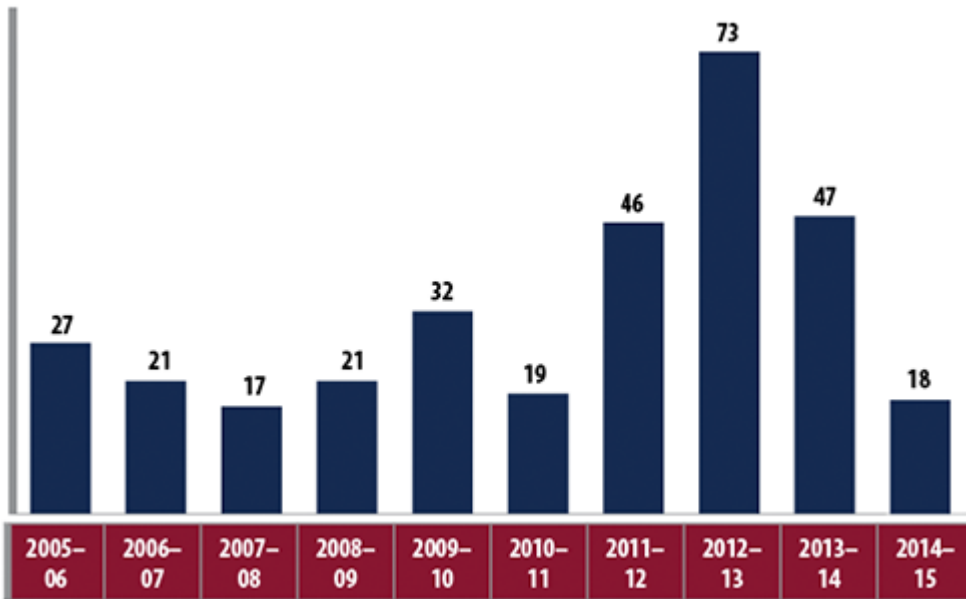


Description of Total Number of Ontario Mortgage Brokers and Agents image 

Co-operative Corporations

FSCO registers organizations conducting business as co-operatives under the Co-operative Corporations Act. In 2014-15, there were 18 new co-operative incorporations.

Ontario Co-operatives – Number of New Incorporations, 2006-2015



[Description of Ontario Co-operatives - Number of New Incorporations image](#) 

[Return to top](#)

Content on this page has been transferred from the Financial Services Commission of Ontario (FSCO) site as a PDF for reference. Links that appear as related content have also been transferred and can be found at the end of this document.

Annual Report 2014-2015

[Table of contents](#)

Licensing, Monitoring and Enforcement Activity Across the Sectors: Statistics

[Licensing Activities](#)

[Regulatory Oversight and Enforcement Activities](#)

[Advisory Board Activities](#)

[Public and Stakeholder Inquiries and Complaints Reporting](#)

FSCO licenses or registers individuals and businesses to provide financial services in Ontario. It monitors compliance with legislation and regulations and follows up with enforcement action where necessary.

In 2014-15, FSCO also began licencing service providers that invoice automobile insurers through the Health Claims for Auto Insurance system for specified goods or services ("listed expenses") provided to injured auto accident benefits claimants.

FSCO monitors compliance with legislation and regulations and follows up with enforcement action where necessary.

Licensing Activities

Activity	2014-15	2013-14
Individuals		
<i>New Licences Issued</i>		
Life Insurance Agents	5,368	4,996
General Insurance Agents	1,000	823
Accident and Sickness Insurance Agents	461	444
Insurance Adjusters	203	297
Mortgage Brokers	140	61
Mortgage Agents	2,961	2,408

Activity	2014-15	2013-14
Service Providers, Sole Proprietors	1,641	n/a
<i>Licences Renewed</i>		
Life Insurance Agents	19,497	13,592
General Insurance Agents	2,995	2,811
Accident and Sickness Insurance Agents	300	325
Insurance Adjusters	1,461	1,561
Mortgage Brokers*	5	2,415
Mortgage Agents*	8	8,053
Service Providers, Sole Proprietors	n/a	n/a
Corporations		
<i>New Licences Issued</i>		
Life and General Insurance Agencies	490	457
Corporate Insurance Adjusters	11	0
Insurance Companies	4	6
Mortgage Brokerages	106	128
Mortgage Administrators	26	16
Service Providers, Corporations	1,988	n/a
Service Providers, Partnerships	189	n/a
<i>New Registrations Issued</i>		
Loan and Trust Companies	-	-
<i>Licences Renewed</i>		
Life and General Insurance Agencies	2,624	1,738
Corporate Insurance Adjusters	112	15
Service Providers, Corporations	n/a	n/a
Service Providers, Partnerships	n/a	n/a
Co-operatives		
Offering Statements	24	23
Material Change Relating to Offering	-	-
New Incorporations	18	47
Amendments Relating to Incorporation	18	18
Dissolutions/Cancellations	4	6
Conversion to Corporation	-	-
Amalgamation	2	1

Activity	2014-15	2013-14
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.)	45	58
Amalgamations	5	5
Dissolutions	15	-

* Mortgage broker and agent licences are two-year licences with a common expiry date. The last common expiry date was March 31, 2014.

[Return to top](#)

Regulatory Oversight and Enforcement Activities

Monitoring Activities

FSCO undertakes a number of monitoring activities as part of its regulatory functions. It conducts police background checks, compliance audits, and reviews complaints in the sectors it regulates.

Activity	2014-15	2013-14
Police Checks		
Insurance Agent Licence Applications	14,372	10,453
Mortgage Broker and Agent Applications	1,976	2,085
Service Providers	5,842	-
Audits		
Insurance agent risk-based CE audit	-	50
Errors and Omissions Insurance		
– Life Insurance Agents	656	330
– Mortgage Brokerages	-	-
Complaint Reviews		
Insurance Companies	253	490
Insurance Agents	257	225
Mortgage Brokerages/Administrators	68	101
Mortgage Brokers	74	69
Mortgage Agents	114	111
Credit Unions	25	35
Loan and Trust Companies	6	7

Activity	2014-15	2013-14
Health Care Providers	7	10
Pension Plans	159	243
Total	963	1,291

On-site Examinations

Service Providers	296	n/a
Insurance Companies	8	8
Mortgage Brokerages and/or Administrators	166	105
Pension Plans*	50	50

* See **On-site Examination Program in Pension Plans** section for more information.

Enforcement Actions

To protect consumers and enhance public confidence, FSCO monitors, investigates and, where there is non-compliance with legislation and regulations, takes appropriate enforcement action against the sectors it regulates.

Actions Related to Insurance Sector

Type	2014-15	2013-14
Insurance Agents		
Licence Refusals	5	-
Licences Revoked	6	3
Licences Suspended	5	7
Letters of Caution	4	25
Letters of Warning	22	-
<i>Administrative Monetary Penalties</i>		
- Orders Issued	49	-
- Amount Ordered	\$64,923	-
Automobile Insurance Companies		
Letters of Caution	10	1
Service Providers		
Licence Refusals	2	n/a
<i>Administrative Monetary Penalties</i>		
- Orders Issued	5	n/a

Type	2014-15	2013-14
- Amount Ordered	\$600,000	n/a
Dispute Resolution Penalties		
Special Awards against Insurers	8	4
Expense Orders against representatives	-	-

Actions Related to Mortgage Brokering Sector

Type	2014-15	2013-14
Mortgage Brokerages and Administrators		
Licence Refusals	-	-
Licence Suspensions	2	1
Licence Revocations	36	1
Mortgage Brokers		
Licence Surrenders	1	-
Licence Suspensions	2	1
Licence Revocations	4	-
Letters of Caution	5	3
Mortgage Agents		
Licence Refusals	3	4
Licence Suspensions	2	-
Licence Revocations	2	-
Letters of Caution	16	12
Administrative Monetary Penalties		
<i>Annual Information Return</i>		
- Orders Issued	-	5
- Amount Ordered	-	\$5,000
<i>Errors & Omissions Insurance</i>		
- Orders Issued	2	13
- Amount Ordered	\$4,600	\$27,500
<i>Unlicensed Activity</i>		
- Orders Issued	2	-
- Amount Ordered	\$1,000	-

Type	2014-15	2013-14
<i>False Information to Superintendent</i>	-	-
- Orders Issued	1	-
- Amount Ordered	\$3,000	-
<i>Other Standards of Practice Violations</i>	-	-
- Orders Issued	6	-
- Amount Ordered	\$6,500	-
<i>Total AMP Orders Issued</i>	11	18
<i>Total AMP Amount Ordered</i>	\$15,100	\$32,500

Cease and Desist Orders and Prosecutions by Statute

Type	2014-15	2013-14
Cease and Desist Orders		
Insurance Act	3	1
Mortgage Brokerages, Lenders and Administrators Act, 2006 Loan and Trust Corporations Act	1	-
Loan and Trust Corporations Act	-	1
Completed Prosecutions		
Insurance Act	10	5
Mortgage Brokerages, Lenders and Administrators Act, 2006 Loan and Trust Corporations Act	1	-
Loan and Trust Corporations Act	-	1
Pension Benefits Act	-	1

[Return to top](#)

Advisory Board Activities

Advisory Boards under the Insurance Act make recommendations to the Superintendent of Financial Services on whether to grant, renew, revoke or suspend licences of agents or adjusters.

Licensing issues are often resolved by minutes of settlement. Where they are not, the Superintendent appoints an Advisory Board including an agent or adjuster representative, and

insurer representative and a Superintendent representative. The board holds a hearing and prepares a report to the Superintendent, who makes a decision and issues an order.

Effective January 1, 2015, the Financial Services Tribunal has jurisdiction to determine the granting or refusal of a new licence, or the possible revocation or suspension of an existing licence, for insurance agents and adjusters. Cases that began before January 2015 will continue under the Advisory Board regime until their conclusion.

Activity	2014-15	2013-14
Cases Pending at Beginning of Year	3	5
New Cases Received	22	7
Files Closed	5	9
Cases Pending at End of Year	20	3

[Return to top](#)

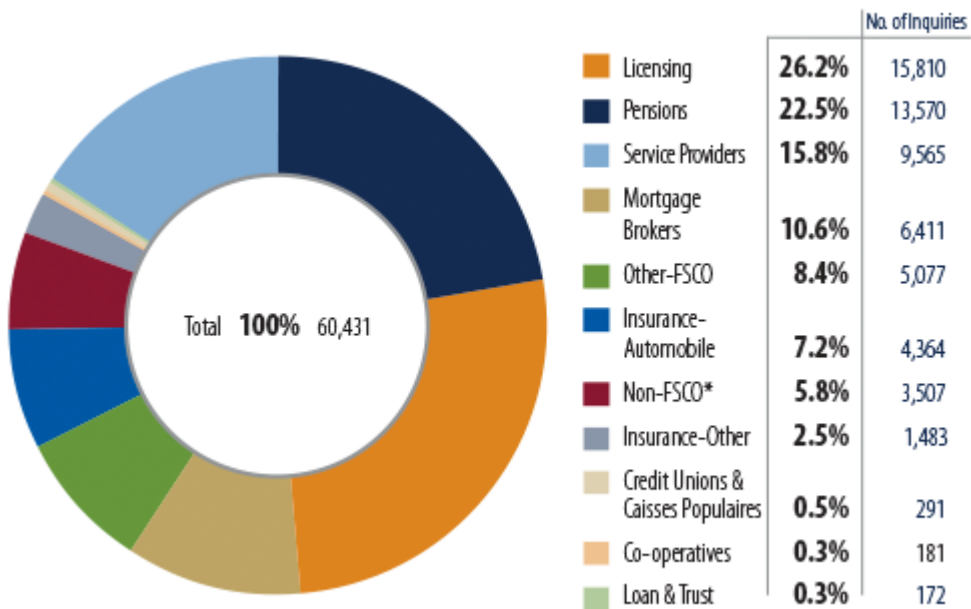
Public and Stakeholder Inquiries and Complaints Reporting

FSCO supplements its oversight activities with consumer inquiry and complaint processes which answer consumer and stakeholder questions. Inquiries and complaints also help FSCO to identify practices that may be harmful to consumers and the marketplace or may violate legislation, regulations or FSCO's rules and procedures.

Inquiry and complaint data play a crucial role in alerting FSCO and the public to potential problems that may require consumer education efforts or other regulatory intervention. Providing accurate, up-to-date information to consumers to assist them in making informed choices about the many products and services that are available in the marketplace is important to FSCO.

The following data for fiscal year 2014-15, shows the number of inquiries and complaints handled by FSCO.

Public and Stakeholder Inquiries

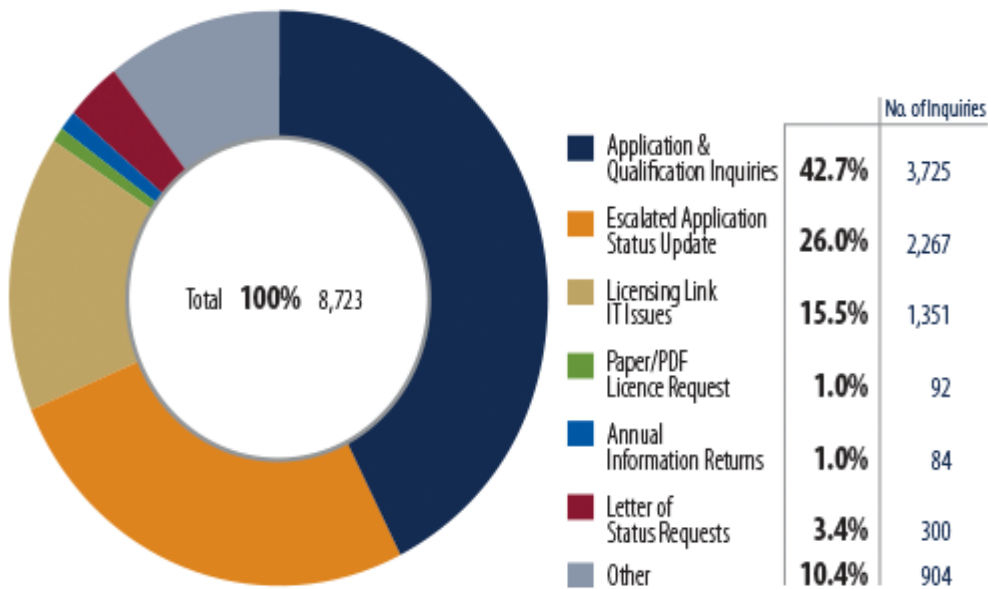


Description of Public and Stakeholder Inquiries image

* Non-FSCO refers to inquiries that do not pertain to FSCO's mandate and have to be redirected.

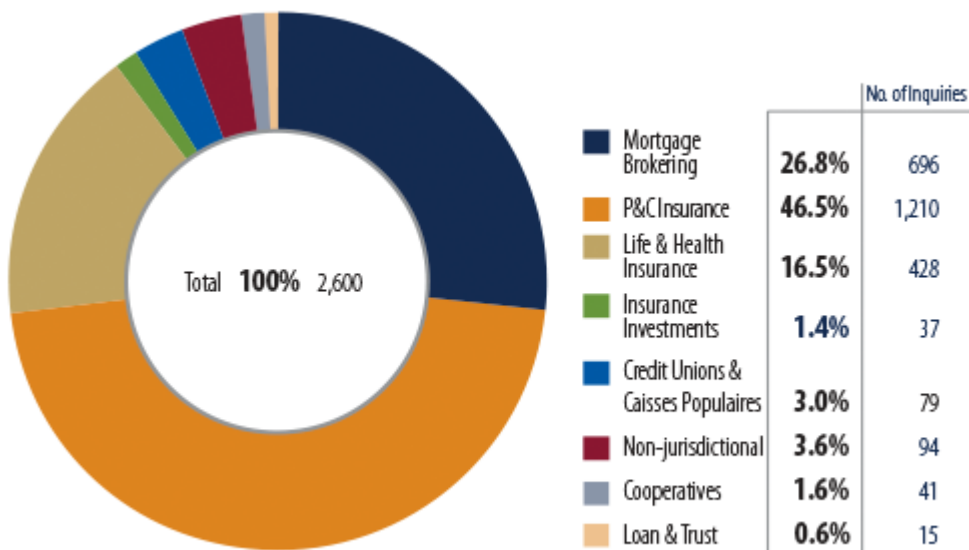
FSCO is a valuable point of contact for both the public and stakeholders. FSCO staff respond to telephone inquiries and correspondence, providing information about legislation and regulations administered by FSCO and also about FSCO's processes.

Licensing Compliance Inquiries



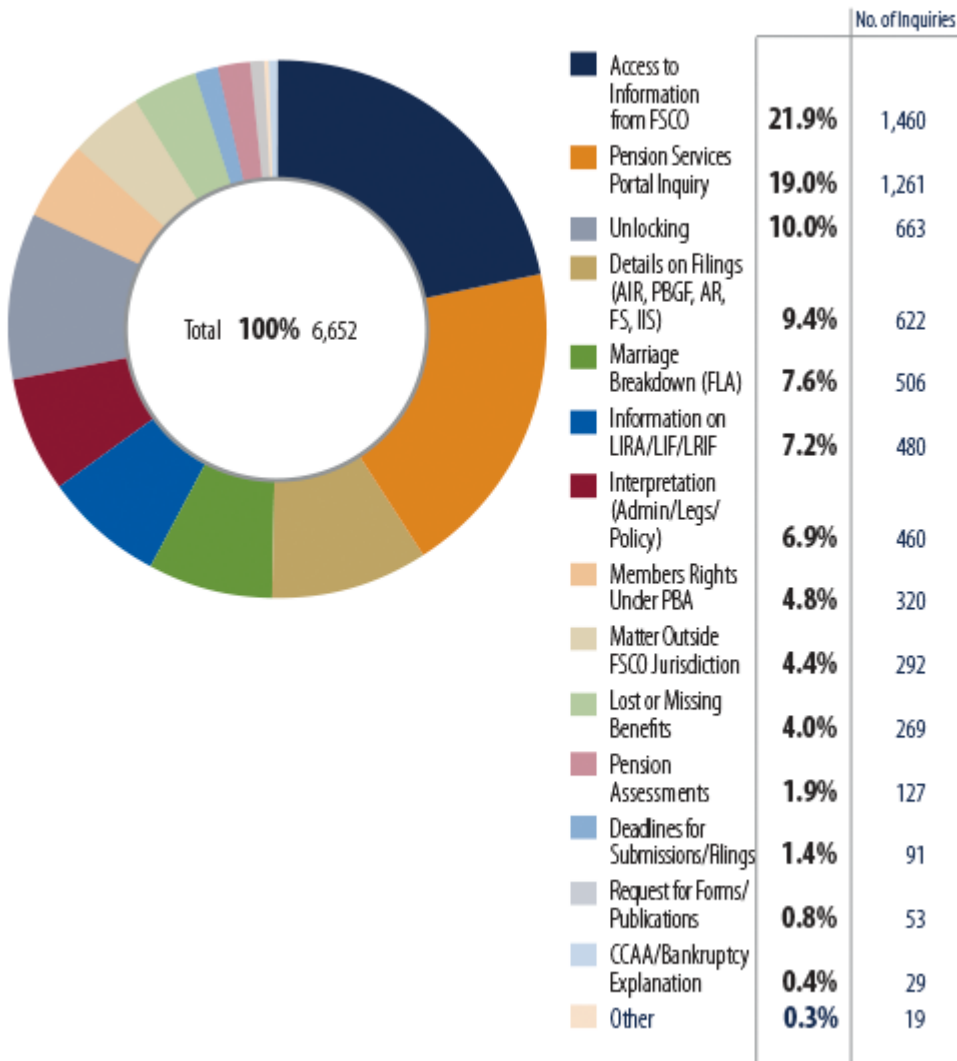
Description of Licensing Compliance Inquiries image

Market Conduct Inquiries



Description of Market Conduct Inquiries image

Pension Inquiries



Description of Pension Inquiries image

Complaints

As evidence of consumer dissatisfaction, complaints represent a crucial market conduct signal for both the industry and regulators. Reviewing complaints is an important component of FSCO's risk-based approach to market conduct oversight.

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

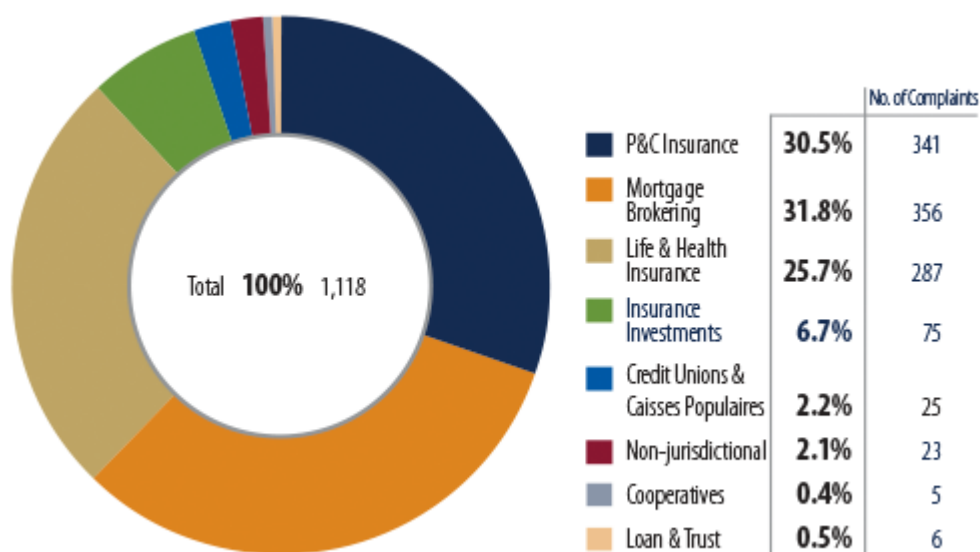
All mortgage brokerages, mortgage administrators, credit unions and caisses populaires are required to designate an individual to receive and attempt to resolve complaints. They must also keep a record of written complaints and responses. Moreover, parties making a complaint must

be advised to contact FSCO if they believe there has been a violation of the legislation or regulations.

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

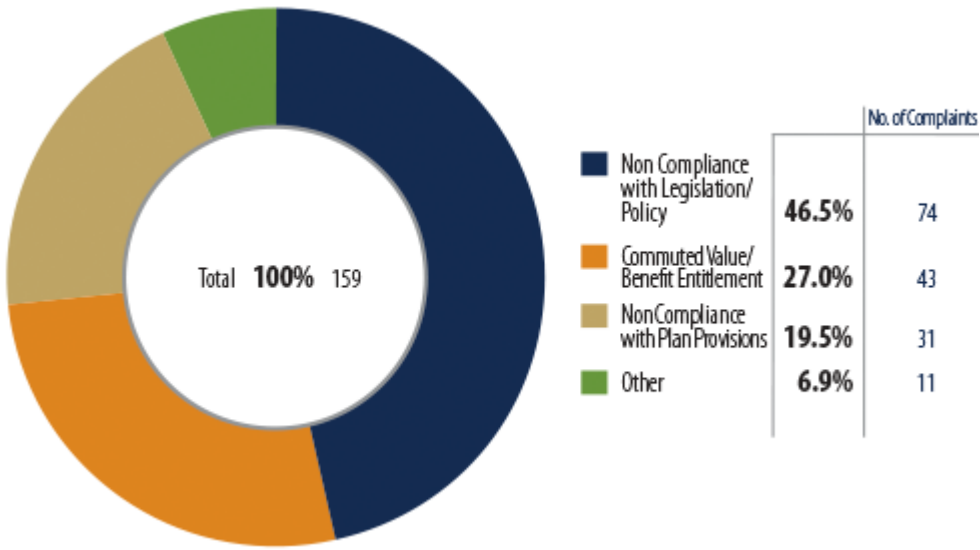
Most complaints do not result in a finding of contravention of the law. However, access to a review process is important to maintain consumer confidence in the financial services marketplace. Where there has been a contravention, FSCO takes enforcement action.

Market Conduct Complaints



[Description of Market Conduct Complaints image](#) 

Pension Complaints



[Description of Pension Complaints image](#) 

[Return to top](#)



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Annual Report 2014-2015

[Table of Contents](#)


Report of the Financial Tribunal

ESTABLISHED BY THE FSCO ACT, the Financial Services Tribunal (FST) is an expert, independent adjudicative body. The FST conducts hearings and hears certain appeals on regulatory and disciplinary matters under statutes covering the regulated sectors including:

- [Pension Benefits Act](#) 
- [Insurance Act](#) 
- [Mortgage Brokerages, Lenders and Administrators Act, 2006](#) 
- [Credit Unions and Caisses Populaires Act, 1994](#) 
- [Loan and Trust Corporations Act](#) 
- [Prepaid Hospital and Medical Services Act](#) 

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 the commission.


Appointments to the FST and the Financial Services Commission of Ontario are made in accordance with the guidelines established by Ontario's [Public Appointments Secretariat](#) .

Financial Services Tribunal Board Members

Name	Position	Tenure	
Florence A. Holden	Chair (acting)	August 11, 2004	September 5, 2017
Elizabeth Shilton	Vice-Chair	May 18, 2005	January 31, 2015
Denis W. Boivin	Vice-Chair (acting)	November 3, 2004	July 22, 2017
John M. Solursh	Member	August 11, 2004	August 7, 2017
Paul Farley	Member	January 5, 2015	February 4, 2016

Name	Position	Tenure	
Ian McSweeney	Member	March 11, 2015	April 10, 2016
Patrick William Longhurst	Member	August 9, 2009	August 7, 2017
Jeffrey Richardson	Member	August 12, 2008	August 7, 2017
David A. Short	Member	October 24, 2001	November 3, 2014
Jennifer Lynne Brown	Member	July 8, 2010	July 6, 2015
Jill Wagman	Member	December 17, 2013	December 16, 2016
Bethune Whiston	Member	December 17, 2013	December 16, 2016

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.

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

The Tribunal has established service standards, which are published, and a tracking mechanism to facilitate public reporting on services.

The following table summarizes the FST's activities in 2014-15.

Financial Services Tribunal Activities

Activity	Pension Matters (Excluding Financial Hardship)	Pension Matters (Financial Hardship)	Mortgage Matters	Insurance Matters	Credit Union Matters	Loan & Trust Matters	Total 2014-15	Total 2013-14
Cases Pending at Beginning of Year	10	-	9	-	-	0	19	20
New Cases Received	4	-	16	65	-	-	85	19
Files Closed	7	-	17	26	-	-	50	20

Activity	Pension Matters (Excluding Financial Hardship)	Pension Matters (Financial Hardship)	Mortgage Matters	Insurance Matters	Credit Union Matters	Loan & Trust Matters	Total 2014-15	Total 2013-14
Cases Pending at End of Year	7	-	8	39	-	-	54	<u>19</u>
Oral Hearing Days	17	-	10	7	-	-	34	<u>11</u>
Written Hearings	-	-	-	-	-	-	-	<u>3</u>
Other Activity Days – Including: Pre-Hearing Conferences, Telephone Conferences, Settlement Conferences and Motions	21	-	27	39	-	-	87	<u>46</u>
Total Hearing (Oral and Written) and Activity Days before FST	38	-	37	46	-	-	121	<u>57</u>

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 2014-15 fiscal year.
3. Written hearings may relate to financial hardship matters, motions, requests for costs or requests for a review of a decision.

[Return to top](#)

Content on this page has been transferred from the Financial Services Commission of Ontario (FSCO) site as a PDF for reference. Links that appear as related content have also been transferred and can be found at the end of this document.

Annual Report 2014-2015

[Table of contents](#)

Financial Statements

[Financial Services Commission of Ontario](#)
[Pension Benefits Guarantee Fund](#)
[Motor Vehicle Accident Claims Fund](#)

Financial Services Commission of Ontario Financial Statements

For the Year Ended March 31, 2015

Management's Statement

Financial Services Commission of Ontario

Chief Executive Officer and Superintendent of Financial Services

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

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Commission des services financiers de l'Ontario

Directeur général et surintendant des services financiers

5160, rue Yonge
boîte 85, 17e étage
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Téléphone : (416) 590-7000
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October 13, 2015

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.

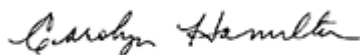
Under the direction of the Superintendent, Management of the Commission is responsible for the integrity and fair presentation of all information in the financial statements and notes. The financial statements have been prepared by Management in accordance with Canadian Public Sector Accounting Standards for government not-for-profit organizations. 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 Public Sector Accounting Standards for government not-for-profit organizations. They have been approved by the Commission's Audit and Risk Committee. The Auditor's report follows.



Brian Mills
Chief Executive Officer and
Superintendent of Financial
Services



Carolyn Hamilton
Director, Corporate Services
Branch

Auditor's Statement



Office of the Auditor General of Ontario

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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 statement of financial position as at March 31, 2015, 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 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

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, 2015 and the results of its operations, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Toronto, Ontario
October 13, 2015



Bonnie Lysyk, MBA, CPA, CA, LPA
Auditor General

Statement of Financial Position

As at March 31, 2015

	March 31, 2015 (\$ 000)	March 31, 2014 (\$ 000)
ASSETS		
Current		
Cash	1	1
Accounts receivable	2,956	895
Prepaid expenses	39	6
	<u>2,996</u>	<u>902</u>
Due from the Province (Note 7b)	31,540	40,248
Capital assets, net (Note 3)	12,117	12,642
	<u>46,653</u>	<u>53,792</u>
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	8,346	19,349
	<u>8,346</u>	<u>19,349</u>
Employee future benefits obligation (Note 7a)	13,090	8,810
Deferred revenue (Note 4)	13,100	12,680
Deferred lease inducements (Note 5)	0	311
Net assets		
Invested in capital assets	12,117	12,642
	<u>46,653</u>	<u>53,792</u>
Commitment, Significant Contract and Contingencies (Note 9)		

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, 2015

	March 31, 2015 (\$ 000)	March 31, 2014 (\$ 000)
Revenue (Note 6)		
Assessments	78,887	70,697
Fees, Licenses, registrations and other	13,624	12,608
	<u>92,511</u>	<u>83,305</u>
Expenses		
Salaries and wages	36,188	36,095
Employee benefits (Note 7a)	13,432	8,060
Transportation and communication	629	815
Services	42,584	39,157
Supplies and equipment	445	535
Amortization	3,537	3,302
Bad debt expense	31	3
	<u>96,846</u>	<u>87,967</u>
Less: Recoveries (Note 8)	3,303	3,259
	<u>93,543</u>	<u>84,708</u>
Deficiency of revenue over expenses absorbed by the Province (Note 6)	<u>(1,032)</u>	<u>(1,403)</u>

See accompanying notes to financial statements

Statement of Cash Flows

For the Year Ended March 31, 2015

	March 31, 2015 (\$ 000)	March 31, 2014 (\$ 000)
Net inflow (outflow) of cash related to the following activities		
Cash flows from operating activities		
Deficiency of revenue over expenses absorbed by the Province	(1,032)	(1,403)
Items not affecting cash		
Amortization of capital assets	3,537	3,302
Amortization of deferred lease inducements	(532)	(532)
Employee future benefits (Note 7a)	4,280	(450)
Bad debt expense	31	3
Changes in non-cash working capital		
Accounts receivable	(2,092)	(792)

	March 31, 2015 (\$ 000)	March 31, 2014 (\$ 000)
Prepaid expenses	(33)	(6)
Accounts payable and accrued liabilities	(10,782)	4,884
Due from the Province	9,215	(1,657)
Deferred Revenue	420	2,190
	<u>3,012</u>	<u>5,539</u>
Cash flows from capital activity		
Purchase of capital assets	(3,012)	(5,543)
	<u>(3,012)</u>	<u>(5,543)</u>
Net change in cash position	–	(4)
Cash position, beginning of year	1	5
Cash position, end of year	<u>1</u>	<u>1</u>

See accompanying notes to financial statements

Notes to Financial Statements

March 31, 2015

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

The financial statements have been prepared by the management of the Commission in accordance with Public Sector Accounting Standards for government not-for-profit organizations

(PSA-GNFPO) as issued by the Public Sector Accounting Board (PSAB). The significant accounting policies used to prepare these statements are summarized below.

(a) Capital Assets:

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

Custom developed software	5 - 10 years
Office furniture and equipment	5 years
Computer hardware	3 - 6 years
Leasehold improvements	over the term of the lease

(b) Revenue Recognition

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

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

(c) Financial Instruments

The Commission follows PSA-GNFPO pertaining to financial instruments. Under these standards, all financial instruments are included on the statement of financial position and are measured either at fair value or at cost or amortized cost. The Commission's Accounts receivable, and the Accounts payable and accrued liabilities are recorded at cost in the financial statements.

(d) Use of Estimates

The preparation of financial statements in accordance with PSA-GNFPO 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. Significant items subject to such estimates and assumptions include the amortization expense, accrued liabilities and employee future benefits.

3. CAPITAL ASSETS

	Cost	Accumulated Amortization	2015 Net Book Value	2014 Net Book Value
	(\$'000)			
Custom developed software	15,170	7,725	7,445	4,131
Custom software under development	2,945	0	2,945	4,918
Leasehold improvements	7,818	6,836	982	2,420
Computer hardware	2,352	1,869	483	653
Office furniture and equipment	2,209	1,947	262	520
	30,494	18,377	12,117	12,642

4. DEFERRED REVENUE RELATED TO LICENCES AND REGISTRATION

Deferred revenue represents payments received for fees, licences and registrations that cover more than the current fiscal year. The deferred portion is recognized as revenue when the applicable future licence year occurs. The changes in the deferred revenue balances during fiscal 2014–2015 are summarized as follows:

	Balance, beginning of year	Received during year	Recognized during year	Balance, end of year
	(\$'000)			
Insurance Agents	3,616	4,572	3,882	4,306
Insurance Adjusters	34	126	135	25
Mortgage Brokers	7,438	2,257	4,502	5,193
Insurance Corporations	937	1,252	1,073	1,116
Health Service Providers	0	4,244	2,250	1,994
Other	655	415	604	466
	12,680	12,866	12,466	13,100

5. DEFERRED LEASE INDUCEMENTS

In April 2008, the Commission's office accommodation lease was extended from October 31, 2008 to October 31, 2015. 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 is recognized as reduced rent expense over the term of the lease on a straight line basis.

	2015	2014
	(\$'000)	
Balance, beginning of year	843	1,375
Less: Lease Inducements Amortization	(532)	(532)
Deferred Lease Inducements	311	843
Less: current portion	(311)	(532)
Balance, end of year	0	311

6. REVENUE

Under *The Financial Services Commission of Ontario Act*, the Commission may recover all of its costs through revenue assessments and fees charged to all entities that form part of the regulated sectors. The Commission's deficiency of \$1.0 million (2014 \$1.4 million) resulted mostly from the Financial Hardship Program waiver of fees that continued in 2015 and the deficiency from the Co-operatives sector. The deficiency has been absorbed by the Province and is reflected in the Due from the Province on the statement of financial position. For the fiscal year, revenue from the following Acts and regulations made under the Acts administered by the Commission are:

	2015	2014
	(\$'000)	
INSURANCE ACT		
Insurer assessment	62,952	52,806
Fees, licenses and other	6,630	6,624
Health Service provider fees and licences	2,250	0
PENSION BENEFITS ACT		
Pension plan assessment	15,258	17,268
Registration fees and other	74	53
CREDIT UNIONS AND CAISSES POPULAIRES ACT		
Credit Union assessment	516	467

	<u>2015</u>	<u>2014</u>
Fees and other	160	115
LOAN AND TRUST CORPORATIONS ACT		
Loan and Trust assessment	162	156
Fees, licenses and registrations	1	4
MORTGAGE BROKERAGES, LENDERS AND ADMINISTRATORS ACT		
Fees, Licenses, Registrations and other	4,543	5,749
CO-OPERATIVE CORPORATIONS ACT		
Fees and other	11	18
	<u>92,511</u>	<u>83,305</u>

7. 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 Commission's annual payments of \$3.03 million (2014 - \$2.97 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, additional severance for those employees expected to be declared surplus, and other future compensation entitlements earned. The accrued 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. The total costs for the year for all termination benefits amount to \$5.170 million (2014 - \$0.518 million) and are included in

employee benefits and salaries and wages in the Statement of Operations. Amounts due within one year totaling \$2.74 million (2014 - \$2.74 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 the Province

The due from the Province balance reflected in the financial statements is the difference between the cash receipts submitted to the Province and the Commission's expenses paid, owing or absorbed by the Province.

(c) Other administrative expenses

The Ontario Ministry of Government Services absorbs the costs of certain administrative expenses. The Ministry of Finance has charged for other administrative costs including costs related to information technology and the Ministry of Attorney General has charged for legal staff provided to the Commission based on the Ministry's actual costs.

8. 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:

	2015	2014
	(\$'000)	
Motor Vehicle Accident Claims Fund (Related Party)	1,407	1,623
Pension Benefits Guarantee Fund (Related Party)	486	451
General Insurance Statistical Agency	807	516
Joint Forum of Financial Market Regulators	6	36
Canadian Association of Pension Supervisory Authorities	177	190
Canadian Council of Insurance Regulators	207	222
Mortgage Broker Regulators' Council of Canada	213	220

2015	2014
<u>3,303</u>	<u>3,259</u>

9. COMMITMENTS SIGNIFICANT CONTRACT AND CONTINGENCIES

(a) Office Accommodation Lease

In July 2014, the Commission's office accommodation lease was extended from October 31, 2015 to October 31, 2020 with two further options to extend the term for five years each and the one time right to terminate up to 40,000 square feet on October 31, 2018. As a result the Commission is committed to minimum lease payments for office space as follows if it does not exercise its termination right:

	(\$'000)
2015/2016	4,344
2016/2017	5,135
2017/2018	5,211
2018/2019	5,265
2019/2020	5,341
2020/2021	3,116
	<u>28,412</u>

(b) Dispute Resolution Services Contract

Bill 15, The Fighting Fraud and Reducing Automobile Insurance Rates Act, 2014 received Royal Assent on November 20, 2014. Bill 15 provides for the Dispute Resolution System to be moved to the Ministry of the Attorney General's Licence Appeal Tribunal (LAT). The LAT will begin accepting new applications for dispute resolution on April 1, 2016.

In August 2012, the Commission entered into a contract with an outside service provider for mediation and arbitration services related to disputes over auto insurance accident benefits. No files were assigned under this contract after May 2014. In June 2014, another contract was signed with the service provider for arbitration services until May 2018. The expenditures for the year for these contracts amount to \$25.4 million (2014 - \$21.5 million) which are included in services expenses and it is anticipated that annual cost will be \$27.0 million in 2015-16. These costs are charged back to the insurance companies that utilize the services. As regulations governing the disposition of files at the time of transition have yet to be developed, the projected contract costs beyond fiscal year 2015-16 are uncertain at this time.

(c) Mandate Review

On March 3, 2015, the government announced an Expert Advisory Panel ("Panel") to conduct the review of the mandates of the Financial Services Commission of Ontario, Financial Services Tribunal and the Deposit Insurance Corporation of Ontario. The Panel conducted a public consultation on the issues being examined. FSCO made a submission to the Panel as part of the consultation process. The government expects the review to be completed by early 2016 and will then consider legislative changes to their mandate based on the outcomes of the review. The impact on the Commission cannot be assessed at this time.

(d) Contingencies

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.

10. FINANCIAL INSTRUMENTS

The Commission is exposed to low credit risk in its financial instruments from accounts receivable owing from industry, and is not exposed to any currency, interest rate or liquidity risk.

[Return to top](#)

Pension Benefits Guarantee Fund Financial Statements

For the Year Ended March 31, 2015

Management's Statement

Financial Services Commission of Ontario

Deputy Superintendent
Pension Division

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Commission des services financiers de l'Ontario

Surintendant adjoint

Division des régimes de retraite

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June 23, 2015

Pension Benefits Guarantee Fund

Management's Responsibility for Financial Information

The CEO and Superintendent of Financial Services of the Financial Services Commission of Ontario ("FSCO"), pursuant to the *Financial Services Commission of Ontario Act, 1997* and specifically, subsection 82(2) of the Pension Benefits Act, is responsible for the administration of the Pension Benefits Guarantee Fund.

Under the direction of the Superintendent, FSCO Management (Management) 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 Public Sector Accounting Standards. 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.

In the administration of the Pension Benefits Guarantee Fund, Management is dedicated to the highest standards of integrity in provision of its services and 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 Public Sector Accounting Standards for Government Not-For-Profit organizations. They have been approved by the Commission's Audit & Risk Committee. The Auditor's report follows.



Lester J. Wong
Deputy Superintendent,
Pensions



Kwan Lee
Chief Accountant

Auditor's Statement



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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 comprise the statement of financial position as at March 31, 2015 and the statements of operations and fund surplus, cash flows and re-measurement gains and losses 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

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, the financial statements present fairly, in all material respects, the financial position of the Commission's Pension Benefits Guarantee Fund as at March 31, 2015, and the

results of its operations, its cash flows and its re-measurement gains and losses for the year then ended in accordance with Canadian public sector accounting standards.

Toronto, Ontario
June 23, 2015



Bonnie Lysyk, MBA, CPA, CA,
LPA
Auditor General

Statement of Financial Position

As at March 31, 2015

	March 31, 2015	March 31, 2014
	(\$ 000)	(\$ 000)
ASSETS		
Current		
Cash	(123)	1
Accounts receivable	62,014	124,088
Investments (Note 4)	480,768	450,237
	<u>542,659</u>	<u>574,326</u>
LIABILITIES AND FUND SURPLUS		
Current		
Accounts payable and accrued liabilities	4,449	11,044
Current portion of loan payable (Note 5)	11,000	11,000
Claims payable	33,840	50,916
	<u>49,289</u>	<u>72,960</u>
Loan payable (Note 5)	<u>121,540</u>	<u>125,657</u>
	170,829	198,617
Fund surplus from operation	371,687	375,717
Accumulated remeasurement gains (losses)	143	(8)
Fund surplus	<u>371,830</u>	<u>375,709</u>
	<u>542,659</u>	<u>574,326</u>

See accompanying notes to financial statements

Approved by:



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

Statement of Operations and Fund Surplus

For the Year Ended March 31, 2015

	March 31, 2015 (\$ 000)	March 31, 2013 (\$ 000)
Revenue		
Premium revenue (Note 3)	(536)	138,819
Pension plan recoveries (Note 7)	6,463	9,424
Investment income (Note 4)	5,283	4,389
	<u>11,210</u>	<u>152,632</u>
Expenses		
Claims	3,960	18,532
Amortization of loan discount (Note 5)	6,883	7,081
Pension consulting services (Note 8)	3,756	6,886
Administration fee (Note 9)	485	451
Investment management fees (Note 9)	155	130
	<u>15,239</u>	<u>33,080</u>
Excess (deficit) of revenue over expenses	<u>(4,029)</u>	<u>119,552</u>
Fund surplus, beginning of year	<u>375,717</u>	<u>256,165</u>
Fund surplus, end of year	<u>371,687</u>	<u>375,717</u>

See accompanying notes to financial statements

Statement of Cash Flows

For the Year Ended March 31, 2015

	March 31, 2015 (\$ 000)	March 31, 2014 (\$ 000)
Net inflow (outflow) of cash related to the following activities		
Cash flows from operating activities		
Excess of revenue over expenses	(4,029)	119,552
Items not affecting cash:		
Amortization of loan discount (Note 5)	6,883	7,081
Loss on disposal of investments	492	116
	<u>3,346</u>	<u>126,749</u>
Changes in non cash working capital		
Accounts receivable	62,074	16,159
Claims payable	(17,076)	(27,823)
Accounts payable and accrued liabilities	(6,595)	210
	<u>41,749</u>	<u>115,295</u>
Cash flows from investing activities		
Purchases of investments	(3,258,352)	(3,633,576)
Proceeds from sale of investments	3,227,479	3,528,530
	<u>(30,873)</u>	<u>(105,046)</u>
Cash flows from financing activities		
Loan repayments	(11,000)	(11,000)
	<u>(11,000)</u>	<u>(11,000)</u>
Change in cash position	(124)	(751)
Cash position, beginning of year	1	752
Cash position, end of year	<u>(123)</u>	<u>1</u>

Statement of Re-measurement Gains and Losses

For the Year Ended March 31, 2015

	March 31, 2015 (\$ 000)	March 31, 2014 (\$ 000)
Accumulated re-measurement gains, beginning of year	(8)	5
Unrealized gains (losses) attributed to portfolio investments	(341)	(129)
Realized losses reclassified to the statement of operations	492	116
	<u>492</u>	<u>116</u>

	March 31, 2015 (\$ 000)	March 31, 2014 (\$ 000)
Accumulated re-measurement gains (losses), end of year	143	(8)

See accompanying notes to financial statements.

Notes to Financial Statements

March 31, 2014

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 pension benefits of certain defined benefit pension plans that are 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 CEO and Superintendent of Financial Services of the Financial Services Commission of Ontario ("FSCO") pursuant to the *Financial Services Commission of Ontario Act, 1997* and specifically, subsection 82(2) of the Pension Benefits Act, is responsible for the administration of the Fund, and the Fund reimburses FSCO for the costs of the services provided to the Fund. The investments of the Fund are managed by the Ontario Financing Authority, on a fee-for-service basis which is 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 Public Sector Accounting Standards for Government Not-For-Profit organizations (PSA-GNFPO) as issued by the Public Sector Accounting Board (PSAB). Accordingly, management has used the following significant accounting policies in their preparation.

(a) Financial Instruments

The Fund follows PSA-GNFPO accounting standards relating to financial instruments. Under these standards, all financial instruments are included on the balance sheet and are measured either at fair value or at cost or amortized cost as follows:

- Cash and investments are recorded at fair value, with changes in fair value during the period recognized in the statement of re-measurement gains and losses until realized. Fair value is determined from quoted prices for similar investments.
- Accounts receivable, account payable and accrued liabilities are valued at cost which approximate fair value given their short term maturities.
- The non-interest bearing loan payable is reflected at amortized cost using the effective interest rate method due to the concessionary nature of the loan. 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 estimates of the 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 claim amounts can be reasonably estimated. Liabilities are also recognized when there is a high probability that 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 from estimates provided by 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.

The negative revenue for fiscal 2015 is due to an overestimation of premium revenue made during fiscal 2014. Better than estimated plan funding positions of these plans resulted in an overestimation of premium revenue.

	2015	2014
	(\$'000)	(\$'000)
Estimated revenue	59,500	121,400
Actual revenue related to current and prior years received in current year	61,364	136,019
Less prior year's estimated revenue	<u>(121,400)</u>	<u>(118,600)</u>
	<u>(536)</u>	<u>138,819</u>

(d) Use of Estimates

The preparation of financial statements in accordance with PSA-GNFPO accounting standards 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.

(e) Comparative Figures

Certain of the prior year's comparative figures have been reclassified to conform to the basis of the financial presentation adopted in the current year.

4. INVESTMENTS

As the administrator, investing the assets of the Fund, FSCO has established a Pension Benefits Guarantee Fund Management Committee. The Committee has developed a Statement of Investment Policies and Guidelines which is reviewed regularly and provides operational objectives, investment principles, policies and guidelines for the management of the investments.

Investments consist of:

	2015		2014	
	(\$'000)		(\$'000)	
	Fair Value	Cost	Fair Value	Cost
	(\$'000)			
Discounted notes	273,097	273,097	443,819	443,819
Government bonds	207,671	207,528	6,418	6,426
	480,768	480,625	450,237	450,245

Investment income includes interest earned from interest bearing securities and realized gains and losses from the sale of securities.

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

The market value sensitivity of the Money Market Portfolio at the end of the last quarter was \$0.66M for a 1.00% change in rates. The market value sensitivity of the Government Bond Laddered Portfolio at the end of the last quarter was \$0.85M for a 1.00% change in rates.

Discounted notes with maturities between April 2015 and July 2015 have yields in the range of 0.528% to 1.230% (2014 – maturities between April 2014 and July 2014 had yields in the range of 0.880% to 1.130%).

The government bonds maturing between December 2015 and December 2017 have yields in the range of 1.084 to 1.492% (2014 – maturing in October 2014 had yields of 1.515%).

5. LOAN PAYABLE

Non-interest Bearing Loan

On March 31, 2004, the Fund obtained a \$330M loan from the Province, a related party. The loan is non-interest bearing and repayable to the Province in thirty equal annual installments of \$11M. 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 \$55M.

The face value of this non-interest bearing loan has been discounted at an effective interest rate of 5.0368% to reflect its amortized cost outstanding as of March 31, 2015 as follows:

	2015 (\$'000)	2014 (\$'000)
Face Value	209,000	220,000
Less: Discount	(76,460)	(83,343)
Amortized Cost	<u>132,540</u>	<u>136,657</u>
Classified as:		
Current Portion	11,000	11,000
Long Term Portion	<u>121,540</u>	<u>125,657</u>
Balance	<u>132,540</u>	<u>136,657</u>

The discount of \$76.46M is amortized to loan discount expense over the term of the loan, based on the effective interest rate method. The amortization schedule for the subsequent five fiscal years is as follows:

Fiscal Year	(\$'000)
2016	6,676
2017	6,458
2018	6,229
2019	5,989
2020	5,737

6. FINANCIAL INSTRUMENTS

The main risks that the Fund's financial instruments are exposed to are credit risk, liquidity risk and market risk.

Credit risk

Credit risk is the risk that the counterparty to a financial instrument may fail to discharge an obligation or commitment that it has entered into. The Fund is exposed to credit risk relating to the collection of receivables. The Fund considers this risk to be low.

The Fund's accounts receivable consists of premium revenue receivable of \$61.3M, investment income receivable of \$0.7M and the HST receivable of \$0.02M.

The premium revenue receivable recorded is based on an assessment formula set out in section 37 of Regulation 909 of the Act and is calculated as follows:

- Base assessment of \$5 per Ontario plan beneficiary plus specified percentages of the plans PBGF assessment base.
- Maximum assessment of \$300 per Ontario plan beneficiary and
- Minimum assessment of \$250 for each plan

The probability for a pension plan to become insolvent and not pay the premium within a year is very low. In addition, in the event that a pension plan would become insolvent within a year, there are legal options for the Fund that can be exercised to collect the premiums. Historically, the Fund has been able to collect the amounts estimated as premium receivable.

The risk of not collecting the investment income and the HST receivable is considered to be minimal.

Liquidity Risk

Liquidity risk is the risk that the Fund will not be able to meet its cash flow obligations as they fall due. The Fund's exposure to liquidity risk is minimal as the Fund has sufficient funds in its investment portfolio to settle all current liabilities and the Fund's exposure is limited to the assets of the Fund including any loans or grants received from the Province. As at March 31, 2015, the Fund has an investment balance of \$481M (2014 - \$450M) to settle current liabilities of \$49M (2014 - \$73M). In addition, the Fund has the ability to meet sudden and unexpected claims by converting the investment holdings to cash without delay or significant transaction costs.

Market risk

Market risk arises from the possibility that changes in market prices will affect the value of the financial instruments of the Fund. Short-term financial instruments (receivables, accounts payable) are not subject to significant market risk. The Fund manages its market risk by investing assets in low-risk and liquid securities. The Fund's market risk is considered to be low.

7. PENSION PLAN RECOVERIES

Following the settlement of all benefits, payment of expenses and the submission of the final wind up report, any remaining funds are recovered by the Fund. During fiscal 2015, the Fund had \$6.5M (2014 – \$9.4M) in recoveries. Approximately \$5.0M in recoveries is expected in the fiscal year 2016.

8. PENSION CONSULTING SERVICES

The Fund periodically engages the services of external experts to represent the Fund's interests in insolvency proceedings respecting employers who are unable to meet their funding obligations under the Pension Benefits Act. For fiscal 2015, \$3.8M was paid to such external experts (2014 - \$6.9M paid).

9. RELATED PARTY TRANSACTIONS

For fiscal 2015, an administration fee of \$0.5M (2014 - \$0.5M) 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 consist mainly of fees 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 note 5.

10. CONTINGENT LIABILITIES

There is currently a company operating under *Companies' Creditors Arrangement Act* protection whose pension plans could make significant claims on the Fund. As these potential claims

remain at an early stage, an estimate of the claims which might be incurred, if any, cannot be determined.

[Return to top](#)

Motor Vehicle Accident Claims Fund

(Established under the Motor Vehicle Accident Claims Act)

Financial Statements

March 31, 2015

Management's Statement



**Financial Services
Commission
of Ontario**

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

Motor Vehicle Accident Claims Fund

Management Responsibility for Financial Information

Management is responsible for the financial statements and all other information presented in the financial statements. Management in accordance with Canadian public sector accounting standards has prepared the financial statements and where appropriate included amounts based on Management's best estimates and judgements.

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

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

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 public sector accounting standards. The auditor's report outlines the scope of the auditor's examination and report.



Javier Aramayo
Senior Manager (A) Motor
Vehicle Accident Claims Fund



Kwan Lee
Chief Accountant, Financial
Services Commission of
Ontario

Independent Auditor's Report



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To the Motor Vehicle Accident Claims Fund and the Minister of Finance

I have audited the accompanying financial statements of the Motor Vehicle Accident Claims Fund, which comprise the statement of financial position as at March 31, 2015, the statements of operations and MVACF 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 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.

Auditors' 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 audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the **Motor Vehicle Accident Claims Fund** as at March 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matters

The financial statements of the Motor Vehicle Accident Claims Fund for the year ended March 31, 2014 were audited by another auditor who expressed an unqualified opinion on those statements on June 25, 2014.

Toronto, Ontario
June 23, 2015



Bonnie Lysyk, MBA, CPA, CA, LPA
Auditor General

Statement of Financial Position

As at March 31, 2015

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

	2015	2014
ASSETS		
Current		
Funds on deposit with the Ministry of Finance	\$ 53,707,214	\$ 44,996,360
Accounts receivable – driver's licence fees	581,359	924,994
	<u>581,359</u>	<u>924,994</u>

	2015	2014
Accounts receivable – debtors (Note 3c)	44,723,740	51,556,928
Less: allowance for doubtful accounts	32,644,086	38,500,274
	12,079,654	13,056,654
Long-term		
Capital assets (Note 4)	553,975	553,975
Less: accumulated amortization	552,483	535,737
	1,492	3,238
Unpaid claims recoverable (Note 5)	664,200	369,476
Total assets	\$ 67,033,919	\$ 59,350,722
LIABILITIES AND MVACF DEFICIT		
Accounts payable and accrued expenses	\$ 501,596	\$ 1,566,600
Employee future benefits obligation (Note 3h)	477,428	471,859
Deferred revenue	73,398,454	70,897,241
Unpaid claims and adjustment expenses (Note 5)	153,534,380	142,136,047
Total liabilities	227,911,858	215,071,747
MVACF deficit (Note 2)	(160,877,939)	(155,721,025)
Total liabilities and MVACF deficit	\$ 67,033,919	\$ 59,350,722

See accompanying notes.

Approved:



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

Statement of Operations and MVACF Deficit

For the Year Ended March 31, 2015

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

	2015	2014
REVENUE		
Fees on issue or renewal of driver's licences	\$ 29,168,194	\$ 29,616,255
Prior year recoveries	1,171,141	1,412,802
Other revenue	15,938	14
Total revenue	<u>30,355,273</u>	<u>30,049,076</u>
EXPENSES		
Change in net unpaid claims and adjustment expenses	11,103,609	(271,869)
Accident benefit claims payments	13,112,330	17,049,530
Administrative expenses		
Salaries and wages	1,655,614	1,733,508
Employees' benefits	290,775	128,918
Transportation and communication	16,349	51,388
Claims (solicitors' fees, etc.)	2,275,094	1,736,864
Accident benefit claims expense	2,272,840	1,708,443
Other services	1,021,701	1,238,229
Bad debts expense	3,745,047	5,017,499
Supplies and equipment	17,082	11,558
Amortization expense	1,746	9,038
Total expenses	<u>35,512,187</u>	<u>28,413,106</u>
Excess (deficiency) of revenue over expenses	(5,156,914)	1,635,970
MVACF deficit, beginning of year	(155,721,025)	(157,036,707)
MVACF deficit, end of year	\$ (160,877,939)	\$ (155,400,737)

See accompanying notes.

Statement of Cash Flows

For the Year Ended March 31, 2015

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

	2015	2014
OPERATING ACTIVITIES		
Cash inflows		

	2015	2014
Fees on issue or renewal of driver's licences	\$ 32,013,042	\$ 29,143,659
Repayment by debtors	1,173,031	1,179,782
Prior year recoveries	1,171,141	1,412,802
Other revenue	15,938	14
	34,373,152	31,736,257
Cash outflows		
Statutory payments	(18,160,323)	(21,170,616)
Payments to employees	(1,934,390)	(1,994,587)
Administrative expenses	(5,567,585)	(5,117,713)
	(25,662,298)	(28,282,916)
Net cash outflow from operating activities	8,710,854	3,453,341
Funds on deposit with the Ministry of Finance, beginning of year	44,996,360	41,543,019
Funds on deposit with the Ministry of Finance, end of year	\$ 53,707,214	\$ 44,996,360

See accompanying notes.

Notes to Financial Statements

March 31, 2015

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

MVACF 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 1960s, 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 coverage: third-party bodily injury and property damage liability (collectively referred to as TPL), and statutory

accident benefits or SABS in accordance with legislated requirements. MVACF provides compensation for these types of coverage in claims resulting from automobile accidents involving uninsured or unidentified drivers, when there is no available policy of insurance.

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, MVACF 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 Services 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. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements in accordance with Canadian Public Sector Accounting Standards for government not-for-profit organizations (PSA-GNFPO) as issued by the Public Sector Accounting Board (PSAB) are summarized as follows:

a) Driver's 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 — Driver's Licence Fees

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

c) Accounts Receivable – Debtors

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. Recoverable amounts of \$4.4 million (2014 - \$5.3 million) are netted against the unpaid claims and adjustment expense in the Statement of Operations and MVACF Deficit.

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, the activity on the account since the date of the judgment, and the financial status of the defendant/debtor.

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 that is reviewed annually by the enforcement and collections staff. The Ministry of Finance, Internal Audit Section audits the identified accounts for potential write-off and provides a certificate of assurance verifying that the established criteria for the write-off have been met. The write-off transaction is authorized by an Order-In-Council (OIC) under the authority set out in the *Financial Administration Act*.

For March 31, 2015, a write-off of \$6.4 million was submitted to the Ministry of Finance but has not yet been approved. A write-off of \$10.0 million for March 31, 2014 was approved during the year, through an OIC. This write-off is recorded in the current year's financial statements and represents a reduction of the account receivable debtors and allowance for doubtful accounts. There is no impact in the current year statement of operations.

Accounts receivables-debtors and the allowance for doubtful accounts are adjusted on receipt of the OIC approving the write off.

d) Accounting Adjustment

The Net Funds Balance for 2013-14 has been restated to correct for an understatement of expenses and overstatement of funds on deposit with the Ministry of Finance originating in fiscal 2005-2012. MVACF has corrected the errors by increasing the opening deficit by \$320,288 and decreasing funds on deposit with the Ministry of Finance by \$320,288.

e) 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 Statutory Accident Benefits Schedule (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 defense of uninsured motorists or the Superintendent of the FSCO, where the legal proceedings are deemed frivolous and MVACF is awarded costs by the courts.

Prior year recoveries are recorded in the period they are determined. In the current year \$1.2 million (2014 - \$1.4 million) recoveries were recorded but related to prior year claims.

f) Unpaid Claims and Adjustment Expenses

Unpaid claims and adjustment expenses 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 adjustment 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 proceedings. 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 in the form of structured settlements. Note 6 contains additional analysis related to structured settlements.

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, 2015 (2014 – nil) as all insurers are rated A+ or above. 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.

g) Use of Estimates

The preparation of financial statements in accordance with Canadian PSA-GNFPO requires that MVACF's management make estimates and assumptions that affect the reported amounts 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 during the reporting 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, contingent liabilities and employee future benefits.

h) Employee Future Benefits Obligation

MVACF's employees are entitled to benefits that have been negotiated centrally for Ontario Public Service employees or required by the Management Board of Cabinet's Compensation Directive. The future liability for benefits earned by MVACF's employees is recognized in the Province of Ontario's (the Province) consolidated financial statements.

While the Province continues to accrue for these costs each year and fund them annually when due, MVACF also recognizes the liabilities pertaining to a basic severance entitlement and compensated absences components of its employee future benefits costs in these financial statements. When these costs are funded by the Province when due, MVACF derecognizes these liabilities in the year.

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. 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.

(in dollars)

	2015		
	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 30,153	\$ 28,661	\$ 1,492
Office equipment	7,406	7,406	-
Furniture and fixtures	16,416	16,416	-
Leasehold improvements	500,000	500,000	-
	<u>\$ 553,975</u>	<u>\$ 552,483</u>	<u>\$ 1,492</u>

(in dollars)

	2014		
Computer equipment	\$ 30,153	\$ 27,169	\$ 2,984
Office equipment	7,406	7,152	254
Furniture and fixtures	16,416	16,416	-
Leasehold improvements	500,000	500,000	-
	<u>\$ 553,975</u>	<u>\$ 550,737</u>	<u>\$ 3,238</u>

5. UNPAID CLAIMS AND ADJUSTMENT EXPENSES

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

	2015		2014	
<i>(in thousands of dollars)</i>	Gross	Recoverable	Gross	Recoverable
ACCIDENT BENEFITS				
Statutory accident benefits	\$ 95,899	-	\$ 92,291	-
THIRD-PARTY LIABILITY (TPL)				
Property damage	800	9	878	5
Bodily injury	43,999	655	45,359	364
Total TPL	<u>\$ 44,799</u>	<u>664</u>	<u>\$ 46,237</u>	<u>369</u>
Totals	<u>\$ 153,534</u>	<u>664</u>	<u>\$ 142,136</u>	<u>369</u>

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

<i>(in thousands of dollars)</i>	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 142,136	\$ 143,256
Increase (decrease) in provision for losses that occurred in prior years	3,789	(2,003)
Amounts paid during the year on claims of prior years		
Statutory payments	(15,721)	(20,713)
Claims expenses	(6,378)	(6,228)
Amounts paid during the year on claims of the current year		
Statutory payments	(592)	(256)
Claims expenses	(240)	(77)
Provision for losses on claims that occurred in the current year	30,540	28,157
Balance, end of year	\$ 153,534	\$ 142,136

6. CONTINGENT GAINS AND LIABILITIES

a) 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, 2015 for information purposes.

As at March 31, 2015, the amount paid out of MVACF for accident benefit claims in the form of structured settlements was approximately \$51.2 million (2014 - \$50.1 million) with applicable reversionary interest of approximately \$35.8 million (2014 - \$37.3 million).

b) Contingent Liabilities

In accordance with PSA-GNFPO, MVACF makes a provision for a liability when it's both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These provisions are reviewed annually and adjusted to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel and other information and events pertaining to a particular case. Litigation is inherently unpredictable and it is possible that MVACF's financial

position, cash flows or results of operations could be negatively affected by an unfavorable resolution to court decisions.

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 the provision for unpaid claims and adjustment expenses in accordance with accepted actuarial practice in Canada. 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 may use of the work of the external auditor. The actuary's report outlines the scope of his work and opinion.

The Auditor General of Ontario is appointed as the external auditor of the MVACF with the responsibility 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 the FSCO. In carrying out her audit, the Auditor General also considers the work of the actuary and his report on the provision for unpaid claims and adjustment expenses. The auditor's report outlines the scope of the audit and her opinion.

[Return to top](#)

Content on this page has been transferred from the Financial Services Commission of Ontario (FSCO) site as a PDF for reference. Links that appear as related content have also been transferred and can be found at the end of this document.

Annual Report 2014-2015

[Table of contents](#)

Superintendent's Report On Insurance 2014

TABLE OF CONTENTS

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](#)
- [Summary Financial Information](#)
- [Insurer Statistics](#)
- [Premium Statistics](#)

- [Property & Casualty Insurance Companies](#)
- [Life Insurance Companies](#)
- [Reinsurance Companies](#)
- [Reciprocal or Interinsurance Exchanges](#)
- [Fraternal Societies](#)
- [Financial Summary Notes](#)

LETTER TO MINISTER OF FINANCE

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

Dear Minister:

I am pleased to present the 136th annual report under Section 36 of the Insurance Act for the year ended December 31, 2014. 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 or checking our website at — www.fsco.gov.on.ca.

News releases and warning notices 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,

Approved by:



Brian Mills
Chief Executive Officer and
Superintendent of Financial
Services

[Return to top](#)

SUMMARY FINANCIAL INFORMATION

Summary of Companies Licenced by Type of Business Activity

as of December 31, 2014, and December 31, 2013

Business Type	Total 2013	Additions	Withdrawals	Total 2014	Analysis of 2014 total		
					Ontario	Extra Provincial	Federal
Property & Casualty Companies	210	1	10	201	49	16	136
Life Insurance Companies	72	0	5	67	0	13	54
Reinsurance Companies	35	2	2	35	2	1	32
Reciprocal Exchanges	11	0	0	11	7	3	1
Fraternal Societies	15	0	0	15	2	0	13
Totals	343	3	17	329	60	33	236

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.

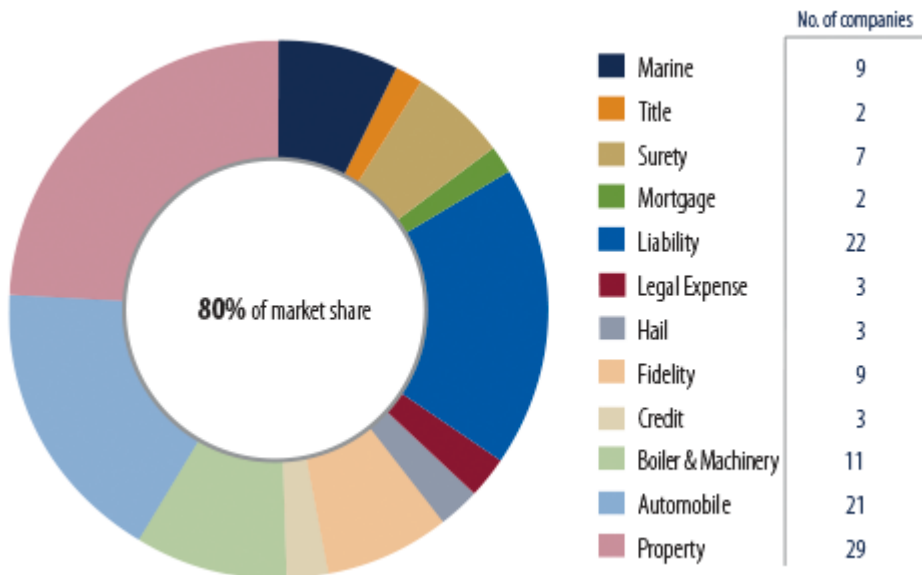
3. The Superintendent's Report 2014 records figures as of the end of the calendar year (December 31, 2014), based on the companies' annual filings. The Financial Services Commission of Ontario Annual Report 2014-15 records figures as of the end of the fiscal year (March 31, 2015).

INSURER STATISTICS

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

2014 Property and Casualty Insurers

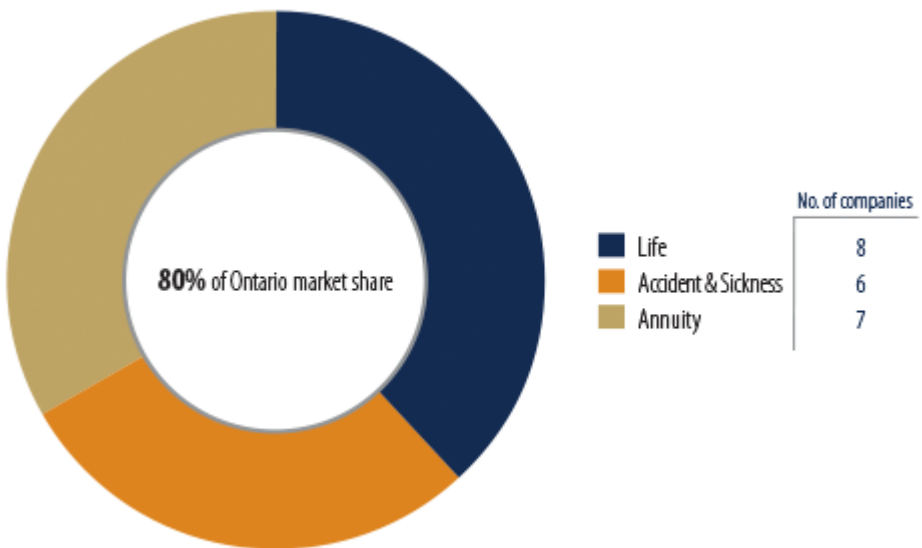
Number of Companies Representing 80% of Ontario market share



Description of 2014 Property and Casualty Insurers image

2014 Life Insurers

Number of Companies Representing 80% of the Ontario market share



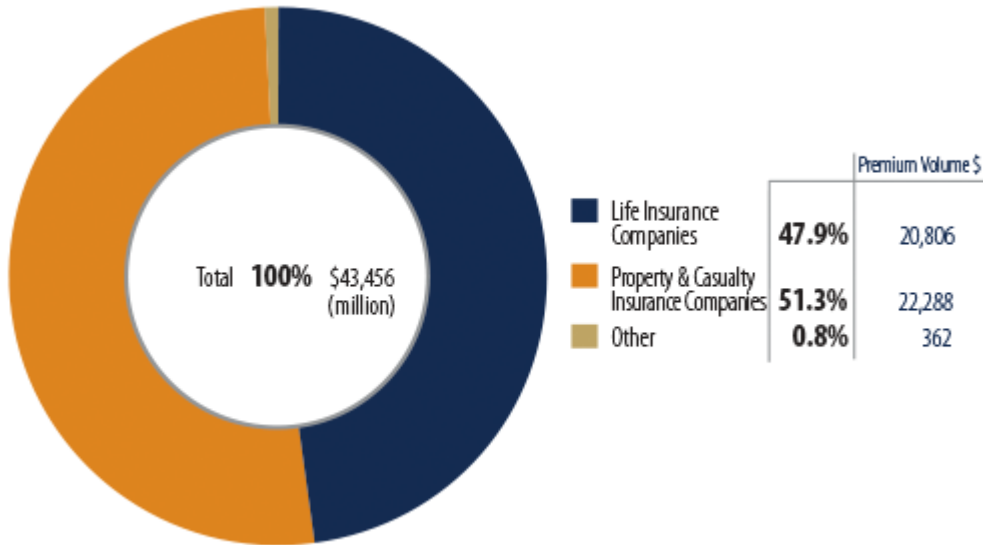
Description of 2014 Life Insurers image

[Return to top](#)

PREMIUM STATISTICS

Insurance is a \$43 billion business in Ontario. In 2014, of the the total premium dollar volume, 51.3 percent went to the property and casualty (including automobile) insurance industry and 47.9 percent went to the life insurance industry.

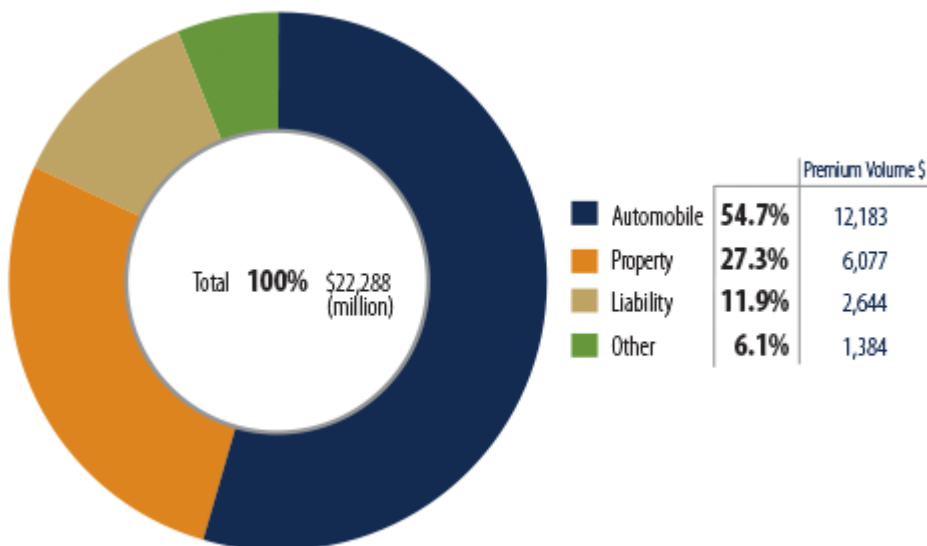
2014 Direct Premium Volume in Ontario



Description of 2014 Direct Premium Volume in Ontario image 

Property and casualty insurers received \$22.3 billion in premiums in 2014. The split among automobile, property and liability insurance remained constant compared to 2013.

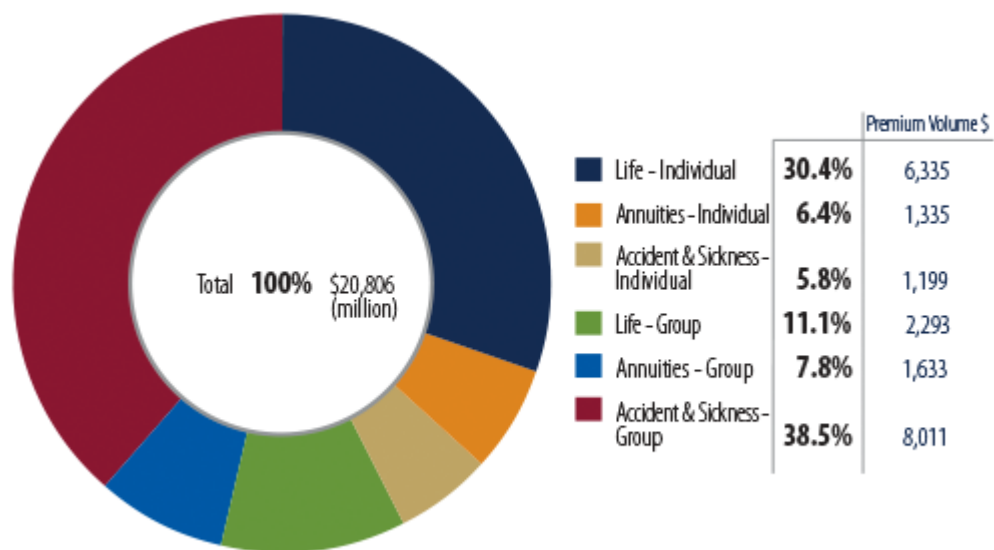
2014 Property & Casualty Companies Direct Written Premiums in Ontario by Line



Description of 2014 Property & Casualty Companies image 

The broad pattern among life insurance companies likewise remained constant. Of the \$20.8 billion spent on premiums to the life insurers, 14 percent went to buy annuities, 42 percent to purchase individual and group life coverage and 44 percent to obtain accident and sickness insurance.

2014 Life Insurance Companies Direct Written Premiums in Ontario



Description of 2014 Life Insurance Companies Direct Written Premiums in Ontario image

[Return to top](#)

PROPERTY & CASUALTY INSURANCE COMPANIES

FINANCIAL SUMMARY Year ended December 31, 2014	ONTARIO BUSINESS			TOTAL COMPANY			
	Direct Written Premiums	Direct Claims Incurred	Total Assets	Total Liabilities	Excess of Assets Over Liabilities	Claims Incurred to Earned premium	Net Income/ (Loss)
(in thousands)	\$	\$	\$	\$	\$	%	\$
ONTARIO							
ALGOMA MUTUAL INSURANCE COMPANY	8,916	4,993	20,788	13,941	6,847	54%	517

FINANCIAL SUMMARY Year ended December 31, 2014 (in thousands)	ONTARIO BUSINESS			TOTAL COMPANY			
	Direct Written Premiums	Direct Claims Incurred	Total Assets	Total Liabilities	Excess of Assets Over Liabilities	Claims Incurred to Earned premium	Net Income/ (Loss)
	\$	\$	\$	\$	\$	%	\$
AMHERST ISLAND MUTUAL INSURANCE COMPANY	939	197	3,276	824	2,452	23%	268
AYR FARMERS' MUTUAL INSURANCE COMPANY	24,496	16,533	79,539	34,706	44,833	60%	3,554
BAY OF QUINTE MUTUAL INSURANCE CO.	22,878	10,538	55,648	22,723	32,925	52%	3,494
BERTIE AND CLINTON MUTUAL INSURANCE COMPANY	12,650	6,341	70,811	31,860	38,951	39%	3,180
BRANT MUTUAL INSURANCE COMPANY	6,075	3,414	16,884	9,964	6,920	58%	-32
CAA INSURANCE COMPANY (ONTARIO)	170,296	104,043	505,271	371,909	133,362	62%	11,229
CARADOC DELAWARE MUTUAL FIRE INSURANCE COMPANY	2,019	1,313	9,352	2,025	7,327	50%	382
CAYUGA MUTUAL INSURANCE COMPANY	8,842	2,227	28,665	11,957	16,708	46%	1,518
COACHMAN INSURANCE COMPANY	58,251	34,565	226,689	162,106	64,583	64%	8,435
DUFFERIN MUTUAL INSURANCE COMPANY	5,628	-293	19,354	12,355	6,999	29%	590

FINANCIAL SUMMARY Year ended December 31, 2014 (in thousands)	ONTARIO BUSINESS			TOTAL COMPANY			
	Direct Written Premiums	Direct Claims Incurred	Total Assets	Total Liabilities	Excess of Assets Over Liabilities	Claims Incurred to Earned premium	Net Income/ (Loss)
	\$	\$	\$	\$	\$	%	\$
DUMFRIES MUTUAL INSURANCE COMPANY	13,772	11,541	59,651	26,922	32,729	63%	2,905
ERIE MUTUAL FIRE INSURANCE COMPANY	6,169	5,259	25,527	7,919	17,608	59%	1,217
FENCHURCH GENERAL INSURANCE COMPANY	10,425	7,227	26,248	21,328	4,920	56%	-843
GERMANIA MUTUAL INSURANCE COMPANY	18,003	12,380	48,321	26,410	21,911	55%	1,874
GRENVILLE MUTUAL INSURANCE COMPANY	21,299	11,819	67,722	29,265	38,457	56%	1,807
HALWELL MUTUAL INSURANCE COMPANY	17,496	9,777	60,504	32,319	28,185	57%	1,543
HAMILTON TOWNSHIP MUTUAL INSURANCE COMPANY	22,394	11,516	72,129	45,131	26,998	51%	2,725
HAY MUTUAL INSURANCE COMPANY	9,246	3,252	47,532	14,396	33,136	48%	1,771
HOWARD MUTUAL INSURANCE COMPANY	10,611	5,721	49,118	17,803	31,315	60%	2,061
HOWICK MUTUAL	17,859	11,826	39,888	24,774	15,114	65%	976

FINANCIAL SUMMARY Year ended December 31, 2014 (in thousands)	ONTARIO BUSINESS			TOTAL COMPANY			
	Direct Written Premiums	Direct Claims Incurred	Total Assets	Total Liabilities	Excess of Assets Over Liabilities	Claims Incurred to Earned premium	Net Income/ (Loss)
	\$	\$	\$	\$	\$	%	\$
INSURANCE COMPANY							
KENT & ESSEX MUTUAL INSURANCE COMPANY	25,396	15,385	85,797	42,168	43,629	64%	3,396
L&A MUTUAL INSURANCE COMPANY	9,136	9,256	20,754	13,424	7,330	73%	193
LAMBTON MUTUAL INSURANCE COMPANY	18,974	7,832	65,265	33,391	31,874	63%	2,991
LAWYERS' PROFESSIONAL INDEMNITY COMPANY	121,945	104,656	681,909	473,284	208,625	87%	17,060
MARKHAM GENERAL INSURANCE COMPANY (IN LIQUIDATION) ¹	0	0	0	0	0	n/a	0
MAX CANADA INSURANCE COMPANY	5,001	1,868	24,215	16,972	7,243	56%	465
MCKILLOP MUTUAL INSURANCE COMPANY	8,901	3,366	24,950	10,917	14,033	40%	2,052
MIDDLESEX MUTUAL INSURANCE CO.	10,275	4,854	44,038	20,723	23,315	45%	3,123
NORFOLK MUTUAL INSURANCE COMPANY	7,181	2,850	21,516	9,443	12,073	44%	1,085
NORTH BLENHEIM	9,345	5,425	30,350	11,134	19,216	54%	953

FINANCIAL SUMMARY Year ended December 31, 2014 (in thousands)	ONTARIO BUSINESS			TOTAL COMPANY			
	Direct Written Premiums	Direct Claims Incurred	Total Assets	Total Liabilities	Excess of Assets Over Liabilities	Claims Incurred to Earned premium	Net Income/ (Loss)
	\$	\$	\$	\$	\$	%	\$
MUTUAL INSURANCE COMPANY							
NORTH KENT MUTUAL FIRE INSURANCE COMPANY	7,900	2,264	35,517	12,976	22,541	45%	1,764
OXFORD MUTUAL INSURANCE COMPANY	11,224	4,610	31,752	13,926	17,826	49%	1,925
PEEL MARYBOROUGH MUTUAL INSURANCE COMPANY	22,062	20,934	69,509	46,701	22,808	64%	784
PEEL MUTUAL INSURANCE COMPANY	38,808	27,976	118,054	75,704	42,350	57%	5,538
PRO-DEMUNITY INSURANCE COMPANY	20,573	7,842	86,195	58,516	27,679	67%	748
SOUTH EASTHOPE MUTUAL INSURANCE COMPANY	14,653	5,301	58,170	25,479	32,691	47%	3,874
THE COMMONWELL MUTUAL INSURANCE GROUP ²	126,539	78,696	393,339	211,520	181,819	63%	12,831
THE WEST WAWANOSH MUTUAL INSURANCE COMPANY	15,388	5,774	49,815	22,384	27,431	44%	2,855

FINANCIAL SUMMARY Year ended December 31, 2014 (in thousands)	ONTARIO BUSINESS			TOTAL COMPANY			
	Direct Written Premiums	Direct Claims Incurred	Total Assets	Total Liabilities	Excess of Assets Over Liabilities	Claims Incurred to Earned premium	Net Income/ (Loss)
	\$	\$	\$	\$	\$	%	\$
THE WESTMINSTER MUTUAL INSURANCE COMPANY	8,758	5,327	21,492	13,297	8,195	76%	145
TOWN & COUNTRY MUTUAL INSURANCE COMPANY	12,089	7,756	43,299	24,448	18,851	68%	1,240
TOWNSEND FARMERS' MUTUAL FIRE INSURANCE COMPANY	7,736	5,090	21,827	11,848	9,979	70%	311
TRADITION MUTUAL INSURANCE COMPANY	13,061	3,963	42,106	20,111	21,995	42%	2,926
TRILLIUM MUTUAL INSURANCE COMPANY	40,542	25,151	106,574	55,584	50,990	67%	2,419
TTC INSURANCE COMPANY LIMITED ³	0	0	158,823	158,723	100	n/a	0
USBORNE AND HIBBERT MUTUAL FIRE INSURANCE COMPANY	6,226	3,978	39,976	6,984	32,992	68%	1,012
WABISA MUTUAL INSURANCE COMPANY	7,093	4,909	24,506	15,504	9,002	57%	595
WEST ELGIN MUTUAL INSURANCE COMPANY	11,546	3,826	45,083	20,785	24,298	73%	1,493

FINANCIAL SUMMARY Year ended December 31, 2014 (in thousands)	ONTARIO BUSINESS			TOTAL COMPANY			
	Direct Written Premiums	Direct Claims Incurred	Total Assets	Total Liabilities	Excess of Assets Over Liabilities	Claims Incurred to Earned premium	Net Income/ (Loss)
	\$	\$	\$	\$	\$	%	\$
YARMOUTH MUTUAL INSURANCE COMPANY ⁴	8,710	9,032	24,570	13,288	11,282	86%	-910
	1,057,326	652,110	3,902,318	2,359,871	1,542,447		120,039
EXTRA PROVINCIAL							
ALBERTA MOTOR ASSOCIATION INSURANCE COMPANY	38	0	647,447	493,829	153,618	81%	6,668
AXA INSURANCE INC. ⁵	0	0	0	0	0	n/a	0
BELAIR INSURANCE COMPANY INC.	70,079	34,212	1,547,444	1,276,546	270,898	65%	31,587
CANADIAN FARM INSURANCE CORP.	45	12	15,435	5,201	10,234	47%	2,112
CANASSURANCE INSURANCE COMPANY	2,004	871	150,263	135,735	14,528	51%	3,347
GMS INSURANCE INC.	8,871	5,181	24,558	13,505	11,053	60%	-394
INDUSTRIAL ALLIANCE PACIFIC GENERAL INSURANCE CORPORATION	12,995	5,664	307,024	250,158	56,866	22%	9,229
LA MUTUELLE D'ÉGLISE DE L'INTER-OUEST	6	0	5,588	468	5,120	108%	-189
L'UNIQUE GENERAL INSURANCE INC.	416	232	347,816	276,668	71,148	65%	7,222

FINANCIAL SUMMARY Year ended December 31, 2014 (in thousands)	ONTARIO BUSINESS			TOTAL COMPANY			
	Direct Written Premiums	Direct Claims Incurred	Total Assets	Total Liabilities	Excess of Assets Over Liabilities	Claims Incurred to Earned premium	Net Income/ (Loss)
	\$	\$	\$	\$	\$	%	\$
MILLENNIUM INSURANCE CORPORATION	18,791	3,864	509,151	324,554	184,597	58%	31,851
OPTIMUM INSURANCE COMPANY INC.	47,910	0	224,356	166,763	57,593	55%	7,140
ORION TRAVEL INSURANCE COMPANY	28,015	10,153	53,086	32,624	20,462	56%	-2,166
SGI CANADA INSURANCE SERVICES LTD.	146	34,697	429,914	295,775	134,139	66%	11,709
THE MUTUAL FIRE INSURANCE COMPANY OF BRITISH COLUMBIA	1,481	944	113,097	75,772	37,325	63%	581
TRANS GLOBAL INSURANCE COMPANY	2,743	21	9,558	3,931	5,627	1%	642
UNICA INSURANCE INC.	114,677	77,830	353,591	243,649	109,942	67%	10,638
	308,217	173,681	4,738,328	3,595,178	1,143,150		119,977
FEDERAL							
ACE INA INSURANCE	130,215	117,249	1,540,662	1,176,413	364,249	82%	29,387
AIG INSURANCE COMPANY OF CANADA	372,893	81,748	4,688,647	3,204,431	1,484,216	12%	406,968
ALLSTATE INSURANCE COMPANY OF CANADA	701,603	602,448	3,096,674	2,381,234	715,440	66%	127,457
ALTA SURETY COMPAN	0	0	0	0	0	n/a	0

FINANCIAL SUMMARY Year ended December 31, 2014 (in thousands)	ONTARIO BUSINESS			TOTAL COMPANY			
	Direct Written Premiums	Direct Claims Incurred	Total Assets	Total Liabilities	Excess of Assets Over Liabilities	Claims Incurred to Earned premium	Net Income/ (Loss)
	\$	\$	\$	\$	\$	%	\$
ARCH INSURANCE CANADA LTD.	34,151	16,343	466,300	363,733	102,567	48%	1,672
ASCENTUS INSURANCE LTD.	313	-223	8,032	4,425	3,607	-21%	161
AVIVA INSURANCE COMPANY OF CANADA	1,583,749	1,054,714	6,822,350	5,755,167	1,067,183	68%	142,015
AXA INSURANCE (CANADA) AXA ASSURANCES (CANADA) ⁷	0	0	0	0	0	n/a	0
AXA PACIFIC INSURANCE COMPANY ⁸	0	0	0	0	0	n/a	0
CANADA GUARANTY MORTGAGE INSURANCE COMPANY	90,953	4,223	1,057,627	512,057	545,570	13%	52,535
CANADIAN NORTHERN SHIELD INSURANCE COMPANY	219	2,691	394,422	304,654	89,768	62%	-2,889
CERTAS DIRECT INSURANCE COMPANY	315,043	230,755	1,368,575	1,189,127	179,448	65%	36,811
CERTAS HOME AND AUTO INSURANCE COMPANY	537	930	51,198	22,733	28,465	38%	-52,993
CHUBB INSURANCE COMPANY OF CANADA	357,260	217,248	2,459,516	1,665,608	793,908	56%	81,019

FINANCIAL SUMMARY Year ended December 31, 2014 (in thousands)	ONTARIO BUSINESS			TOTAL COMPANY			
	Direct Written Premiums	Direct Claims Incurred	Total Assets	Total Liabilities	Excess of Assets Over Liabilities	Claims Incurred to Earned premium	Net Income/ (Loss)
	\$	\$	\$	\$	\$	%	\$
CO-OPERATORS GENERAL INSURANCE COMPANY	818,711	675,068	5,307,815	3,816,204	1,491,611	69%	137,557
COSECO INSURANCE COMPANY	165,713	97,546	646,110	490,427	155,683	65%	35,016
CUMIS GENERAL INSURANCE COMPANY	63,815	41,207	245,269	175,100	70,169	63%	5,588
DAS LEGAL PROTECTION INSURANCE COMPANY LIMITED	6,807	1,642	22,638	15,962	6,676	57%	-3,918
ECHELON INSURANCE COMPANY	94,783	51,982	458,474	351,634	106,840	58%	11,500
ECONOMICAL MUTUAL INSURANCE COMPANY	899,440	733,102	5,240,313	3,559,179	1,681,134	70%	84,191
ELITE INSURANCE COMPANY	90,860	20,566	849,866	735,044	114,822	68%	14,771
EVEREST INSURANCE COMPANY OF CANADA	23,425	12,057	152,761	99,922	52,839	104%	-2,551
FCT INSURANCE COMPANY LTD.	75,813	26,914	225,438	157,085	68,353	31%	11,081
FEDERATED INSURANCE COMPANY OF CANADA	76,643	42,129	502,041	342,545	159,496	59%	29,153
FEDERATION INSURANCE COMPANY OF CANADA	358	-721	505,689	366,041	139,648	70%	6,948

FINANCIAL SUMMARY Year ended December 31, 2014 (in thousands)	ONTARIO BUSINESS			TOTAL COMPANY			
	Direct Written Premiums	Direct Claims Incurred	Total Assets	Total Liabilities	Excess of Assets Over Liabilities	Claims Incurred to Earned premium	Net Income/ (Loss)
	\$	\$	\$	\$	\$	%	\$
FIRST NORTH AMERICAN INSURANCE COMPANY	3,462	807	11,226	4,136	7,090	19%	674
GENWORTH FINANCIAL MORTGAGE INSURANCE COMPANY CANADA	246,561	16,617	5,627,292	2,102,188	3,525,104	20%	401,248
GORE MUTUAL INSURANCE COMPANY	289,606	176,202	899,214	632,166	267,048	63%	32,558
GRANITE INSURANCE COMPANY ⁹	0	0	0	0	0	n/a	0
INTACT INSURANCE COMPANY	2,249,934	1,405,118	15,875,246	11,791,477	4,083,769	65%	477,574
INTERNATIONAL INSURANCE COMPANY OF HANNOVER SE	15,448	6,778	81,654	67,482	14,172	96%	-141
JEVCO INSURANCE COMPANY	69,545	40,886	1,310,512	1,086,835	223,677	65%	34,259
LEGACY GENERAL INSURANCE COMPANY	5,582	1,255	18,498	-749	19,247	28%	2,023
MIC INSURANCE COMPANY CANADA ¹⁰	0	-1	39,424	1,095	38,329	0%	1,669
NORTHBRIDGE COMMERCIAL INSURANCE CORPORATION	66,613	65,098	617,355	449,599	167,756	103%	1,322

FINANCIAL SUMMARY Year ended December 31, 2014 (in thousands)	ONTARIO BUSINESS			TOTAL COMPANY			
	Direct Written Premiums	Direct Claims Incurred	Total Assets	Total Liabilities	Excess of Assets Over Liabilities	Claims Incurred to Earned premium	Net Income/ (Loss)
	\$	\$	\$	\$	\$	%	\$
NORTHBRIDGE GENERAL INSURANCE CORPORATION	200,233	218,588	3,921,623	2,740,765	1,180,858	54%	248,326
NORTHBRIDGE PERSONAL INSURANCE CORPORATION	111,417	81,115	832,661	577,383	255,278	60%	34,068
NOVEX INSURANCE COMPANY	184,745	134,820	1,251,809	1,035,143	216,666	65%	29,805
OLD REPUBLIC INSURANCE COMPANY OF CANADA	60,817	39,951	246,011	186,241	59,770	67%	5,477
OMEGA GENERAL INSURANCE COMPANY	11,705	7,222	36,299	25,769	10,530	56%	64
PAFCO INSURANCE COMPANY	67,499	35,950	265,388	202,501	62,887	53%	20,986
PEMBRIDGE INSURANCE COMPANY	181,378	119,972	582,070	433,261	148,809	72%	6,468
PERTH INSURANCE COMPANY	99,905	55,809	466,175	385,189	80,986	70%	3,958
PILOT INSURANCE COMPANY	-20	819	472,068	417,535	54,533	68%	7,354
PRIMUM INSURANCE COMPANY	306,316	268,659	2,199,894	1,912,916	286,978	85%	-15,428
QUEBEC ASSURANCE COMPANY	0	0	127,283	96,730	30,553	59%	3,491

FINANCIAL SUMMARY Year ended December 31, 2014 (in thousands)	ONTARIO BUSINESS			TOTAL COMPANY			
	Direct Written Premiums	Direct Claims Incurred	Total Assets	Total Liabilities	Excess of Assets Over Liabilities	Claims Incurred to Earned premium	Net Income/ (Loss)
	\$	\$	\$	\$	\$	%	\$
RBC GENERAL INSURANCE COMPANY	590,317	360,311	1,577,728	1,259,841	317,887	71%	32,104
RBC INSURANCE COMPANY OF CANADA	84,076	65,408	381,653	240,093	141,560	51%	33,215
ROYAL & SUN ALLIANCE INSURANCE COMPANY OF CANADA	552,495	204,228	4,593,202	3,617,972	975,230	59%	155,599
S & Y INSURANCE COMPANY	-7	-2,481	211,997	190,901	21,096	68%	3,270
SAFETY NATIONAL CASUALTY CORPORATION	0	-661	52,909	28,188	24,721	n/a	-707
SCOTIA GENERAL INSURANCE COMPANY	0	0	7,162	56	7,106	n/a	-26
SCOTTISH & YORK INSURANCE CO. LIMITED	138,580	76,924	667,841	582,830	85,011	68%	13,260
SECURITY NATIONAL INSURANCE COMPANY	1,056,442	1,540,620	7,718,927	6,342,089	1,376,838	84%	133,088
TD DIRECT INSURANCE INC. ¹¹	0	0	16,069	77	15,992	n/a	298
TD GENERAL INSURANCE COMPANY	109,305	98,163	953,642	801,011	152,631	75%	28,978
TD HOME AND AUTO	338,397	310,256	1,679,602	1,451,533	228,069	83%	24,616

FINANCIAL SUMMARY Year ended December 31, 2014 (in thousands)	ONTARIO BUSINESS			TOTAL COMPANY			
	Direct Written Premiums	Direct Claims Incurred	Total Assets	Total Liabilities	Excess of Assets Over Liabilities	Claims Incurred to Earned premium	Net Income/ (Loss)
	\$	\$	\$	\$	\$	%	\$
INSURANCE COMPANY							
TEMPLE INSURANCE COMPANY	62,193	33,410	872,661	726,993	145,668	63%	10,347
THE BOILER INSPECTION AND INSURANCE COMPANY OF CANADA	12,644	3,826	213,197	133,805	79,392	30%	20,053
THE DOMINION OF CANADA GENERAL INSURANCE COMPANY	912,161	644,261	3,570,526	2,711,701	858,825	72%	17,867
THE GUARANTEE COMPANY OF NORTH AMERICA	243,276	165,497	1,396,893	905,030	491,863	63%	3,722
THE MISSISQUOI INSURANCE COMPANY	63	-51	506,339	365,705	140,634	70%	7,069
THE NORDIC INSURANCE COMPANY OF CANADA	352,794	268,292	1,684,266	1,491,328	192,938	65%	34,473
THE NORTH WATERLOO FARMERS MUTUAL INSURANCE COMPANY	93,853	62,776	200,015	139,037	60,978	66%	1,434
THE PERSONAL INSURANCE COMPANY	517,185	410,411	2,403,301	2,055,236	348,065	69%	49,773
THE PORTAGE LA PRAIRIE MUTUAL	46,896	42,537	446,485	323,541	122,944	76%	-6,326

FINANCIAL SUMMARY Year ended December 31, 2014 (in thousands)	ONTARIO BUSINESS			TOTAL COMPANY			
	Direct Written Premiums	Direct Claims Incurred	Total Assets	Total Liabilities	Excess of Assets Over Liabilities	Claims Incurred to Earned premium	Net Income/ (Loss)
	\$	\$	\$	\$	\$	%	\$
INSURANCE COMPANY							
THE SOVEREIGN GENERAL INSURANCE COMPANY	88,104	49,365	792,510	547,399	245,111	61%	19,834
THE WAWANESA MUTUAL INSURANCE COMPANY	596,572	471,390	7,657,801	4,681,431	2,976,370	80%	160,713
TRADERS GENERAL INSURANCE COMPANY	271,910	165,065	1,296,671	1,112,174	184,497	68%	23,239
TRAFALGAR INSURANCE COMPANY OF CANADA	157,569	99,887	1,005,900	812,144	193,756	65%	32,340
TRAVELERS INSURANCE COMPANY OF CANADA	81,070	33,905	936,816	469,106	467,710	33%	25,691
TRISURA GUARANTEE INSURANCE COMPANY	38,616	9,313	188,672	128,004	60,668	17%	8,206
UNIFUND ASSURANCE COMPANY	504,863	390,209	2,204,924	1,799,239	405,685	85%	-41,761
WATERLOO INSURANCE COMPANY	119,852	76,687	466,805	384,172	82,633	70%	3,946
WESTERN ASSURANCE COMPANY	156,789	100,685	896,427	753,210	143,217	59%	16,552
WESTERN FINANCIAL	21,570	13,176	50,233	33,533	16,700	57%	1,808

FINANCIAL SUMMARY Year ended December 31, 2014 (in thousands)	ONTARIO BUSINESS			TOTAL COMPANY			
	Direct Written Premiums	Direct Claims Incurred	Total Assets	Total Liabilities	Excess of Assets Over Liabilities	Claims Incurred to Earned premium	Net Income/ (Loss)
	\$	\$	\$	\$	\$	%	\$
INSURANCE COMPANY							
WESTERN SURETY COMPANY	3,166	419	59,601	37,007	22,594	16%	1,176
WYNWARD INSURANCE GROUP	18,656	10,069	142,222	102,765	39,457	62%	6,822
ZENITH INSURANCE COMPANY	53,187	11,928	249,302	174,300	75,002	36%	20,856
	17,296,644	12,421,108	116,094,418	85,237,838	30,856,580		3,288,763

BRANCH

AFFILIATED FM INSURANCE COMPANY	32,868	16,244	302,387	171,196	131,191	84%	-386
ALLIANZ GLOBAL RISKS US INSURANCE COMPANY	107,585	167,999	1,189,455	904,386	285,069	79%	5,134
ALLIED WORLD SPECIALTY INSURANCE COMPANY ¹²	3,508	1,430	44,550	27,437	17,113	70%	-5,677
ALLSTATE INSURANCE COMPANY	0	0	7,950	1,154	6,796	n/a	124
AMERICAN BANKERS INSURANCE COMPANY OF FLORIDA	168,291	41,413	536,837	373,165	163,672	44%	17,256
ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED	7,812	-11,561	326,119	231,612	94,507	213%	-18,081

FINANCIAL SUMMARY Year ended December 31, 2014 (in thousands)	ONTARIO BUSINESS			TOTAL COMPANY			
	Direct Written Premiums	Direct Claims Incurred	Total Assets	Total Liabilities	Excess of Assets Over Liabilities	Claims Incurred to Earned premium	Net Income/ (Loss)
	\$	\$	\$	\$	\$	%	\$
ATRADIUS CREDIT INSURANCE N.V.	2,469	1,560	25,149	18,470	6,679	53%	-1,039
AXA ART INSURANCE CORPORATION	1,415	247	8,348	2,458	5,890	37%	-185
BERKLEY INSURANCE COMPANY	22,629	22,121	243,338	160,640	82,698	80%	-10,242
CHEROKEE INSURANCE COMPANY	4,301	2,705	21,642	10,030	11,612	80%	644
CHICAGO TITLE INSURANCE COMPANY	14,891	4,631	55,622	29,595	26,027	28%	4,289
COMPAGNIE FRANCAISE D'ASSURANCE POUR LE COMMERCE EXTERIEUR	9,564	10,547	71,822	29,325	42,497	56%	2,182
CONTINENTAL CASUALTY COMPANY	95,189	68,601	1,239,403	763,973	475,430	56%	48,674
COREPOINTE INSURANCE COMPANY	17	-1,702	12,971	1,609	11,362	-612%	921
ECCLESIASTICAL INSURANCE OFFICE PUBLIC LIMITED COMPANY	26,034	9,446	177,896	113,203	64,693	55%	3,926
ELECTRIC INSURANCE COMPANY	3,956	3,715	99,612	44,745	54,867	76%	721
EMPLOYERS INSURANCE	0	-26	34,732	2,413	32,319	n/a	534

FINANCIAL SUMMARY Year ended December 31, 2014 (in thousands)	ONTARIO BUSINESS			TOTAL COMPANY			
	Direct Written Premiums	Direct Claims Incurred	Total Assets	Total Liabilities	Excess of Assets Over Liabilities	Claims Incurred to Earned premium	Net Income/ (Loss)
	\$	\$	\$	\$	\$	%	\$
COMPANY OF WAUSAU							
EULER HERMES NORTH AMERICA INSURANCE COMPANY	26,362	20,046	136,709	94,032	42,677	59%	2,798
FACTORY MUTUAL INSURANCE COMPANY	75,183	53,347	958,020	508,580	449,440	111%	-38,954
FEDERAL INSURANCE COMPANY	568	1,090	147,533	81,176	66,357	46%	4,500
FIRST AMERICAN TITLE INSURANCE COMPANY	4,688	-271	74,336	26,227	48,109	50%	1,899
GENERAL REINSURANCE CORPORATION	0	0	363,652	200,754	162,898	-37%	45,989
GREAT AMERICAN INSURANCE COMPANY	18,474	7,497	263,162	125,402	137,760	32%	10,445
GROUPAMA S.A.	0	0	10,449	91	10,358	8350%	143
HARTFORD FIRE INSURANCE COMPANY	5,466	6,318	170,394	31,682	138,712	86%	834
HDI-GERLING INDUSTRIE VERSICHERUNG AG	12,098	5,013	169,002	126,078	42,924	80%	894
IRONSHORE INSURANCE LTD ¹²	611	85	31,382	10,196	21,186	72%	-777
JEWELERS MUTUAL	4,072	2,122	14,372	4,982	9,390	48%	872

FINANCIAL SUMMARY Year ended December 31, 2014 (in thousands)	ONTARIO BUSINESS			TOTAL COMPANY			
	Direct Written Premiums	Direct Claims Incurred	Total Assets	Total Liabilities	Excess of Assets Over Liabilities	Claims Incurred to Earned premium	Net Income/ (Loss)
	\$	\$	\$	\$	\$	%	\$
INSURANCE COMPANY							
LIBERTY MUTUAL INSURANCE COMPANY	85,556	35,956	1,549,219	842,112	707,107	62%	54,699
LLOYD'S UNDERWRITERS	601,606	455,926	8,036,944	5,808,618	2,228,326	59%	603,442
MITSUI SUMITOMO INSURANCE COMPANY, LIMITED	12,408	6,465	108,076	62,830	45,246	54%	3,881
MOTORS INSURANCE CORPORATION	74,764	36,198	543,890	335,071	208,819	55%	25,115
MUNICH REINSURANCE AMERICA, INC.	0	553	216,789	103,848	112,941	60%	7,338
NATIONAL LIABILITY & FIRE INSURANCE COMPANY	4,984	9,822	400,695	147,582	253,113	-61%	16,826
PROGRESSIVE CASUALTY INSURANCE COMPANY ¹³	0	606	9,397	3,554	5,843	-85%	-502
PROTECTIVE INSURANCE COMPANY	1,435	6,074	27,405	14,650	12,755	378%	-3,038
RELIANCE INSURANCE COMPANY ¹⁴	0	0	0	0	0	n/a	0
SECURITY INSURANCE	0	-154	43,774	9,820	33,954	n/a	1,056

FINANCIAL SUMMARY Year ended December 31, 2014 (in thousands)	ONTARIO BUSINESS			TOTAL COMPANY			
	Direct Written Premiums	Direct Claims Incurred	Total Assets	Total Liabilities	Excess of Assets Over Liabilities	Claims Incurred to Earned premium	Net Income/ (Loss)
	\$	\$	\$	\$	\$	%	\$
COMPANY OF HARTFORD							
SENTRY INSURANCE A MUTUAL COMPANY	880	493	39,917	6,081	33,836	32%	1,156
SOMPO JAPAN INSURANCE INC.	4,153	423	90,753	11,550	79,203	30%	2,510
ST. PAUL FIRE AND MARINE INSURANCE COMPANY	48,604	30,338	1,253,597	561,561	692,036	63%	22,949
STARR INSURANCE & REINSURANCE LIMITED	1,176	228	28,003	10,457	17,546	60%	-489
STATE FARM FIRE AND CASUALTY COMPANY	429,852	262,886	1,487,289	701,697	785,592	61%	11,458
STATE FARM MUTUAL AUTOMOBILE INSURANCE COMPANY	1,064,046	837,839	7,233,526	5,179,232	2,054,294	82%	169,430
STEWART TITLE GUARANTY COMPANY	76,438	23,217	186,973	100,628	86,345	30%	12,514
SUNDERLAND MARINE MUTUAL INSURANCE COMPANY	535	99	58,867	44,919	13,948	71%	-3,092
T.H.E. INSURANCE COMPANY	642	457	5,103	1,773	3,330	67%	285
THE AMERICAN ROAD	1,990	-695	20,598	1,082	19,516	116%	-1,138

FINANCIAL SUMMARY Year ended December 31, 2014 (in thousands)	ONTARIO BUSINESS			TOTAL COMPANY			
	Direct Written Premiums	Direct Claims Incurred	Total Assets	Total Liabilities	Excess of Assets Over Liabilities	Claims Incurred to Earned premium	Net Income/ (Loss)
	\$	\$	\$	\$	\$	%	\$
INSURANCE COMPANY							
THE SHIPOWNERS' MUTUAL PROTECTION AND INDEMNITY ASSOCIATION (LUXEMBOURG)	8	126	50,740	22,103	28,637	216%	-4,880
TIG INSURANCE COMPANY ¹⁵	0	0	16,327	68	16,259	n/a	-1,212
TOKIO MARINE & NICHIDO FIRE INSURANCE CO., LTD.	16,216	6,868	136,881	69,329	67,552	47%	5,518
TRITON INSURANCE COMPANY	12,914	2,617	183,946	78,569	105,377	22%	22,464
VIRGINIA SURETY COMPANY, INC.	16,284	9,697	59,092	37,544	21,548	83%	23
WESTPORT INSURANCE CORPORATION	41,512	18,217	703,920	596,657	107,263	9%	24,196
XL INSURANCE COMPANY LIMITED	58,769	62,195	779,272	508,731	270,541	46%	20,566
XL REINSURANCE AMERICA INC.	9,186	7,389	362,950	222,819	140,131	51%	7,512
ZURICH INSURANCE COMPANY LTD	413,884	432,724	3,699,187	2,998,765	700,422	111%	-137,063
	3,625,893	2,679,181	34,069,974	22,576,261	11,493,713		938,962
TOTAL	22,288,080	15,926,080	158,805,038	113,769,148	45,035,890		4,467,741

LIFE INSURANCE COMPANIES

FINANCIAL SUMMARY year ended December 31, 2014 (in thousands)	ONTARIO BUSINESS			TOTAL COMPANY		
	Direct Written Premiums	Benefits and payments to policyholders	Total Assets	Total liabilities	Excess of assets over liabilities	Net Income / (loss)
	\$	\$	\$	\$	\$	\$
EXTRA PROVINCIAL						
ACADIA LIFE	29	9	205,853	161,676	44,177	7,659
ASSUMPTION MUTUAL LIFE INSURANCE COMPANY	20,807	8,505	1,526,222	1,416,384	109,838	9,483
CANASSURANCE INSURANCE COMPANY ¹⁶	5,765	1,765	207,245	186,023	21,222	-2,841
DESJARDINS FINANCIAL SECURITY LIFE ASSURANCE COMPANY	682,861	536,314	30,012,146	27,746,755	2,265,391	255,674
FIRST CANADIAN INSURANCE CORPORATION	27,288	2,113	540,326	331,830	208,496	30,338
HUMANIA ASSURANCE INC.	2,107	1,406	470,224	417,671	52,553	4,912
INDUSTRIAL ALLIANCE INSURANCE AND FINANCIAL SERVICES INC.	1,158,404	870,174	47,378,158	43,457,835	3,920,323	434,383
LA CAPITALE INSURANCE AND FINANCIAL SERVICES INC.	149,912	72,385	1,156,429	1,001,229	155,200	8,767
LS-TRAVEL INSURANCE COMPANY	5,948	2,303	18,610	11,522	7,088	948
NATIONAL BANK LIFE INSURANCE COMPANY	11,258	2,537	174,003	85,674	88,329	40,220

FINANCIAL SUMMARY year ended December 31, 2014 (in thousands)	ONTARIO BUSINESS			TOTAL COMPANY		
	Direct Written Premiums	Benefits and payments to policyholders	Total Assets	Total liabilities	Excess of assets over liabilities	Net Income / (loss)
	\$	\$	\$	\$	\$	\$
SSQ, LIFE INSURANCE COMPANY INC.	222,234	146,713	8,937,791	8,196,476	741,315	49,684
THE UNION LIFE MUTUAL ASSURANCE COMPANY (UNION LIFE)	7,850	282	1,957,290	1,746,944	210,346	17,529
TRANS GLOBAL LIFE INSURANCE COMPANY	1,237	43	9,693	2,943	6,750	799
	2,295,700	1,644,549	92,593,990	84,762,962	7,831,028	857,555
FEDERAL						
ACE INA LIFE INSURANCE	88,582	24,803	144,725	99,864	44,861	16,619
ALLSTATE LIFE INSURANCE COMPANY OF CANADA	0	0	3,786	28	3,758	8
ASSURANT LIFE OF CANADA	122,522	50,283	1,540,716	1,438,838	101,878	13,858
BMO LIFE ASSURANCE COMPANY	450,250	273,195	7,725,111	6,846,314	878,797	153,225
BMO LIFE INSURANCE COMPANY	19,458	798	681,878	146,154	535,724	26,871
CANADIAN PREMIER LIFE INSURANCE COMPANY	81,838	18,624	226,906	136,611	90,295	4,060
CIBC LIFE INSURANCE COMPANY LIMITED	21,031	6,124	86,834	-107,687	194,521	24,271
CIGNA LIFE INSURANCE	0	1,339	73,463	33,746	39,717	9,118

FINANCIAL SUMMARY year ended December 31, 2014 (in thousands)	ONTARIO BUSINESS			TOTAL COMPANY		
	Direct Written Premiums	Benefits and payments to policyholders	Total Assets	Total liabilities	Excess of assets over liabilities	Net Income / (loss)
	\$	\$	\$	\$	\$	\$
COMPANY OF CANADA						
COMPCORP LIFE INSURANCE COMPANY	0	0	10,000	629	9,371	-59
CO-OPERATORS LIFE INSURANCE COMPANY	249,512	159,659	5,760,051	4,832,222	927,829	30,440
CUMIS LIFE INSURANCE COMPANY	60,530	31,766	1,260,545	998,361	262,184	15,159
FORESTERS LIFE INSURANCE COMPANY	75,455	72,041	1,499,007	1,341,384	157,623	10,417
GIRAFFE & FRIENDS LIFE INSURANCE COMPANY	22	0	8,303	1,788	6,515	-1,979
LA CAPITALE FINANCIAL SECURITY INSURANCE COMPANY ²⁰	26,874	12,727	533,635	407,586	126,049	13,053
LONDON LIFE INSURANCE COMPANY	1,428,252	1,514,101	83,006,349	79,237,361	3,768,988	538,462
MD LIFE INSURANCE COMPANY	0	0	3,263,403	3,256,383	7,020	2,725
PRIMERICA LIFE INSURANCE COMPANY OF CANADA	137,183	53,112	3,049,469	2,707,376	342,093	50,520
RBC LIFE INSURANCE COMPANY	543,425	347,796	10,053,253	8,526,334	1,526,919	124,801

FINANCIAL SUMMARY year ended December 31, 2014 (in thousands)	ONTARIO BUSINESS			TOTAL COMPANY		
	Direct Written Premiums	Benefits and payments to policyholders	Total Assets	Total liabilities	Excess of assets over liabilities	Net Income / (loss)
	\$	\$	\$	\$	\$	\$
RELIABLE LIFE INSURANCE COMPANY	36,976	18,084	91,593	60,003	31,590	-1,047
SCOTIA LIFE INSURANCE COMPANY	22,181	3,694	129,959	-58,470	188,429	27,078
SUN LIFE ASSURANCE COMPANY OF CANADA	4,001,675	3,579,161	190,585,119	176,489,154	14,095,965	1,557,335
SUN LIFE INSURANCE (CANADA) LIMITED	47,821	17,309	15,676,723	14,065,963	1,610,760	144,279
TD LIFE INSURANCE COMPANY	50,704	15,906	110,059	54,198	55,861	3,250
THE CANADA LIFE ASSURANCE COMPANY	2,038,772	1,627,961	49,132,208	40,080,110	9,052,098	1,431,224
THE EMPIRE LIFE INSURANCE COMPANY	461,947	361,149	13,238,405	12,176,126	1,062,279	98,869
THE EQUITABLE LIFE INSURANCE COMPANY OF CANADA	303,309	223,957	3,306,699	2,853,262	453,437	52,361
THE GREAT-WEST LIFE ASSURANCE COMPANY	2,632,638	2,126,938	50,929,341	33,422,268	17,507,073	2,602,103
THE MANUFACTURERS LIFE INSURANCE COMPANY	4,342,994	3,933,511	162,867,076	126,320,458	36,546,618	3,657,985
THE STANDARD LIFE ASSURANCE COMPANY OF CANADA	542,488	547,981	51,474,357	49,360,281	2,114,076	248,178

FINANCIAL SUMMARY year ended December 31, 2014 (in thousands)	ONTARIO BUSINESS			TOTAL COMPANY		
	Direct Written Premiums	Benefits and payments to policyholders	Total Assets	Total liabilities	Excess of assets over liabilities	Net Income / (loss)
	\$	\$	\$	\$	\$	\$
THE WAWANESA LIFE INSURANCE COMPANY	26,691	21,199	1,029,992	884,023	145,969	6,392
TRANSAMERICA LIFE CANADA	270,719	216,124	10,984,584	9,620,567	1,364,017	65,125
VSP CANADA VISION CARE INSURANCE	59	70	9,514	98	9,416	-807
WESTERN LIFE ASSURANCE COMPANY	50,290	11,301	199,935	143,934	56,001	8,011
	18,134,198	15,270,713	668,692,998	575,375,267	93,317,731	10,931,905

BRANCH

AETNA LIFE INSURANCE COMPANY	73	600	69,346	12,446	56,900	2,070
ALLIANZ LIFE INSURANCE COMPANY OF NORTH AMERICA	11	68	73,108	31,879	41,229	1,165
AMERICAN BANKERS LIFE ASSURANCE COMPANY OF FLORIDA	113,580	13,690	199,449	117,091	82,358	10,963
AMERICAN HEALTH AND LIFE INSURANCE COMPANY	3,591	798	40,950	15,728	25,222	6,865
AMERICAN INCOME LIFE INSURANCE COMPANY	31,282	6,172	300,175	151,826	148,349	16,371
AXA EQUITABLE LIFE INSURANCE COMPANY	29	51	75,190	27,060	48,130	969

FINANCIAL SUMMARY year ended December 31, 2014 (in thousands)	ONTARIO BUSINESS			TOTAL COMPANY		
	Direct Written Premiums	Benefits and payments to policyholders	Total Assets	Total liabilities	Excess of assets over liabilities	Net Income / (loss)
	\$	\$	\$	\$	\$	\$
COMBINED INSURANCE COMPANY OF AMERICA	39,321	15,622	809,081	345,863	463,218	43,198
CONNECTICUT GENERAL LIFE INSURANCE COMPANY	2,825	1,074	140,950	101,493	39,457	4,930
GERBER LIFE INSURANCE COMPANY	1,630	281	41,144	26,454	14,690	-943
HARTFORD LIFE INSURANCE COMPANY ¹⁷	0	50	9,761	3,874	5,887	-40
JACKSON NATIONAL LIFE INSURANCE COMPANY ¹⁸	3	17	9,289	6,883	2,406	-625
LIBERTY LIFE ASSURANCE COMPANY OF BOSTON	485	399	15,153	3,320	11,833	-1,157
LIFE INSURANCE COMPANY OF NORTH AMERICA	4,118	4,116	59,922	28,606	31,316	-614
METROPOLITAN LIFE INSURANCE COMPANY ¹⁹	0	0	106,137	89	106,048	581
NEW YORK LIFE INSURANCE COMPANY	33,115	27,438	443,515	131,480	312,035	26,575
PAVONIA LIFE INSURANCE COMPANY OF MICHIGAN	5,087	1,208	72,589	28,647	43,942	9,012
PHOENIX LIFE INSURANCE	0	0	2,737	385	2,352	-41

FINANCIAL SUMMARY year ended December 31, 2014	ONTARIO BUSINESS			TOTAL COMPANY		
	Direct Written Premiums	Benefits and payments to policyholders	Total Assets	Total liabilities	Excess of assets over liabilities	Net Income / (loss)
(in thousands)	\$	\$	\$	\$	\$	\$
COMPANY						
PRINCIPAL LIFE INSURANCE COMPANY	30	300	10,619	9,354	1,265	-1,677
STANDARD LIFE ASSURANCE LIMITED	20,061	25,299	1,742,206	1,735,688	6,518	62
STATE FARM INTERNATIONAL LIFE INSURANCE COMPANY LTD	121,058	73,268	1,601,276	1,270,182	331,094	-22,694
UNITED AMERICAN INSURANCE COMPANY	162	82	13,879	4,011	9,868	446
	376,461	170,533	5,836,476	4,052,359	1,784,117	95,416
TOTAL	20,806,359	17,085,795	767,123,464	664,190,588	102,932,876	11,884,876

[Return to top](#)

REINSURANCE COMPANIES

FINANCIAL SUMMARY year ended December 31, 2014	ONTARIO BUSINESS			TOTAL COMPANY			
	Premiums Assumed	Net Losses Incurred	Total Assets	Total Liabilities	Excess of assets over liabilities	Claims incurred to earned premium	Net Income / (loss)
(in thousands)	\$	\$	\$	\$	\$	%	\$
FARM MUTUAL REINSURANCE PLAN INC.	116,685	62,314	806,726	474,572	332,154	69%	49,350

THIS TABLE LISTS ONLY THOSE COMPANIES WHICH ARE LICENSED SOLELY FOR THE BUSINESS OF REINSURANCE

ONTARIO

FARM MUTUAL REINSURANCE PLAN INC.	116,685	62,314	806,726	474,572	332,154	69%	49,350
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FINANCIAL SUMMARY year ended December 31, 2014 (in thousands)	ONTARIO BUSINESS			TOTAL COMPANY			
	Premiums Assumed	Net Losses Incurred	Total Assets	Total Liabilities	Excess of assets over liabilities	Claims incurred to earned premium	Net Income/ (loss)
	\$	\$	\$	\$	\$	%	\$
GLOBAL REINSURANCE COMPANY	32	1,914	26,685	21,019	5,666	14322%	-2,547
	16,717	64,228	833,411	495,591	337,820		46,803
EXTRA PROVINCIAL							
OPTIMUM REASSURANCE INC.	58,246	7,633	2,403,084	2,322,847	80,237	n/a	10,059
FEDERAL							
ARCH REINSURANCE COMPANY ²⁰	0	0	0	0	0	n/a	0
ASPEN INSURANCE UK LIMITED	13,153	-44,249	475,336	275,955	199,381	106%	-2,711
AURIGEN REINSURANCE COMPANY	42,271	17,213	234,173	169,892	64,281	n/a	-3,702
MUNICH REINSURANCE COMPANY OF CANADA	88,019	42,272	1,242,671	954,427	288,244	52%	54,310
PARTNER REINSURANCE COMPANY OF THE U.S.	21,906	7,868	574,281	354,420	219,861	40%	42,612
RGA LIFE REINSURANCE COMPANY OF CANADA	370,295	52,088	7,313,513	6,250,027	1,063,486	n/a	248,532
SCOR CANADA REINSURANCE COMPANY	37,053	32,381	619,856	463,900	155,956	59%	23,598
SUECIA REINSURANCE COMPANY	-38	-53	9,096	3,667	5,429	139%	-237

FINANCIAL SUMMARY year ended December 31, 2014 (in thousands)	ONTARIO BUSINESS			TOTAL COMPANY			
	Premiums Assumed	Net Losses Incurred	Total Assets	Total Liabilities	Excess of assets over liabilities	Claims incurred to earned premium	Net Income/ (loss)
	\$	\$	\$	\$	\$	%	\$
THE CANADA LIFE INSURANCE COMPANY OF CANADA	651,240	398,121	11,907,769	10,978,257	929,512	n/a	48,491
THE MORTGAGE INSURANCE COMPANY OF CANADA	0	12	14,329	350	13,979	16%	-51
	1,223,899	505,653	22,391,024	19,450,895	2,940,129		410,842
BRANCH							
ALEA (BERMUDA) LTD.	4	-164	21,319	5,967	15,352	-6504%	3,827
AMERICAN AGRICULTURAL INSURANCE COMPANY	14,909	3,822	86,597	33,919	52,678	42%	6,060
AXIS REINSURANCE COMPANY	7,508	13,521	283,728	231,750	51,978	63%	974
BRITISH INSURANCE COMPANY OF CAYMAN	34,327	29,775	398,930	207,893	191,037	n/a	-13,192
CAISSE CENTRALE DE RÉASSURANCE	17,326	6,736	242,478	166,919	75,559	49%	15,194
COLISEE RE.	0	3,327	121,789	63,785	58,004	10572%	-4,397
EMPLOYERS REASSURANCE CORPORATION	73,171	97,299	791,726	-167,208	958,934	n/a	70,118
EVEREST REINSURANCE COMPANY	86,871	-12,186	1,115,378	695,149	420,229	-46%	69,550
GENERAL AMERICAN LIFE	105,125	70,563	2,224,897	1,015,651	1,209,246	n/a	214,282

FINANCIAL SUMMARY year ended December 31, 2014 (in thousands)	ONTARIO BUSINESS			TOTAL COMPANY			
	Premiums Assumed	Net Losses Incurred	Total Assets	Total Liabilities	Excess of assets over liabilities	Claims incurred to earned premium	Net Income/ (loss)
	\$	\$	\$	\$	\$	%	\$
INSURANCE COMPANY							
GENERAL RE LIFE CORPORATION	494	166	15,772	2,049	13,723	n/a	866
HANNOVER RÜCK SE	149,232	63,347	1,105,289	705,582	399,707	76%	19,479
MUNICH REINSURANCE COMPANY	4,263,345	3,135,221	5,824,039	2,692,527	3,131,512	n/a	330,905
NATIONWIDE MUTUAL INSURANCE COMPANY ²¹	0	0	7,962	2,650	5,312	n/a	43
ODYSSEY REINSURANCE COMPANY	30,704	-9,903	423,487	224,813	198,674	50%	28,404
PARTNER REINSURANCE COMPANY LTD.	12,550	3,522	346,424	292,554	53,870	n/a	8,519
PARTNER REINSURANCE EUROPE SE	8,539	1,978	6,856	0	6,856	n/a	33,251
RELIASTAR LIFE INSURANCE COMPANY	0	140	52,527	13,466	39,061	n/a	2,324
SCOR GLOBAL LIFE	33,752	23,042	512,227	263,863	248,364	n/a	10,902
SIRIUS AMERICA INSURANCE COMPANY	2,262	-1,166	91,160	32,485	58,675	-10%	8,579
SWISS REINSURANCE COMPANY LTD	536,598	41,022	1,723,028	1,307,766	415,262	9%	71,616
THE TOA REINSURANCE	15,885	7,793	288,777	200,677	88,100	63%	6,734

FINANCIAL SUMMARY year ended December 31, 2014	ONTARIO BUSINESS			TOTAL COMPANY			
	Premiums Assumed	Net Losses Incurred	Total Assets	Total Liabilities	Excess of assets over liabilities	Claims incurred to earned premium	Net Income/ (loss)
	\$	\$	\$	\$	\$	%	\$
(in thousands)							
COMPANY OF AMERICA							
TRANSATLANTIC REINSURANCE COMPANY	34,883	7,697	627,110	279,325	347,785	42%	45,505
	5,427,485	3,485,552	16,311,500	8,271,582	8,039,918		929,543
TOTAL	6,826,347	4,063,066	41,939,019	30,540,915	11,398,104		1,397,247

[Return to top](#)

RECIPROCAL OR INTERINSURANCE EXCHANGES

FINANCIAL SUMMARY year ended December 31, 2014	ONTARIO BUSINESS			TOTAL BUSINESS			
	Direct Written Premiums	Direct Claims Incurred	Total Assets	Total Liabilities	Excess of assets over liabilities	Claims Incurred to earned premium	Net Income/ (Loss)
	\$	\$	\$	\$	\$	%	\$
(in thousands)							
ONTARIO							
CANADIAN UNIVERSITIES RECIPROCAL INSURANCE EXCHANGE	12,185	8,815	148,759	74,528	74,231	85%	7,789
COMMUNITY NEWSPAPERS RECIPROCAL INSURANCE EXCHANGE	76	16	606	150	456	11%	8
HEALTHCARE INSURANCE RECIPROCAL OF CANADA	104,136	2,738	1,365,626	865,930	499,696	100%	13,087
MUNICIPAL ELECTRIC ASSOCIATION	12,777	6,024	100,001	32,902	67,099	23%	7,799

FINANCIAL SUMMARY year ended December 31, 2014 (in thousands)	ONTARIO BUSINESS			TOTAL BUSINESS			
	Direct Written Premiums	Direct Claims Incurred	Total Assets	Total Liabilities	Excess of assets over liabilities	Claims Incurred to earned premium	Net Income/ (Loss)
	\$	\$	\$	\$	\$	%	\$
RECIPROCAL INSURANCE EXCHANGE							
ONTARIO MUNICIPAL INSURANCE EXCHANGE	41,472	68,207	216,276	188,002	28,274	47%	18,779
ONTARIO SCHOOL BOARDS' INSURANCE EXCHANGE	42,420	26,375	242,663	146,014	96,649	67%	17,834
POULTRY INSURANCE EXCHANGE RECIPROCAL OF CANADA	2,727	56	8,816	3,075	5,741	3%	1,912
	215,793	112,231	2,082,747	1,310,601	772,146		67,20
EXTRA PROVINCIAL							
CANADIAN AIRPORTS RECIPROCAL INSURANCE EXCHANGE (CARIE)	258	-7	6,248	3,141	3,107	78%	-279
CANADIAN EGG INDUSTRY RECIPROCAL ALLIANCE	0	0	11,867	2,083	9,784	40%	1,351
CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY	8,148	11,960	98,646	84,993	13,653	12%	366
	8,406	11,953	116,761	90,217	26,544		1,438
BRANCH							
LUMBERMEN'S UNDERWRITING	0	20	3,662	0	3,662	n/a	542

FINANCIAL SUMMARY year ended December 31, 2014 (in thousands)	ONTARIO BUSINESS			TOTAL BUSINESS			
	Direct Written Premiums	Direct Claims Incurred	Total Assets	Total Liabilities	Excess of assets over liabilities	Claims Incurred to earned premium	Net Income/ (Loss)
	\$	\$	\$	\$	\$	%	\$
ALLIANCE							
TOTAL	224,199	124,204	2,203,170	1,400,818	802,352		69,188

[Return to top](#)

FRATERNAL SOCIETIES

FINANCIAL SUMMARY year ended December 31, 2014 (in thousands)	ONTARIO BUSINESS			TOTAL COMPANY			
	Direct Written Premiums	Benefits and payments to policyholders	Total Assets	Total Liabilities	Excess of assets over liabilities	Net Income / (loss)	
	\$	\$	\$	\$	\$	\$	
ONTARIO							
GUARANTEED FUNERAL DEPOSITS OF CANADA (FRATERNAL) ²²	0	0	0	0	0	0	
TORONTO POLICE WIDOWS AND ORPHANS FUND	1,825	2,614	101,030	91,880	9,150	218	
	1,825	2,614	101,030	91,880	9,150	218	
FEDERAL							
ACTRA FRATERNAL BENEFIT SOCIETY	8,833	5,851	647,830	626,323	21,507	-476	
FAITHLIFE FINANCIAL	12,586	15,254	455,458	415,794	39,664	-1,000	
SONS OF SCOTLAND BENEVOLENT ASSOCIATION	1,091	695	14,885	11,691	3,194	48	
TEACHERS LIFE INSURANCE	11,980	5,853	71,836	57,305	14,531	1,498	

	ONTARIO BUSINESS			TOTAL COMPANY		
FINANCIAL SUMMARY						
year ended December 31, 2014	Direct Written Premiums	Benefits and payments to policyholders	Total Assets	Total Liabilities	Excess of assets over liabilities	Net Income / (loss)
(in thousands)	\$	\$	\$	\$	\$	\$
SOCIETY (FRATERNAL)						
THE GRAND ORANGE LODGE OF BRITISH AMERICA	1,065	1,041	27,347	23,297	4,050	-427
THE INDEPENDENT ORDER OF FORESTERS	18,988	16,218	11,981,756	10,076,210	1,905,546	102,773
THE ORDER OF ITALO-CANADIANS ²³	0	0	0	0	0	0
UKRAINIAN FRATERNAL SOCIETY OF CANADA	15	74	10,285	8,696	1,589	322
	54,558	44,986	13,209,397	11,219,316	1,990,081	102,738
BRANCH						
CROATIAN FRATERNAL UNION OF AMERICA	397	473	13,800	11,926	1,874	-334
KNIGHTS OF COLUMBUS	81,288	45,215	3,273,284	2,402,627	870,657	-1,674
THE ROYAL ARCANUM, SUPREME COUNCIL OF	99	470	12,776	7,965	4,811	-99
UKRAINIAN NATIONAL ASSOCIATION	30	108	8,870	5,577	3,293	80
UNITED COMMERCIAL TRAVELERS OF AMERICA, ORDER OF	65	39	5,265	3,456	1,809	-279
	81,879	46,305	3,313,995	2,431,551	882,444	-2,306
TOTAL	138,262	93,905	16,624,422	13,742,747	2,881,675	100,650

FINANCIAL SUMMARY NOTES

1. No financial information was reported for Markham General Insurance Company in 2014. The company was ordered into liquidation effective July 24, 2002.
2. The company is created as a result of a merger of three companies: Farmers Mutual Insurance Company (Lindsay), Glengarry Mutual Insurance Company and Lanark Mutual Insurance Company
3. The company's licence is limited to automobile risks of Toronto Transit Commission.
4. The former name of Yarmouth Mutual Insurance Company was the Yarmouth Mutual Fire Insurance Company.
5. No financial information was reported for AXA Insurance Inc. in 2014. Company was in the process of winding down.
6. No financial information was reported for Alta Surety Company in 2014. Company has been in liquidation since June 2002.
7. No financial information was reported for AXA Insurance (Canada) AXA Assurances (Canada) in 2014. Company was in the process of winding down.
8. No financial information was reported for AXA Pacific Insurance Company in 2014. Company was in the process of winding down.
9. No financial information was reported for Granite Insurance Company in 2014. Company has been inactive since November 1992.
10. The former name of MIC Insurance Company of Canada was PMI Mortgage Insurance Company of Canada.
11. The company has a licence condition not to undertake or renew insurance contracts in Ontario after May 30, 1995.
12. The former name of Allied World Specialty Insurance Company was Darwin National Assurance Company.
13. The company has a licence condition not to undertake or renew insurance contracts in Ontario after January 9, 2006.
14. No financial information was reported for Reliance Insurance Company in 2014 Company has been in liquidation since August 2001.
15. The company has a licence condition not to undertake or renew insurance contracts in Ontario after June 20, 2007.
16. Company is licenced to write both life and property and casualty insurance.
17. The company has a licence condition to service existing policies only.
18. The former name of Jackson National Life Insurance Company was Reassure America Life Insurance Company.
19. The company has a licence condition not to undertake or renew insurance contracts in Ontario after March 9, 2006.
20. No financial information was received for the Arch Reinsurance Company in 2014.
21. The company has a licence condition not to undertake or renew insurance contracts in Ontario after March 27, 2006.
22. No financial information was received for Guaranteed Funeral Deposits of Canada (Fraternal) in 2014.
23. No financial information was received for the Order of Italo-Canadians in 2014.

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[Return to top](#)

Content on this page has been transferred from the Financial Services Commission of Ontario (FSCO) site as a PDF for reference. Links that appear as related content have also been transferred and can be found at the end of this document.




Regulatory Framework

The Regulatory Framework describes what we do, how we do it, and why we do it. It outlines:

- FSCO's legislative mandate;
- How FSCO fulfills its mandate by achieving regulatory outcomes;
- FSCO's core regulatory activities; and the
- Principles that FSCO follows when conducting regulatory activities.

FSCO's approach addresses expectations in the financial services sectors that we regulate. Consumers expect to be treated fairly, pension plan members expect their future pension benefits to be secure, and financial products and services are generally expected to satisfy the needs of the public. In addition, regulated entities and stakeholders expect financial services regulation to be balanced and transparent.

The Regulatory Framework also summarizes what FSCO expects from the businesses and individuals that are licensed or registered with FSCO, stakeholders, consumers, or pension plan members; and what can be expected from FSCO in the regulatory process.

- [Accessible HTML](#)  Size: ## kb
- [PDF](#)  Size: ## kb
- [Flipbook](#)  Size: ## kb

Market Regulation Supervisory Framework

The Market Regulation Supervisory Framework is consistent with FSCO's Regulatory Framework and describes how FSCO's Market Regulation Branch plans and delivers its monitoring and compliance activities across the regulated financial services sectors.

- [PDF](#)  Size: ## kb



Financial Services
Commission
of Ontario

REGULATORY FRAMEWORK

FINANCIAL SERVICES COMMISSION OF ONTARIO

Introduction

About the Regulatory Framework

The purpose of the Regulatory Framework is to describe:

- FSCO's legislative mandate;
- How FSCO fulfills its mandate by achieving regulatory outcomes;
- FSCO's core regulatory activities; and the
- Principles that FSCO follows when conducting regulatory activities.

Expectations play an important role in the financial services sectors that FSCO regulates. Consumers expect to be treated fairly, pension plan members expect their future pension benefits to be secure, and financial products and services are generally expected to satisfy the needs of the public. In addition, regulated entities and stakeholders expect financial services regulation to be balanced and transparent.

The Regulatory Framework summarizes what FSCO expects from the businesses and individuals that are licensed or registered with FSCO, stakeholders, consumers, or pension plan members; and what can be expected from FSCO in the regulatory process.

About FSCO

FSCO was established under the [Financial Services Commission of Ontario Act, 1997](#) (FSCO Act) with a legislative mandate set out in the FSCO Act.

FSCO's legislative mandate is to provide regulatory services that protect the public interest and enhance public confidence in the sectors it regulates.

FSCO regulates the insurance sector; pension plans; loan and trust companies; credit unions and caisses populaires; the mortgage brokering sector; co-operative corporations in Ontario; and service providers who invoice auto insurers for statutory accident benefits claims. FSCO is accountable to the Minister of Finance. In order to support FSCO's legislative mandate, the FSCO Act sets out a [three-part structure](#), which includes the Commission; the Superintendent of Financial Services and Staff; and the Financial Services Tribunal (Tribunal).

The purposes of the **Commission** are set out in the FSCO Act:

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

The **Superintendent of Financial Services** (Superintendent) is also FSCO's Chief Executive Officer. The FSCO Act sets out the Superintendent's mandate, which is to:

- be responsible for the financial and administrative affairs of the Commission;
- exercise the powers and duties conferred on or assigned to the Superintendent;
- administer and enforce the FSCO Act and every other Act that confers powers on or assigns duties to the

Superintendent; and

- supervise generally the regulated sectors.

The Tribunal is an independent adjudicative body created under the FSCO Act. The Tribunal adjudicates cases involving compliance issues arising in the regulated sectors. Proposed decisions of the Superintendent may be challenged in proceedings brought before the Tribunal, in accordance with the applicable law.

FSCO is a cost recovery agency. FSCO charges the cost of its operation to the regulated sectors through a combination of assessments and fees.

FSCO's Regulatory Role

Ensuring Compliance with the Law

FSCO's primary role is to ensure compliance with the laws governing each regulated sector. In order to ensure compliance, FSCO administers and enforces several statutes and corresponding regulations for the regulated sectors. FSCO develops administrative and regulatory policies and procedures to support enforcement of the law, and takes timely regulatory action to terminate activities that do not comply with the law. Compliance is one of the ways in which FSCO fulfills its legislative mandate, but it is not the only one.

FSCO regulates the following financial services sectors in Ontario, and ensures the sectors comply with the corresponding legislation:

Sector	Corresponding Legislation
Insurance Sector	<u>Insurance Act</u> and <u>Regulations</u> <u>Automobile Insurance Rate Stabilization Act, 2003</u> <u>Compulsory Automobile Insurance Act</u> and <u>Regulations</u> <u>Prepaid Hospital and Medical Services Act</u> <u>Registered Insurance Brokers Act</u> and <u>Regulations</u> <u>Motor Vehicle Accident Claims Act</u> and <u>Regulations</u>
Pension Plans	<u>Pension Benefits Act</u> and <u>Regulations</u>
Credit Unions and Caisses Populaires	<u>Credit Unions and Caisse Populaires Act, 1994</u> and <u>Regulations</u>
Mortgage Brokering	<u>Mortgage Brokerages, Lenders and Administrators Act, 2006</u> and <u>Regulations</u>
Loan and Trust Companies	<u>Loan and Trust Corporations Act</u> and <u>Regulations</u>
Co-operative Corporations	<u>Co-operative Corporations Act</u> and <u>Regulations</u>

Providing General Supervision of the Regulated Sectors

FSCO also has a general supervisory role to ensure sustainable and competitive regulated sectors, including fair treatment of consumers and security of pension plan members' benefits. The supervisory role includes monitoring the regulated sectors, influencing the behaviour of the businesses and individuals licensed or registered with FSCO, and providing advice and recommendations to the government. FSCO supervises the

sectors by performing core regulatory activities (see page 11 for more on FSCO's core regulatory activities).

Administering Special Purpose Funds and Dispute Resolution Services

FSCO's legislative responsibilities also include administering:

- The **Motor Vehicle Accident Claims Fund** which is a special purpose fund used to pay claims involving automobile accidents with uninsured motorists, and hit-and-run accidents where no insurance is available. The fund provides compensation to people injured in automobile accidents when no automobile insurance exists to respond to the claim.
- The **Pension Benefits Guarantee Fund** which provides protection to Ontario members and beneficiaries of privately sponsored single-employer defined benefit pension plans in the event of plan sponsor insolvency.
- **Dispute Resolution Services** which mediates and adjudicates disputes between claimants and insurance companies with respect to statutory accident benefits.

Regulatory Environment

Canadian Regulation

In Canada, financial services sectors are subject to regulation and oversight by federal authorities, provincial authorities, or both, depending on the sectors. Although financial services sectors may be regulated by more than one regulatory authority, each regulator has a well-defined and distinct role that avoids regulatory duplication. In general, regulators perform different but complementary regulatory functions.

As a provincial regulator, FSCO is part of a broader regulatory environment that includes the Ontario government, other federal and provincial regulators, and industry stakeholders; and each has a distinct, yet complementary role in supporting Ontario's financial services sectors.

International Standards

In today's economy, financial services sectors are global and interconnected. Financial services sectors in Ontario, as is the case in other provinces/territories in Canada, are influenced by both local realities and global trends. Furthermore, entities regulated by FSCO may operate in multiple jurisdictions both in Canada and internationally.

As international organizations set expectations for the supervision of financial services sectors, FSCO monitors the development of these standards and works to apply them within the context of its legislative mandate and the nature of financial services sectors in Ontario.

Types of Regulation

Financial services sectors are subject to both market conduct and prudential regulation.

Market conduct regulation focuses on the relationships between consumers and licensed or registered businesses and individuals, as well as between pension plan members and pension plan administrators. Market conduct or the conduct of business is influenced by many factors, including the legal framework, established best practices, codes of conduct, and consumers' or pension plan members' expectations. Market conduct regulation is primarily the responsibility of regulators at the provincial or territorial level.

Prudential or solvency regulation focuses on financial stability and the long-term ability to meet financial obligations. This type of oversight applies to financial institutions such as insurance companies, credit unions or caisses populaires, and pension plan administrators. It does not apply to co-operative corporations and financial services intermediaries such as insurance agents, insurance adjusters, mortgage brokerages,

mortgage brokers, or mortgage agents. Prudential or solvency oversight is the responsibility of both provincial and federal regulators, depending on where the entity is constituted.

FSCO is responsible for both types of regulation, although the specific type of regulation differs across the various sectors:

- In the **insurance sector**, FSCO is primarily a market conduct regulator, supervising the treatment of consumers and the conduct of business of insurance companies, agents, adjusters, and service providers.

Independent general insurance brokers in Ontario are regulated by the [Registered Insurance Brokers of Ontario](#), a self-regulatory body for insurance brokers in Ontario.

Prudential regulation of insurance companies is primarily performed by the [Office of the Superintendent of Financial Institutions](#), the federal regulator for the insurance sector.

- In the **pensions** sector, FSCO has both market conduct and prudential or solvency oversight, supervising the treatment of pension plan members, the security of pension plan benefits, and the financial strength of pension plans.
- In the **credit unions and caisses populaires** sector, FSCO issues the licence and authorizes registrants to operate in Ontario and is the market conduct regulator for credit unions and caisses populaires. Prudential regulation is performed by the [Deposit Insurance Corporation of Ontario](#).
- In the **mortgage brokering** sector, FSCO is the market conduct regulator. There is no solvency regulator for this sector, since solvency oversight does not apply to financial services intermediaries like mortgage brokerages, brokers and agents.
- **Loan and trust companies** and **co-operative corporations** are subject to market conduct regulation by FSCO.

Regulatory Outcomes

FSCO fulfills its legislative mandate to protect the public interest and enhance public confidence in the regulated sectors through the achievement of certain public policy goals or regulatory outcomes. These regulatory outcomes describe the elements of the mandate in a specific, concrete, and understandable manner.

Regulatory outcomes refer to expected outcomes for both market conduct and prudential/solvency types of regulation.

FSCO aims to achieve two broad types of interconnected regulatory outcomes: micro and macro outcomes. Micro-level outcomes need to be realized first by the regulated entities before systemic outcomes can be fully realized. Macro-level outcomes are achieved through the collective actions of the entire industry. FSCO, regulated entities, stakeholders, consumers, and pension plan members must have a common understanding of both micro- and macro-level regulatory outcomes in order to collectively achieve them.

Micro-level Outcomes

Micro-level outcomes are within the control of the regulated entities. They include:

- **Compliance with laws and regulations:** Regulated entities must comply with the appropriate laws and regulations including all statutory, legal, corporate, and fiduciary obligations, as applicable. Beyond strict compliance with the law, additional standards of conduct are also expected from the regulated entities.

- **Strong corporate governance:** Regulated entities are expected to identify and manage applicable risks through the most appropriate mechanisms: internal controls, risk management, and other relevant oversight mechanisms.
- **Fair treatment of consumers:** Regulated entities are expected to behave in an ethical and honest manner while conducting business and in all their interactions with consumers.
- **Security of pension plan members' benefits:** Pension administrators have fiduciary and prudential responsibilities to ensure that the security of pension benefits is preserved appropriately and that future pension benefit obligations can be met.
- **Adequate disclosure of information to enable informed decisions:** Consumers and pension plan members should have access to accurate, relevant, and timely information.

Macro-level Outcomes

Macro-level outcomes refer to regulated sectors as a whole, being the result of micro-level outcomes aggregated on a systemic basis:

- **Stable and competitive financial services sectors:** Adequate choices are required to meet the needs of consumers in an accessible and affordable manner.
- **Prevention or early identification of compliance issues:** Proactivity and collaboration among FSCO, stakeholders, regulated entities, and the general public are fundamental in preventing compliance issues from arising or escalating to serious problems. Prevention is less costly and preferable to being reactive and addressing compliance issues after they happen.
- **Effective complaint and dispute resolution systems:** Established mechanisms to deal with complaints and disputes involving the regulated entities in a fair, timely, and responsive manner. In addition to regulated entities being required to have well-defined processes to deal with consumer or pension plan members' complaints, the macro-level outcome includes the existence of independent ombudsman service organizations that complement FSCO's complaint handling and dispute resolution roles.

FSCO achieves these desired micro- and macro-level regulatory outcomes through core regulatory activities performed in accordance with a common set of principles.

FSCO's Principles of Regulation

Principles to Guide Regulatory Activities

FSCO is an integrated financial services sectors regulator that uses a consistent and comprehensive approach to regulation across all of its regulated sectors. This approach is based on principles which are used to guide all of FSCO's regulatory activities. A **risk-based approach** allows FSCO to focus its regulatory efforts in an efficient and effective manner. FSCO is also guided by the principle of **proactivity** to address risks and prevent non-compliance, and makes **evidence-based** decisions using research and data to best identify high-risk areas which require more proactive regulation. FSCO delivers **balanced, service-oriented, transparent, and collaborative** regulatory services, and is guided by these principles to ensure good working relationships exist with other regulators, stakeholders, regulated entities, consumers, and pension plan members. These principles underpin FSCO's efforts to best protect the public interest and enhance confidence in the regulated sectors.



Risk-Based

By applying a risk-based approach to regulation, FSCO directs its regulatory efforts and activities to situations that are deemed to be higher risk.

FSCO defines and assesses **risks** from the perspective of its legislative mandate. Public confidence in the regulated sectors can be negatively affected by many factors, including conduct of business and practices that are unfair, deceptive or result in harm to consumers or pension plan members. These situations represent risks. Barriers to achieving the regulatory outcomes mentioned previously are also risks, whether they arise at a micro (entity) or macro (systemic) level. Through its risk-based approach, FSCO is:

- **Effective:** by focusing regulatory efforts on the most significant risks in order to achieve the desired regulatory outcomes; and
- **Efficient:** by making the best use of both human capital and financial resources to address the more significant risks.

FSCO's approach to risk-based regulation is based on the following:

Risk Prevention: Promoting Strong Corporate Governance

FSCO promotes strong corporate governance and expects regulated entities to adopt practices, policies, procedures, and systems that comply with legislation and regulations, and that are based on recognized financial sector governance standards and current best practices. Good governance can lower the risk of non-compliance by ensuring that regulated entities have sound processes and policies in place to comply with legislation.

Governance is a key factor for the risk analysis and assessment of regulated entities. It is the responsibility of boards and senior management to adopt strong governance and control practices. FSCO expects and relies on good corporate governance as a means of ensuring that regulated entities are in compliance with financial services sectors' standards.

Risk Identification: Understanding Regulated Sectors and Entities

FSCO collects information on sector-wide risks and analyses the information both at the macro and micro-levels, in order to understand the regulated sectors and regulated entities within each sector. FSCO uses

both a top-down and bottom-up approach to identify risks.

By understanding the overall economic environment of the regulated sectors, FSCO is able to evaluate the business circumstances of the regulated entities and anticipate challenges at the entity level. By collecting and analysing information from individual complaints, FSCO is able to identify potential problems before they become more serious or systemic.

Risk Assessment: Evaluating Risk and Taking the Appropriate Action

FSCO assesses risks to achieving desired regulatory outcomes by considering market conditions, regulated entities' risk profiles, and the degree of failure or misconduct. This risk-based approach enables FSCO to evaluate risks by having a comprehensive view of the regulated sectors, and identifying areas where there is a lack of sound governance, or there are activities that indicate high risk situations. This approach is fundamental to a regulatory regime that expects outcomes beyond compliance with the law.

FSCO focuses its regulatory efforts on higher risk areas, and uses risk assessment to identify the appropriate regulatory action required to achieve a desired regulatory outcome. FSCO has at its disposal a broad range of regulatory tools that help ensure its actions are tailored, proportionate to the risk, and will best achieve the desired outcome.

Not all circumstances require the same allocation of regulatory efforts and resources. Lower risk situations and well-managed regulated entities generally require less regulatory resources, while higher risk situations generally require more resources as they require more intensive regulatory scrutiny or stronger regulatory intervention.

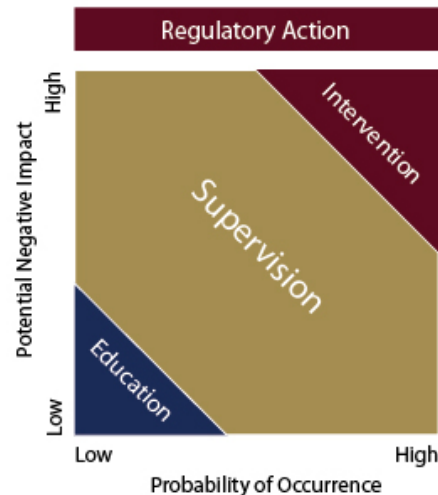
FSCO assesses risks on a continuum based on the probability of occurrence and the potential magnitude of negative impact on achieving desired regulatory outcomes at both the micro and macro-level. This process ensures that FSCO takes regulatory action that is appropriate for the degree of risk. These actions range from:

- **Education for areas with lower to medium risk levels**, which is the least resource-intensive and costly form of action;
- **Supervision for areas with medium to high risk levels**, which involves the use of various regulatory actions such as prevention, diagnosis, remedies, and ongoing monitoring; and
- **Intervention for areas with higher risk levels**, which is the most resource-intensive and costly.

Financial services sectors and the risks they pose to the public are dynamic and continuously changing. This risk-based approach helps FSCO respond to changes in the regulated sectors, and target risks that have the greatest potential for harm.

Proactive

Effective and efficient regulation is based on **proactivity**. Anticipating change and being proactive in the regulated sectors is an important feature of a comprehensive regulatory regime, and allows FSCO to ensure that desired regulatory outcomes are continuously achieved. Proactivity supports a risk-based approach by allowing FSCO to avoid or mitigate potential risks promptly, before they arise or become serious.



Regulation can never be purely proactive, but neither should it be entirely reactive. FSCO aims to be as proactive as possible in all circumstances. FSCO is constantly alert to potential risks in the regulated sectors, and in particular to circumstances that have broader systemic implications. FSCO dedicates resources to proactively identify and monitor existing and emerging trends and risks.

Proactivity also involves appropriately engaging the government, other regulators, stakeholders, regulated entities, consumers, and pension plan members to discuss existing and emerging risks; assessing these risks, and considering the appropriate solutions to mitigate the risks. Solutions may include recommending or assisting in the development of commonly accepted practices or legislative changes.

Evidence-Based

FSCO's decision making process is **evidence-based**: centred on facts, judgment, and analysis.

FSCO is constantly gathering information through its core regulatory activities. All regulated entities have an obligation under the law to provide prompt and truthful answers to any request for information made by or on behalf of the Superintendent (e.g. licensing and registration information, filings and applications, and information obtained through monitoring and compliance including market conduct surveys, enforcement, and intervention). Failure to provide complete and accurate information is a contravention of the law. Regulated entities that provide false or misleading information may be subject to enforcement action.

FSCO collects and analyses information to identify existing or potential risks, and to determine solutions to achieve desired regulatory outcomes. A risk-based approach based on evidence and analysis is more likely to identify patterns and trends, address the root cause of risks, and result in more effective and efficient mitigation solutions. Once a solution is identified and implemented, FSCO monitors the effectiveness of that solution in addressing the specific situation and its longer term impact on both micro and macro-level regulatory outcomes. This is an ongoing process based on the continuous review of evidence and an analysis of risk factors.

Balanced

Financial services sectors that function well strike a balance among the best interest of consumers, pension plan members, regulated entities, stakeholders, and regulators. These interests should be aligned. A balanced approach supports the functioning of financial services sectors as a whole.

FSCO is a **balanced** regulator that protects the interests of financial services consumers and pension plan members by administering and enforcing the law. Although consumer interest is FSCO's primary concern, FSCO is neither a consumer advocate, nor an advocate for pension plan members. FSCO performs a complaint handling function, considers all complaints received, and works to resolve them according to its legislative mandate.

Based on the requirements of the law, FSCO decides whether to take regulatory action and determines what type of action is appropriate in each specific circumstance. FSCO does not act or take regulatory action on behalf of complainants; and it does not assist consumers in civil lawsuits nor appear in courts on behalf of consumers or pension plan members, except where the current interpretation of the legislation or regulation is being challenged.

Service-Oriented

FSCO interacts with regulated entities, stakeholders, and the general public on an ongoing basis through different channels. FSCO is part of the Ontario Public Service, and therefore adheres to the Ontario Public Service quality service standards for interacting with the public. In addition, FSCO has developed its own specific [service standards](#) for both its core regulatory activities and its internal support functions. These

standards are continuously monitored and reported annually on [FSCO's website](#).

[FSCO is committed to consistently providing excellent services](#). FSCO staff strive to deliver efficient and effective services within the established timeframes. All services are accessible in both English and French, and comply with the [Accessibility for Ontarians with Disabilities Act](#).

Transparent

In its supervisory processes, FSCO is **transparent** regarding its expectations of the regulated entities, stakeholders, and the general public - specifically in terms of the information required and submission timelines. Businesses and individuals interacting with FSCO are kept informed about the progress of relevant regulatory activities (e.g. licensing, complaint handling, examinations, interventions, etc.).

Clear and transparent communication reduces the risk of non-compliance. FSCO educates regulated entities about what the law requires of them, and what processes are in place to help them comply with the legal requirements. FSCO's approach to education is both proactive and in response to evidence-based assessments that have identified businesses or individuals that require more information.

FSCO regularly engages in consultations with stakeholders as part of its general information-gathering initiatives or compliance reviews. FSCO openly communicates the purpose of such initiatives or reviews, and publishes the results upon completion. FSCO collects information in accordance with applicable privacy protection laws. FSCO has an obligation to maintain personal information and certain other kinds of information as confidential, and not to disclose it except as required or authorized by law.

To promote transparency and raise public awareness, FSCO also publishes information about approved licences, the list of regulated entities, enforcement actions, sanctions, licence revocations, and the names of unlicensed entities that have been identified as operating in the regulated sectors. Regulated entities that are subject to regulatory action are also informed of the processes available for appeal; and hearings at the Tribunal are generally open to the public, unless otherwise required by specific circumstances.

FSCO's open communication and transparency also enhances collaboration within the regulated sectors.

Collaborative

Collaboration facilitates the achievement of desired regulatory outcomes and reduces regulatory costs by creating an environment where there is a high degree of voluntary compliance. It also encourages the development and adoption of industry codes of conduct and other forms of market guidance.

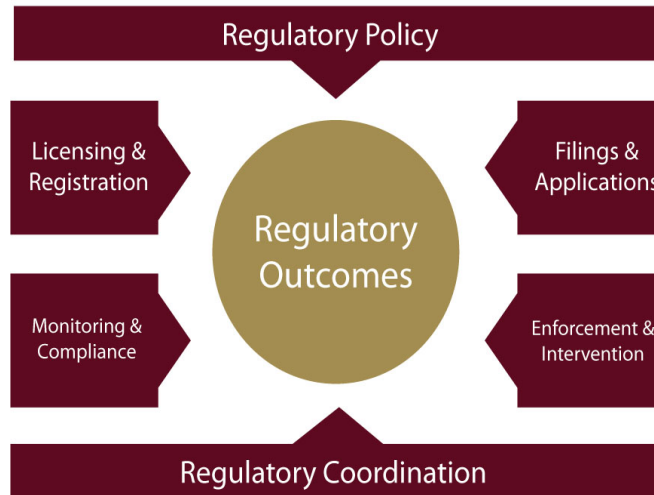
Financial services sectors are interconnected across Canada and globally. FSCO collaborates with stakeholders and regulated entities to develop a better understanding of the regulated sectors and entities. Many regulated entities operate in multiple Canadian jurisdictions and therefore need to comply with multiple regulatory regimes. FSCO cooperates with other Canadian regulators, and is a member of a number of organizations through which Canadian regulators work together on initiatives. This cooperation ensures that a consistent and coordinated regulatory approach is taken where possible, and allows FSCO to share information and learn from other regulators' experiences.

FSCO promotes cooperation and communication of information and expectations with other regulators, stakeholders, regulated entities, consumers, and pension plan members to ensure expectations are understood, and to avoid unnecessary duplication within the regulatory environment.

As an integrated regulator, FSCO also collaborates internally to share knowledge and best practices among its staff. FSCO's approach to education, moral suasion, collaboration, and building partnerships with stakeholders and regulated entities improves consumer protection and complements FSCO's core regulatory activities.

FSCO's Core Regulatory Activities

FSCO performs the following core regulatory activities in order to fulfil its legislative mandate.



These core activities are consistent across all the regulated sectors, complement each other as part of FSCO's comprehensive approach to regulation, and apply all of FSCO's principles of regulation. Differences among the regulated sectors depend on the extent of FSCO's regulatory authority in that particular sector. Regulatory policy and coordination touch on all aspects of the core regulatory activities.

Regulatory Policy

The [FSCO Act](#) mandates and authorizes the Superintendent to administer and enforce the [provincial statutes and related regulations](#) governing the regulated sectors.

FSCO has a central role in advising the government on existing or potential risks and policy issues in the regulated sectors. Although FSCO may identify solutions to mitigate risks in the regulated sectors and make recommendations for new legislation or amendments to existing legislation, it is ultimately the government's decision as to what recommendations to implement and how.

In order to protect the public interest, laws need to be reviewed regularly to ensure they continue to be relevant and address the risks in the regulated sectors. All areas within FSCO work collaboratively towards identifying and defining policy issues. Policy development is integral to public protection, and includes external consultations with stakeholders and the public.

Regulatory Coordination

FSCO promotes and plays an important role in coordinating regulatory efforts at a national level. FSCO hosts the secretariats of a number of national organizations of regulators, and is a member of the following associations:

- [The Canadian Association of Pension Supervisory Authorities](#) (CAPSA)
- [The Canadian Automobile Insurance Rate Regulators Association](#) (CARR)
- [The Canadian Council of Insurance Regulators](#) (CCIR)
- [The Canadian Insurance Services Regulatory Organizations](#) (CISRO)
- [The General Insurance Statistical Agency](#) (GISA)

- [The Joint Forum of Financial Market Regulators](#)
- [The Mortgage Broker Regulators' Council of Canada](#) (MBRCC)

Canadian regulators work together to coordinate activities, share information, proactively identify emerging trends and risks, develop harmonized approaches, reach consensus around solutions for common problems, and provide solutions and guidance applicable to multiple jurisdictions across Canada. Coordination minimizes duplication, potential delays related to regulatory processes, and regulatory costs through joint initiatives and resource sharing. FSCO works closely with other regulators, as needed, in order to achieve its legislative mandate.

Licensing and Registration

By law, individuals or businesses require a licence from FSCO in order to be able to conduct certain activities within FSCO's regulated sectors. Registration refers to the obligation that regulated entities have to register certain products or services with FSCO. For example, pension plan sponsors must register with FSCO the pension plans they establish in Ontario.

Licensing and registration play an important gatekeeping role by ensuring that market participants are suitable and qualified, which reduces the risk of non-compliance. Through licensing and registration processes, FSCO obtains information on the regulated entities operating in Ontario; and uses it to administer and enforce the relevant legislation governing the regulated entities.

There are two types of licences: for individuals and businesses. The objective of individual licensing is to assess integrity and competence. The objective of business licensing is to assess integrity and governance.

- **Integrity** is important in order to minimize future unethical and harmful behaviour, and it is assessed through criminal background checks, histories of disciplinary actions taken by other regulators, and other means.
- **Competence** refers to the knowledge and understanding of responsibilities associated with different activities within the regulated sectors. Competence requirements are generally satisfied through the successful completion of educational programs and examinations. In order to maintain an active licence, individuals may be subject to continuing educational requirements.
- **Strong governance** is essential for businesses operating in financial services sectors. When applying for a licence, businesses need to submit a realistic business plan and provide proof of solid internal controls. Policies and procedures need to reflect current best practices in the respective sector.

All applications include an attestation about the completeness and accuracy of the information provided. Providing false or misleading information is a contravention of the law and the applicant can be subject to enforcement action regardless of whether or not a licence is issued.

Interested entities can enter a respective sector at any time, and any new participant in a regulated sector brings additional risk into the system. FSCO has the obligation to estimate the degree of risk and can ask for additional information to support the licence application. A licence application review process follows a due process. Lower risk applications can be approved in full based on a less intensive review. Higher risk applications may be approved with different conditions associated, or they may be denied if the requirements for a licence are not met. In such cases, FSCO provides a formal notice to the applicant setting out the grounds for the decision to deny the licence, and offering the applicant the right to a hearing. Those hearings

are generally conducted before the Tribunal.

Financial services intermediaries may hold multiple licences and each licence gives the right to perform specific activities. An action against one class of licence does not automatically attract an action against all classes of licences. For example, in the case of multiple licences, revocation or termination of one type of licence does not necessarily impact other licences.

Filings and Applications

Once licensed or registered, regulated entities are required by law to submit information to FSCO on a regular basis. Filings are statutory requirements which have due dates. The obligation to provide true information also applies to filings. FSCO can take enforcement action for late or false filings.

By law, certain transactions in the regulated sectors require FSCO's approval, and regulated entities must follow application procedures to obtain approval. FSCO's approach to applications includes determining the statutory objective for approval; identifying and assessing the relevant risks associated with granting the approval; and defining and performing an adequate due diligence process to ensure proper risk mitigation mechanisms are in place.

FSCO's ability to request information is a fundamental power and key regulatory tool. All the information FSCO gathers both at the level of regulated entities and on an aggregate, systemic basis is used to develop proactive supervisory strategies and plans, including monitoring and compliance activities.

Monitoring and Compliance

Monitoring and compliance are important, ongoing supervisory activities. The general approach to monitoring and compliance is consistent from one period to another as described below, but the scope of the activities differ from one period to another based on current risks in the regulated sectors. Both activities are based on information gathering and can be both proactive and reactive. The scope and frequency of each activity depends on the evaluation of identified risks.

Monitoring usually refers only to information gathering and analysis. Compliance involves information gathering in relation to the observance of laws. Both monitoring and compliance address circumstances at the micro- and macro-level. In addition to addressing specific cases of non-compliance, FSCO's focus is also on assessing the degree of compliance at an aggregate level for the regulated sectors as a whole. FSCO is not a zero tolerance regime, but is concerned with the overall potential negative impact non-compliance cases have on regulatory outcomes. Therefore, FSCO monitors the risks associated with each case of non-compliance that is identified.

FSCO uses different tools for monitoring and compliance activities, including the review of complaints received and examinations or audits of regulated entities. With regard to complaints received, FSCO keeps the consumer or pension plan member complainants informed about the outcome of the review. FSCO's obligation is to protect the public interest through administering and enforcing the law. Therefore, FSCO does not act on behalf of the complainants, but rather acts in the public interest. FSCO will determine whether the complainants have been subjected to actions that are not compliant with the law and then take appropriate regulatory action against the responsible regulated entities. As a result of complaints received or on a proactive basis, FSCO also initiates compliance reviews where the focus is gathering general information about the regulated sectors.

Unlike other industries, the nature of business in the financial services sectors frequently involves administering other people's money. An independent view is required in order to ensure an appropriate balance is achieved between the interests of the regulated entities and consumers or pension plan members.

FSCO’s examinations or audits provide an independent perspective and evaluate the strength of the governance systems used by the regulated entities. Not all regulated entities receive the same scrutiny; FSCO determines the scope and intensity of examinations using a risk-based approach.

FSCO may also contact any regulated entity on an ad-hoc or targeted basis in order to proactively collect information in support of its evidence-based approach. Regulated entities are required by law to facilitate an examination whenever required, and to respond to FSCO’s questions promptly and truthfully. Failure to do so may result in enforcement activity. FSCO communicates to the regulated entities both the scope and results of the examination process.

FSCO assesses whether regulated entities follow the law through either complaint or compliance reviews. For the entities that fail to comply with the law, FSCO chooses the most appropriate enforcement action.

Enforcement and Intervention

FSCO influences the conduct of business in the regulated sectors through different strategies including, education on compliance, moral suasion to promote compliance, partnering with stakeholders on collaborative approaches to achieve compliance, compliance reviews, and ultimately targeted enforcement actions. These enforcement strategies are usually sufficient to alter behaviour and address risks in the regulated sectors. FSCO prefers moral suasion and education as initial steps because it is based on collaboration and has a sustainable, long term impact. However, certain non-compliance situations require enforcement and intervention.

FSCO aims to minimize any undue risk, but it would be unrealistic to expect that it can eliminate all risks. Therefore, not every contravention will result in enforcement action. FSCO sets levels of tolerance for identified risks, appropriate to the context of the regulated sectors, and responds to risks in a measured way, primarily focusing on the more significant risks first while keeping in mind the desired regulatory outcomes.

FSCO uses different types of enforcement activities: strategic and targeted. Strategic enforcement is generally proactive and designed to change behaviour in the regulated sectors generally. Strategic enforcement actions usually relate to achieving macro-level regulatory outcomes. For achieving micro-level outcomes, FSCO can use either strategic or targeted enforcement actions that may be taken as a result of complaints being received or arising from examinations or audits.



FSCO has different tools available to respond to situations of non-compliance, based on the specific conditions of the regulated sectors, individual risk profiles (size, impact, and complexity of the regulated entity), key risks, mitigating actions taken by the regulated entities, as well as past supervisory findings.

FSCO also undertakes and dedicates resources to investigations where necessary. An investigation is the second step in the enforcement process. Investigations address allegations of misconduct or non-compliance with applicable legislative requirements by regulated and unlicensed entities. FSCO's investigators gather evidence, analyze information, and help prepare cases for enforcement proceedings before regulatory tribunals and the courts. The purpose of an investigation is to support regulatory action, and specifically a prosecution or administrative proceeding.

Enforcement activities may result in suspension, termination, or revocation of an entity's licence or registration. Enforcement activities usually involve a collaborative effort across different areas within FSCO, particularly in cases where FSCO decides to prosecute. FSCO also works cooperatively with other law enforcement and regulatory agencies as needed.

Conclusion

The financial services sectors are dynamic. The approach outlined in FSCO's regulatory framework recognizes the need for responsiveness to the changing environment, in fulfilling its legislative mandate of providing regulatory services that protect the public interest and enhance public confidence in the sectors it regulates.

The regulatory framework outlines FSCO's approach to regulation, what FSCO expects from those it regulates, and what can be expected from FSCO by those that rely on its regulatory services.

For more information about FSCO:

Visit the [Subscription Centre](#) on our website to sign up FSCO's various publications and RSS feeds. You'll be able to stay up-to-date on the latest information concerning FSCO's regulated sectors; you'll also get important sector updates, information and tips sent directly to your preferred email or RSS account.

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Financial Services
Commission
of Ontario



Commission des
services financiers
de l'Ontario

Market Regulation Supervisory Framework

2018



Table of Contents

Introduction	2
Supervisory Framework Overview	3
Market Intelligence	4
Stakeholder Engagement.....	6
General Approach to Supervision	8
Risk-Based	8
Reliance on Corporate Governance	8
Progressive Approach to Discipline.....	9
Core Supervisory Activities	10
I. Complaint Handling.....	10
II. Desk Reviews	11
III. On-Site Examinations.....	12
IV. Thematic Reviews	12
Market Regulation Branch Supervisory Process	14
Supervisory Planning	14
Execution and Analysis	15
Regulatory Action and Reporting.....	15
Conclusion.....	17



Introduction

The Financial Services Commission of Ontario (FSCO) is the regulatory agency responsible for the regulation of a number of financial services sectors in Ontario.

FSCO administers more than 10 different statutes for insurance, pensions, credit unions and caisses populaires, mortgage brokering, loan and trust companies, and co-operatives sectors. FSCO's legislative mandate is to provide regulatory services that protect the public interest and enhance public confidence in the regulated sectors.

To fulfil its mandate, FSCO performs the following core regulatory functions:

- Regulatory policy
- Regulatory coordination
- Licensing and registration
- Filings and applications
- Monitoring and compliance
- Enforcement and intervention

[FSCO's Regulatory Framework](#) describes these core regulatory functions in greater detail. It identifies the micro and macro regulatory outcomes necessary for FSCO to meet its mandate, and sets out the regulatory principles followed by the organization in conducting its regulatory activities.

The Market Regulation Supervisory Framework (supervisory framework) is consistent with FSCO's Regulatory Framework and describes how FSCO's Market Regulation Branch (MRB) plans and delivers its monitoring and compliance (supervisory) activities across the regulated financial services sectors.



Supervisory Framework Overview

FSCO's MRB performs supervisory activities for most of FSCO's regulated sectors. This work covers both market conduct and prudential¹ supervision.

Market conduct supervision focuses on the relationship between consumers and regulated businesses and individuals authorized to conduct business in Ontario (Licensees). Prudential or solvency supervision deals with the financial stability of Licensees and their ability to meet long-term financial obligations.

MRB supervision consists of four core functions:

- I. Complaint handling – receiving and dealing with complaints about Licensees
- II. Desk reviews – limited reviews of selected Licensees
- III. On-site examinations – in-depth review programs of large cross-sections of Licensees
- IV. Thematic reviews – exploratory and information-gathering reviews of selected Licensees

Combined, MRB's core activities create a system of supervision with both proactive and reactive approaches. The dual approaches facilitate work that is scalable and adaptable, and allow MRB to respond quickly to shifting demands and changes in the marketplace.

The four core activities are highly interrelated. For example, information arising from complaint handling services can inform the risk profile of a Licensee to be examined. Similarly, the findings and recommendations arising from a Licensee examination can be validated with information derived from subsequent complaints.

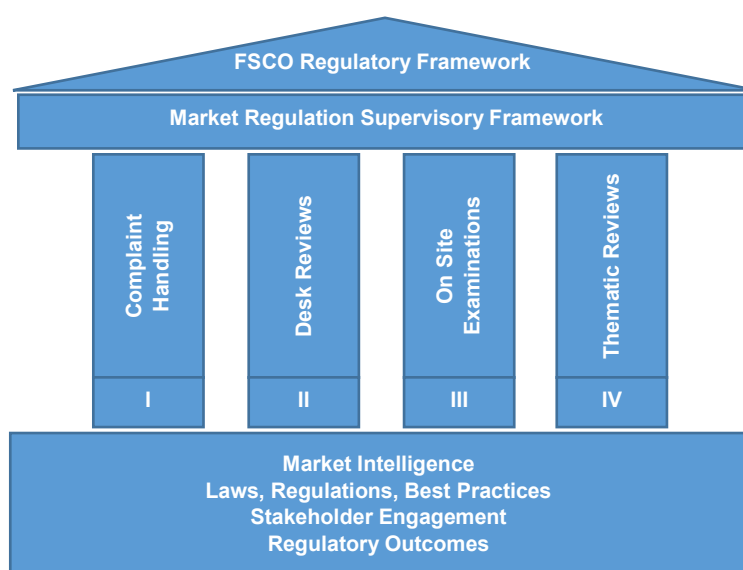
Through these core functions, MRB staff interact directly with Licensees to ensure compliance with the law and adoption of industry best practices. The achievement of these micro-level regulatory outcomes,² which are within the Licensee's control, contributes to FSCO's macro-level regulatory outcomes, specifically:

¹ FSCO performs prudential supervision only of insurers incorporated or formed under Ontario law.

² FSCO's Regulatory Framework identifies the micro and macro regulatory outcomes necessary for FSCO to meet its mandate.

- Stable and competitive financial services sectors
- Prevention or early identification of compliance issues
- Effective complaint and dispute resolution systems

The graphic below illustrates the core MRB functions as pillars of the supervisory framework underpinned by continuous market intelligence collection and stakeholder engagement, and upheld by laws, regulations, and best practices to ensure regulatory outcomes.



Market Intelligence

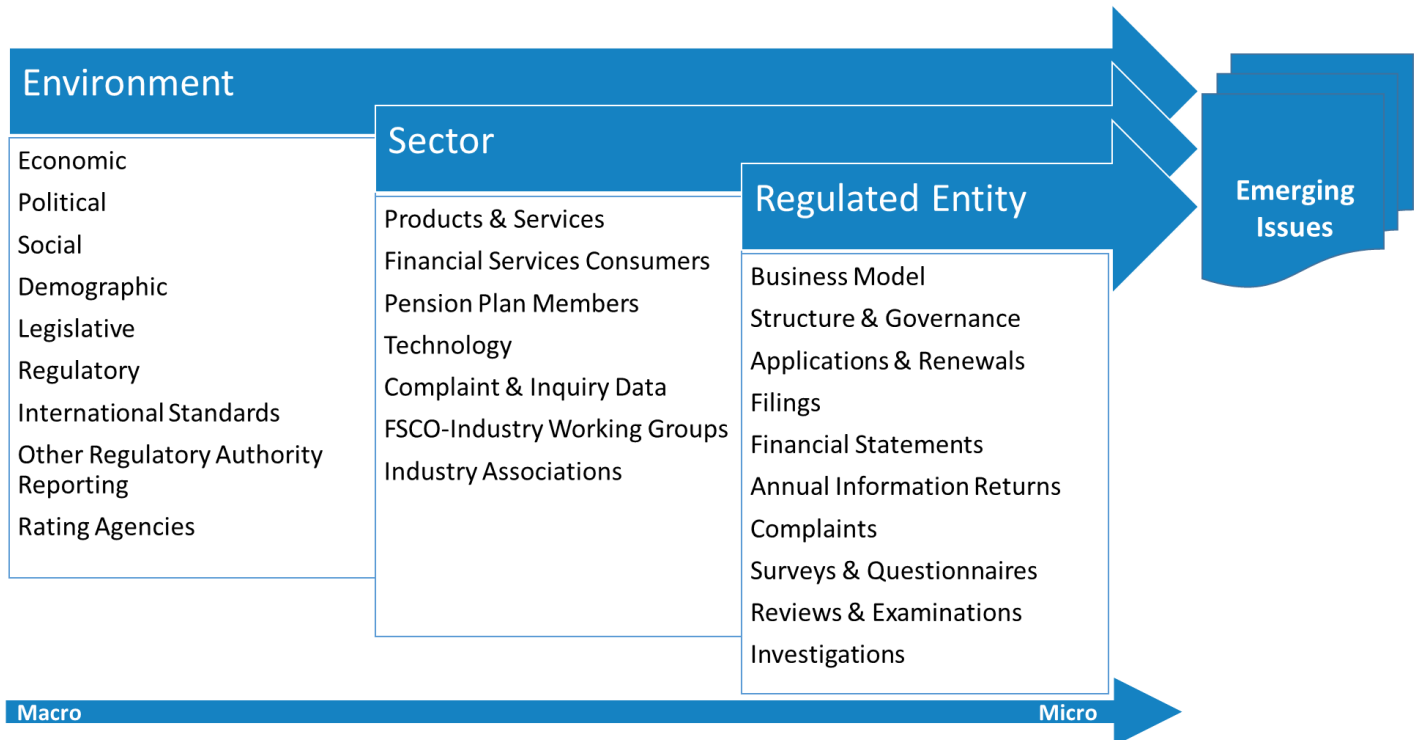
The market intelligence process comprises the collection, analysis, consolidation and reporting of information towards identifying and validating current and emerging trends and risks in the regulated sectors. The process is continuous and informs all of MRB's supervisory activities.

At the macro level, MRB relies on data collected and analysed from different sources including industry-based complaint handling systems, other regulators' reports, extra-jurisdictional sanction activities, international reports, research services, media monitoring and stakeholder networks.



At the entity or micro-level, MRB relies on data and analysis of complaints, inquiries, examinations and filings, particularly Annual Information Returns.³ This data provides the basis of risk identification, validates environmental trends, and drives evidence-based decision-making for next steps in the supervisory process.

The graphic below illustrates MRB's approach to market intelligence collection by source and scope.



Market intelligence informs all aspects of MRB's work, from planning to execution. It enables MRB staff to maintain understanding of the overall economic environment of the financial services sectors. Knowledge of current activities and emerging trends in the marketplace allows MRB to proactively assess potential risks and areas that may negatively affect FSCO's ability to achieve its regulatory outcomes. It also informs the development of new assessments, internal controls and governance structures that may mitigate possible problems.

³ FSCO's Annual Information Return is a mandatory questionnaire that collects information from Licensees about their business practices and internal controls. Data collected from Annual Information Returns helps MRB to identify changes in risk and suitability, and to target branch resources.



Market intelligence enables MRB to develop and maintain risk profiles of Licensees. The risk profiles help MRB identify Licensees with the potential to pose the greatest risk, consequently requiring closer examinations or reviews.

MRB uses the market intelligence process to collect information on an ad hoc or targeted basis, on any sector, on any activity, and at any point during the supervisory process for the purpose of identifying and assessing potential risks that may not be adequately addressed in existing legislation or best practices.

MRB uses market intelligence in planning risk-based monitoring and compliance activities across all of the regulated sectors.

Stakeholder Engagement

Stakeholder engagement is an integral part of MRB's work. It is used to establish and maintain collaborative relationships and share information with Licensees, industry stakeholders, financial services consumers, self-regulatory organizations, other regulators and governments, and other relevant participants (whether regulated or not) that may be affected by MRB activities.

MRB uses stakeholder engagement proactively when seeking to understand new developments or specific practices and behaviours in the regulated sectors, and reactively when identifying barriers to achieving regulatory outcomes.

Through regular and open dialogues, MRB collects significant feedback about the practical implications of supervisory reviews and examinations, and improves understanding of the challenges businesses and individuals experience in meeting requirements.

Established engagement channels help MRB to enhance its risk-based approach. In these exchanges, MRB reports back on findings from supervisory activities, signals new developments that FSCO intends to address, and most importantly, educates market participants about developments that constitute risk from the regulator's perspective.

Effective stakeholder engagement allows MRB to communicate and continuously reinforce regulatory expectations for the industry about governance and business practices. MRB leverages any and all communication opportunities to promote behaviours and practices in the regulated sectors that achieve FSCO's regulatory outcomes.

Stakeholder engagement also assists in MRB planning. The regular exchange of information informs planning of annual MRB supervisory activities including the design of various on- and off-site programs.



MRB maintains continuous and wide-ranging programs of regular and ad hoc forums, and communications with stakeholders and market participants. Communications occur through day-to-day performance of core supervisory functions such as desk reviews and complaint handling, and other vehicles and touchpoints including, but not limited to:

- Examination and complaint handling reports
- FSCO-industry working groups
- Bulletins and e-newsletters
- Annual market conduct symposiums
- Speaking engagements and industry events
- Website content and tools

Other Regulators

MRB's stakeholder engagement strategy makes use of FSCO's established partnerships with other Canadian regulators and agencies with whom it shares information, finds solutions to common problems, and harmonizes approaches where possible.

MRB supports FSCO's collaboration with other regulators through the Canadian Council of Insurance Regulators, the Canadian Association of Pension Supervisory Authorities, the Mortgage Broker Regulators Council of Canada, the Canadian Insurance Services Regulatory Organizations, and other groups.

FSCO has both formal memorandums of understanding and less formal co-operation arrangements with other regulators that facilitate MRB's work.

As well, MRB reaches out and exchanges information on an ad hoc basis with other regulators where there are mutual registrants/Licensees or matters of shared interest.



General Approach to Supervision

Risk-Based

In 2017, MRB monitored the market conduct of over 85,000 Licensees operating in Ontario as well as the solvency of a smaller number of Licensees. As such, it is impractical to assess every Licensee on an annual basis with the limited staff resources available to MRB. Therefore, MRB uses a risk-based approach to fulfill its responsibilities.

In general, risk is represented as any barrier to achieving FSCO's regulatory outcomes. This includes business conduct or practices that are unfair, deceptive or harmful to consumers.

MRB applies the risk-based approach to all aspects of its work. Every year, MRB applies a risk-based approach to determining the sectors, and areas within each sector, that will be monitored, as well as the specific supervisory activities that will be undertaken in respect of each sector (e.g. on-site examinations, desk reviews).

The details of this work are documented in MRB's Annual Supervisory Plan. The plan guides the work of staff throughout the year. (More information about the plan is available in the Market Regulation Branch Supervisory Process section.)

MRB also applies a risk-based approach when performing supervisory activities. When considering whether to pursue enforcement action, staff analyze and prioritize cases or Licensees based on the probability of the risk of non-compliance and potential negative impact on financial services consumers, other Licensees, and the government's or FSCO's reputation.

Staff collect and analyze qualitative and quantitative information to assess compliance with the law and apply judgment in determining and validating against acceptable risk levels and the actions required.

Reliance on Corporate Governance

As the majority of FSCO Licensees operate as financial institutions or dealer-broker businesses, FSCO actively promotes strong corporate governance mechanisms and expects Licensees to have rigorous internal mechanisms that identify and manage risks arising from their dealings with consumers and those of their sponsored intermediaries. FSCO expects that sole proprietorships and partnerships also have appropriately documented policies and procedures.

Reliance on high standards for corporate governance and internal controls is a component of the risk-based approach to regulation. As MRB considers the existence and quality of

corporate governance policies and practices to be key risk indicators, MRB focuses examinations in this area.

Progressive Approach to Discipline

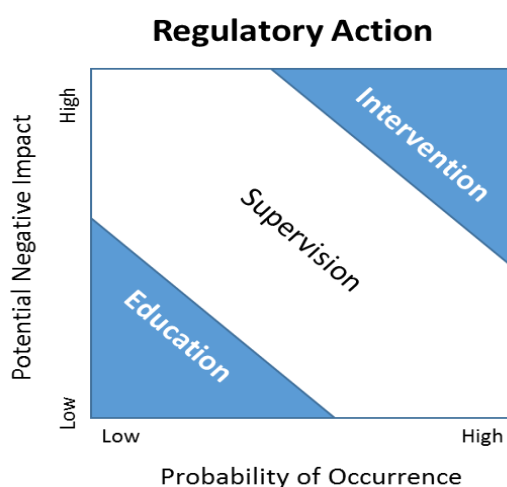
Regulatory response refers to enforcement action taken by MRB in response to situations where non-compliance with laws and regulations has been identified.

FSCO takes a progressive approach to discipline. Discipline is the type of regulatory action/enforcement tools that FSCO applies to influence marketplace behaviour. Tools range from education and remediation action to regulatory intervention, which includes licence revocation, licence suspension and administrative monetary penalties.

Not all contraventions necessarily result in enforcement action, and the type of enforcement may differ based on the unique circumstances of a contravention. MRB sets levels of tolerance for identified risks appropriate to the context of the regulated sectors and responds to risks in a measured way, primarily focusing on the more significant risks first while keeping in mind the desired regulatory outcomes.

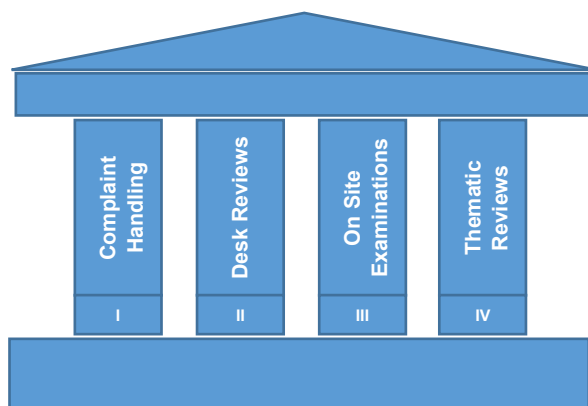
Enforcement tools vary depending on the risks or issues specific to the regulated sectors, individual risk profiles (e.g. Licensee size, impact and complexity), key risks, mitigating actions taken by the Licensees, as well as past supervisory findings.

The type of enforcement action varies depending on the findings as illustrated below (see [FSCO's Regulatory Framework](#) for details).⁴



⁴ FSCO's Regulatory Framework discusses the continuum for risk assessment based on the probability of occurrence and the potential negative impact on achieving regulatory outcomes at the micro and macro levels.

Core Supervisory Activities



I. Complaint Handling

MRB is the single point of contact for complaints about all of FSCO's regulated sectors, with the exception of pension plans. Complaint handling provides frontline information about the financial services marketplace and helps FSCO gauge how regulatory expectations regarding consumers are being met, albeit retrospectively.

FSCO supports an industry-first response for consumer complaints and expects that Licensees have effective and transparent protocols in place to address them. MRB reviews all complaints to ensure the presence of industry-first response systems and to test their effectiveness. In cases of clear non-compliance, FSCO intervenes promptly and directly.

MRB reviews complaints that remain unresolved through industry-based complaint resolution systems as well as complaints made to FSCO about products and services in sectors that are not required to have complaint protocols in place.

MRB compliance officers gather information about complaints and make assessments as to unlawful activities. Although a small proportion of complaints result in findings of non-compliance with the law, MRB staff analyse these cases to identify expectation gaps between consumers and Licensees.

Where a complaint review indicates activities or practices that are lawful but have potential for consumer harm, MRB applies moral suasion and education to change Licensee behaviour. Where a review indicates non-compliance, MRB compliance officers refer the matter to FSCO's regulatory discipline officers who determine further action in consultation with FSCO's legal services staff.



MRB compliance officers record detailed information about all complaints regardless of their outcome. They share information, review patterns, consider indicators or systemic problems, and make recommendations for targeted or thematic reviews or examinations by market conduct compliance staff.

In addition to complaints made to FSCO by consumers, compliance officers also initiate reviews triggered by information from other channels including FSCO's Fraud Hotline, sanctions imposed by other regulators, minister and MPP requests, media reports, and industry reporting (e.g. Life Agent Reporting Forms).

II. Desk Reviews

MRB uses desk (off-site) reviews to monitor compliance across Licensees with a medium-risk of non-compliance to gain a better understanding and/or validate information they have reported through filing requirements or the completion of surveys and questionnaires.

MRB establishes desk review parameters to identify elevated risk levels that warrant further on-site examination of a Licensee.

Desk reviews look at specific Licensees and are usually limited in number. They require fewer resources than on-site examinations.

Typical desk reviews include:

- Validating Annual Information Return data that may result in supervisory compliance actions
- Validating and analysing information gathered through ad hoc or targeted surveys and questionnaires
- Validating and analysing information collected from filing requirements, including solvency reviews of provincially licensed entities and enhanced monitoring of specific Licensees
- Validating compliance with specific legislative provisions
- Complementing or replacing on-site reviews of lower-risk Licensees with a limited scope, ad hoc or targeted review to get a broader but shallower understanding of Licensees
- Collecting, validating and analysing information about specific circumstances in the regulated sectors, products, coverage, business practices, or potential non-compliance circumstances



Limited scope, ad hoc or targeted reviews of Licensees are intended to assess a specific issue and therefore the scope of these reviews is focused to gather specific information or to assess compliance in relation to a particular issue.

Desk reviews expand MRB's monitoring and compliance activities, and ensure cost effective use of resources to allow for greater focus on high-risk areas.

III. On-Site Examinations

MRB's on-site examinations target Licensees that have been flagged as having a higher risk of non-compliance through complaint data, filing information, desk review findings, or information brought forward by regulatory discipline officers and market intelligence staff. These examinations can also be informed by thematic reviews.

On-site examinations are more detailed than desk reviews and require significantly more resources. Unlike desk reviews, on-site examinations give MRB access to a wider variety of information about an entity. On-site examinations also provide invaluable perspective so that examination staff can make assessments in the context of day-to-day business operations.

There are two types of on-site examinations: ongoing monitoring, and ad hoc or targeted.

Ongoing monitoring examinations are usually set out proactively as part of MRB's annual planning. Findings from the examination programs feed back into the supervisory cycle, typically in the form of recommendations for further targeted review or assurance that compliance is being observed. The findings are also useful in supporting recommendations for other activities such as policy development, industry education and stakeholder engagement for collaborative solutions.

Ad hoc or targeted examinations are usually reactive, prompted by atypical or recent changes in marketplace activity. They may also be prompted by complaint reviews, requests from FSCO's Licensing Branch or issues raised by other sources. Usually, ad hoc examinations target subsets of Licensees and drill down on specific issues.

IV. Thematic Reviews

MRB undertakes thematic reviews to perform exploratory research and build understanding about specific market conduct practices that are evolving in the marketplace and/or emerging risks from specific industry business practices, and products or services at the macro level. Typically, the reviews use surveys and questionnaires to gather information. For example, in 2014, MRB conducted a thematic review to better assess the process that life agents employ when recommending products to their clients.



Thematic reviews involve large numbers of Licensees and can sometimes take place over several fiscal years and involve other jurisdictions. Thematic reviews require planning, intense collaboration among MRB work units, and a high degree of stakeholder engagement throughout.

MRB uses the findings from thematic reviews to extrapolate conclusions for a sector overall and inform planning for future supervisory efforts.

Market Regulation Branch Supervisory Process

MRB has an established supervisory process that guides all of its supervisory activities. The process starts with strategic planning, continues with execution and analysis, and culminates in regulatory action and reporting.



Supervisory Planning

Supervisory planning is a continuous cycle of risk management based on an overall risk assessment across all the regulated financial services sectors. It uses information gathered throughout the year to identify current and emerging trends, sector-specific risks, and overall industry compliance.

MRB uses this information to determine the types of supervisory activities that need to be performed in the coming year, in each of the regulated sectors. The supervisory activities to be undertaken and the commensurate resources to be allocated are captured in MRB's Annual Supervisory Plan.

The Annual Supervisory Plan provides the operational details on:

- How MRB will allocate resources
- What supervisory activities MRB will employ (e.g. desk reviews, on-site examinations)
- What initiatives MRB will implement to achieve FSCO's goals for the year (e.g. thematic reviews)

The Annual Supervisory Plan also aligns with the strategic priorities set out in the FSCO's annual Statement of Priorities.

MRB reviews the plan at least quarterly to assess actual activity against projected targets. Where there are variances, MRB takes steps to determine the underlying reasons. In some cases, variances are deemed acceptable (e.g. time to complete examinations is longer than



projected due to risks discovered during the examination). In other cases, MRB adjusts targets throughout the year due to external and internal drivers.

MRB also assesses against expenditures in fee-based sectors. Staff monitor closely to ensure that the cost of FSCO's supervisory activities do not contribute to exceeding the amount of fees collected or to significant under-expenditure.

Execution and Analysis

Execution and analysis activity refers to the day-to-day implementation of the Annual Supervisory Plan. Regardless of the function, MRB applies the same steps to their work.

Step 1 involves gathering information and conducting a risk assessment to identify potential risks and issues associated with the Licensee, the complaint, and/or the marketplace issues.

Step 2 requires establishing the scope of review and conducting fact-finding and analysis so that MRB can validate information and gain a better understanding of the practices/products and/or how Licensees are managing identified risks.

Step 3 involves making a determination of compliance, with three possible outcomes:

- If the information available is not sufficient to reach an evidence-based conclusion, then staff seek additional information and the assessment process begins again. Where additional information is not available, no definite conclusion can be reached.
- If no aspects of non-compliance are identified, then there are no findings, and no further regulatory action is required.
- If aspects of non-compliance are identified, then regulatory action is taken. The type of regulatory action depends on the severity of the situation and the impact to consumers.

Regulatory Action and Reporting

Once an assessment is completed, MRB must communicate its findings and recommendations to the Licensee and, in the case of complaints, to the complainant.

In cases where there are aspects of non-compliance with the law, or there are gaps in a Licensee's adoption of best practices, MRB provides the Licensee with an opportunity to respond and, depending on the findings, MRB may request that the Licensee submit a remedial plan which is validated once implemented.



Where there is evidence of non-compliance, MRB may, depending on the seriousness of the issue and/or FSCO's overall objectives for a particular sector, escalate the matter for further enforcement action.

MRB prepares and publishes aggregate reports of consolidated findings and recommendations arising from its examinations and thematic reviews. These reports provide Licensees with a benchmark for assessing their own internal practices. The reports also set FSCO's expectations of Licensees and help inform the development of the Annual Supervisory Plan for the coming year.



Conclusion

The supervisory framework provides an understanding of the activities and process used by FSCO's MRB to monitor and ensure compliance by Licensees across the regulated financial services sectors.

The supervisory framework respects FSCO's regulatory principles and demonstrates how MRB's work is planned and delivered towards fulfillment of FSCO's mandate.