



Approved Sep 21, 2011

General Insurance Statistical Agency 2010-11 Annual Report of the Directors

The Directors of the General Insurance Statistical Agency (GISA) are responsible for preparing an Annual Report, in accordance with the governing by-law.

NATURE OF BUSINESS

GISA was incorporated in June 2005 and appointed, effective April 1, 2006, as the statistical agent for insurance regulators in the participating member jurisdictions - Alberta, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Ontario, Prince Edward Island, Yukon and Nunavut.

GISA is governed by a Board of Directors comprised of eight Member Directors, three Industry Directors and two Public Directors.

GISA was created to improve the governance and oversight, as well as the reliability and objectivity of insurance statistical data.

Detailed information on GISA's business and objectives, governance structure, Board and Committee responsibilities, Bulletins and Publications can be found on GISA's website at www.gisa-asag.ca.

BOARD OF DIRECTORS

The GISA Board is comprised of 13 members and consists of regulators, industry representatives and public representatives. During the year, GISA's Board met formally four times, twice in person and twice by Conference Call, to address matters referred to it for decision and to receive progress reports on GISA's strategic initiatives and matters related to the operation of GISA. Day-to-day operations are carried out by the GISA Management and staff at the Secretariat.

The Annual Meeting of the Board of Directors will be held on September 21, 2011.

AUDITORS

The Finance & Audit Committee reviewed the changes in financial reporting standards for non-profit organizations and their applicability with GISA Accountants and Auditors.

Audited financial statements and Audit Findings Report, for the fiscal year ending March 31, 2011, will be presented to the Board by PricewaterhouseCoopers, LLP. In accordance with the governing By-Law, upon approval by the Board, the audited

financial statements and report will be presented to the Members of the Corporation at their Annual Meeting also scheduled for September 21, 2011.

Upon acceptance by the Members, the approved audited financial statements will be posted on the GISA website.

YEAR IN REVIEW

The GISA Board of Directors, in its capacity as the governing body overseeing the business and affairs of the Agency, undertook the following principal activities over the period April 1, 2010 to March 31, 2011.

Appointment of Board Committees

At its meeting on September 22, 2010, the Board of Directors made the following appointments:

- Officers of the Corporation
- Executive Committee
- Statistical Plan Committee
- Finance & Audit Committee

Technology Renewal Plan

GISA continued to oversee the progress of the 5 year Technology Renewal Plan (TRP) that was commenced in February 2006. In December 2010, Year 5 of the Technology Renewal Plan, all project activities related to Phase II – ASP Exhibit Production and Analytical Environment – were completed. The 5-year TRP Phases I & II cost to GISA was \$14.52M against an original budgeted of \$16.38M. In addition, approximately \$1.09M of total depreciation costs will be carried forward for the next 2-3 years.

In June 2010, the GISA Board approved the proposal from the Statistical Service Provider (IBC) for the Final Phase of the TRP to upgrade all of the remaining GISA-related systems from the legacy environment. TRP Final Phase commenced in June 2010 and is scheduled to be completed by 2015. The total cost to GISA, as at March 2011, is estimated to be \$4.52M based on current project specifications. As individual project requirements are finalized, the cost of each project will be brought to the GISA Board for approval before implementation.

In March 2011, the impact of other IBC clients migrating from the legacy to the renewed environment was evidenced through an increase in GISA's percentage allocation of transaction volumes – resulting in an increase in both Operations and Final Phase costs for the 2011-12 fiscal year. GISA has asked IBC for a 3-year projection of Operations costs to illustrate the impact of Final Phase migrations from the legacy environment by GISA and other IBC clients. GISA had asked that this projection be developed in

consultation with GISA and be presented – at the September 2011 meetings - with applicable options that will optimize data collection / reporting and minimize the financial impact on GISA.

Data Rationalization

The GISA Data Rationalization Initiative, which began in 2007 to harmonize and rationalize regulatory data needs, involved the identification of data requirements, prioritization, and an analysis of the requirements and alternatives. PricewaterhouseCoopers was retained, further to a procurement exercise, to conduct the cost/benefit analysis of the alternatives proposed by the project's working groups.

Through this exercise, GISA consulted with various stakeholders - who may be impacted - through several industry consultations, Joint Regulator/Industry Working Groups and a survey of the various stakeholders. Through these activities, GISA has performed extensive analysis of the original data requirements and the proposed alternatives so Superintendents, who have the authority over the ASP and the information collected to fulfill their regulatory needs, can use GISA's analysis to make a fully informed decision.

Reports emanating from this exercise are anticipated to be finalized for Board review and approval at its June 2011 meeting. Thereafter, they will be presented to the Superintendents for their decision on appropriate alternatives to adopt based on the analysis and findings in these reports.

Review of Deficiency Fees System

To address the annual rise in deficiency fees and nature of fee-appeal escalations, the Finance & Audit Committee commissioned a review of the current Deficiency Fees System.

Further to an environmental scan and an analysis of current experience, a revised framework has been developed that maximizes efficiencies through the Technology Renewal Plan. As well, an industry pilot to discuss the proposed framework and company-specific experience was undertaken with a cross-section sample of insurance companies.

The revised Deficiency Fees framework, inclusive of industry feedback, was considered by the Board at its March 2011 meeting. The Board has asked that the implementation plan be augmented to include appropriate communication and evaluation strategies.

ASP Portal

In order to implement GISA's brand and presence in the industry and build awareness of the organization, GISA embarked upon a rebranding of its Automobile Statistical Plan

online exhibit library (eLibrary) whereby the online repository of published industry ASP exhibits and supporting data files will be branded with GISA’s logo.

Business Case for GISA Secretariat Resource Requirements

At its June 2010 meeting, the Board considered resource requirements of the GISA Secretariat on a going-forward basis and based on experience to-date.

In light of the Secretariat’s continuing engagement and considerable resource investment in strategic initiatives related to the collection, analysis and reporting of statistical data under the statistical plans, a Statistical Plan Lead position has been approved for the Secretariat. Financial impact for this additional resource will be offset through reduced administrative support as a result of shared staff among other Secretariats housed at FSCO.

GISA Budget & Industry Assessments

At its September 2010 meeting, the Board reviewed GISA’s 2009-10 cashflow reconciliation of expenditures and revenue (including investment income and deficiency fees). The Board authorized that, of the excess funds available, \$988,812 be applied against 2010-11 Final Phase costs and approximately \$1M be applied to reduce the 2010-11 Q3 and Q4 industry assessments.

In March 2011, the Board reviewed and approved GISA’s budget of \$12.619M for the period April 1, 2011 to March 31, 2012 comprised of GISA’s allocation of the Information Technology renewal project for the Automobile Statistical Plan, IBC’s operating costs for all mandatory statistical plans, Strategic Initiatives undertaken in accordance with the GISA Strategic Plan, and a budget for the GISA Secretariat that supports the work of GISA, including its Board of Directors and Committees.

The budget approved for the period April 1, 2011 to March 31, 2012 is presented below against the 2010-11 budget and actuals for comparison:

	2010-11 Budget	2010-11 Actuals	2011-12 Budget
IBC Annual Operational	\$ 9,272,479	\$ 8,,853,980	\$ 9,600,369
TRP – Phases I & II	2,236,295	1,984,061	
TRP – Final Phase	988,812	176,930	1,897,889
- ASP Portal Rebranding			285,000
GISA Strategic Initiatives	119,575	100,159	91,988
GISA Secretariat Operational	<u>629,396</u>	<u>588,395</u>	<u>743,366*</u>
Total	<u>\$13,246,557</u>	<u>\$11,703,525</u>	<u>\$ 12,618,612</u>

**includes actuarial consulting services retained by GISA effective April 2010*

Interim quarterly assessments to the industry of \$3.155M were approved subject to the fiscal year audit and cashflow reconciliation available at the Fall 2011 meeting.

GOVERNANCE

GISA Consulting Actuary

To address perceived conflict of interest concerns, the Board authorized the procurement of consulting actuarial services for GISA through a Request for Proposal (RFP). Based on a thorough procurement process, Ernst & Young has been retained for an initial period of one year, effective April 2010, to provide actuarial services for the Ontario Automobile Statistical Plan.

Subject to satisfactory performance, in accordance with an approved set of performance measures, GISA will extend the agreement for three years ending March 31, 2014 to provide actuarial services for all participating jurisdictions and all statistical plans.

Statistical Plan Service Provider

At its Spring 2010 meeting, the Board considered, as good governance practice, embarking upon an RFP for a statistical plan service provider. Subsequent to consideration of a detailed procurement process and timeline, GISA's Chair and Vice-Chair apprised the IBC President and CEO of GISA's intention.

In addition, the Board reviewed resource and cost estimates for the RFI/RFP activities and authorized an incremental budget of \$19,575 for the full project.

Auditor Procurement

PricewaterhouseCoopers (PwC) was appointed as GISA's auditors subsequent to an objective tendering process undertaken in August 2007. This appointment was extended in December 2007 for another two financial year-ends – March 2010 and March 2011 at prescribed rates.

In light of the multi-year Final Phase undertaking of the Technology Renewal Plan, the Board agreed that it would be prudent to extend the appointment of PwC for a two plus optional two year term for the March 31, 2012 to 2015 financial year-ends at the flat fee established by PwC for this four-year term.

IT Consulting Services Procurement

The Board approved the retention of Robert Byrnes Consulting Inc. as GISA's Information Technology Consultant for a period of two years with a two year option to provide support to the GISA Board with regard to oversight of the Technology Renewal Plan as well as provide other Information Technology advice as needed.

Annual Reviews of Terms of Reference, Performance, and Competency Inventory

1. Board of Directors

The Board reviewed results from the survey which showed a high level of satisfaction in the areas of Board leadership and governance and organizational operations and culture.

The self-evaluation showed a strong understanding and knowledge of the organization and commitment to making a positive contribution to GISA. It was felt that the diversity of members on the Board brings great strength and contributes to effective functioning.

The Chair received a good to excellent rating and the Competency Matrix and Inventory showed a good level of knowledge, skills and experience in all areas.

An action plan was developed for recommendations made relating to Member education on the Automobile Statistical Plan, creating awareness amongst stakeholders, of GISA's function and work with other organizations and government policy makers, and leveraging its services to the consumers towards achievement of its mandate including making exhibits available to the public.

In keeping with the above recommendations, GISA's actuaries, Ernst & Young made an educational presentation on the Automobile Statistical Plans at the Board's March 2011 meeting.

2. Executive Committee

The Committee agreed that the Terms of Reference appropriately reflect its mandate. The review reflected a high level of satisfaction with achievement of Committee mandate and responsibilities and identified professional diversity and knowledge of the automobile industry as key strengths that support the Committee's ability to provide strategic direction and influence change. The Committee has suggested membership skills should include knowledge of statistical plan data, technical systems project implementation and cost-benefit analysis.

3. Finance & Audit Committee (F&A)

The Committee has undertaken annual performance assessments every January and reviewed results at its March meetings. At its March 2010 meeting, the Committee agreed to align its annual review with other GISA Board and Committees. Accordingly, the results of the Committee's performance review undertaken in July 2011 will be available at the September 2011 meetings and reported in the next Annual Directors Report.

4. *Statistical Plan Committee (SPC)*

The Committee undertook the annual self-assessment survey together with a review of the Committee Terms of Reference. Minor changes, to bring alignment with other GISA Board Committee Terms of Reference, were approved by the Committee.

Board Appointments – Term of Office

The Board's 2010 Annual Performance Review recommended a review of the maximum term-of-office for Industry and Public Directors that serve on GISA's Board.

Based on best governance practice and to achieve a good balance between continuity of experience and injection of fresh perspectives, the Board approved that such appointments be staggered and be limited to a period of six years. The Board also recommended that the appointment terms be increased to a maximum of three years.

Remuneration Policy

In keeping with the Board's decision to exercise prudence and fiscal restraint, the Board agreed that the annual remuneration rates for GISA's Public Directors remain at the current level of \$4,000 per annum until March 31, 2012.

The Remuneration and Reimbursement Policy for expenses, honorariums and per diems incurred by GISA's external directors adopted by the Board is posted on GISA's website.

GISA Strategic Plan 2010-2013 & Strategic Initiatives Implementation Plan

Based on Board feedback obtained through a comprehensive questionnaire, a new Strategic Plan for the period April 1, 2010 to March 31, 2013 was developed. The new plan builds on GISA's successes to-date and addresses challenges facing GISA over the next three years. The new plan has been posted on GISA's website.

In accordance with the supporting detailed Implementation Plan, four teams will be charged with different elements of Plan and will develop their terms of reference and work plans with resource requirements to support the execution of initiatives identified.

By order of the Board,

Rosemin Jiwa-Jutha

Corporate Secretary – Treasurer