



Annual Report of the Directors

2016 – 2017

**General
Insurance
Statistical
Agency
(GISA)**

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Visit GISA's website at www.gisa.ca for detailed information on GISA's business, objectives, governance structure, Board and Committee responsibilities and publications.

MESSAGE FROM THE CHAIR

Timely statistical and financial information supports a healthy, accessible, and responsive marketplace.

I am pleased to present the General Insurance Statistical Agency (GISA)'s 2016-2017 Annual Report, for the fiscal year ended March 31, 2017. The report describes GISA's mandate and governance structure, provides highlights of our activities, and presents its audited financial statements as at the end of the fiscal year.

The 2016-2017 fiscal year was marked by several transitions that required a review of projects being delivered through the 2014-2017 Strategic Plan. GISA prioritized core activities to promote a continued focus on delivering timely and accurate exhibits, while pursuing emerging opportunities. As result, the current strategic plan was extended by an additional year to allow the completion of other work in progress.

During the year, GISA commenced a review of the Automobile Statistical Plan (ASP) definitions and completed the implementation of three Information Technology projects: Exhibit Production System Consequence Process Integration Phase 1, Early Warning System Enhancements, and Ontario Automobile Reform 2016.

The GISA Board recognizes the importance of communication with industry, regulators, and rate boards. Activities were undertaken to enhance communication and increase the transparency of the projects underway to improve data collection and reporting. These efforts promote a broader awareness of industry trends and developments, which is essential to GISA's strategic and operational planning.

Finally, as GISA's current operational framework has been in place for a number of years, an Operational Review has been initiated to ensure that GISA has the appropriate staffing model in place to support industry and regulators for the coming years. Recommendations arising from the Operational Review will also inform GISA's strategic and operational plan, including the development of GISA's 2018-2020 Strategic Plan.

I look forward to our work together over the coming year.

Brian Mills
Chair
General Insurance Statistical Agency

MANDATE

GISA was incorporated as a not-for-profit corporation in June 2005 and appointed, effective April 1, 2006, as the statistical agent for insurance regulators in the following participating member jurisdictions:

- Alberta
- New Brunswick
- Newfoundland and Labrador
- Northwest Territories
- Nova Scotia
- Nunavut
- Ontario
- Prince Edward Island
- Yukon

GISA was established to improve the governance, accountability, and oversight, as well as the reliability and objectivity, of insurance statistical data in Member jurisdictions.

GISA's mandate is to collect, and make available, timely statistical and financial information to support a healthy, accessible, and responsive marketplace for property and casualty insurance.

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

STATISTICAL AND FINANCIAL INFORMATION

GISA collects data and reports statistical information in accordance with two mandatory statistical plans, subject to each participating jurisdiction's legislative and regulatory requirements, and financial information:

- **Automobile Statistical Plan (ASP)** – insurers operating in Alberta, Ontario, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland & Labrador, Yukon, Nunavut, and the Northwest Territories must report statistical data for automobile insurance under this plan.
- **Ontario Commercial Liability Statistical Plan (CLSP)** – insurers writing the liability class of insurance within Ontario must report statistical data for commercial liability insurance under this plan.
- **Financial Information (FI)** – insurers operating in Alberta, Ontario, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland & Labrador, Yukon, Nunavut, and the Northwest Territories must report financial information for automobile insurance under this reporting requirement. GISA started collecting financial information from automobile insurers beginning with the 2012 automobile insurance experience.

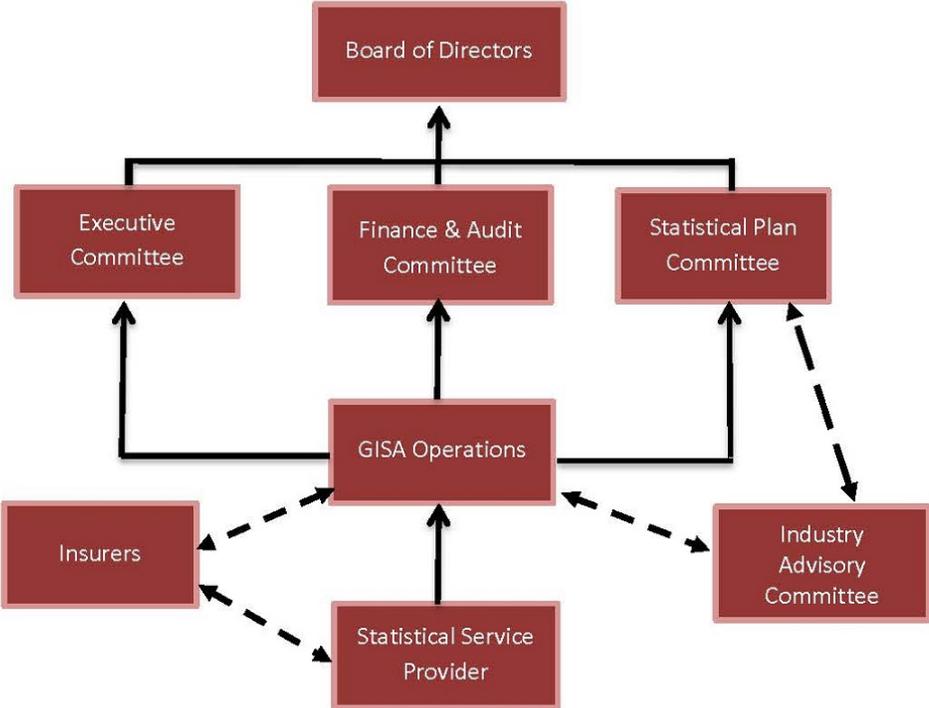
The statistical and financial data is collected to support participating member jurisdictions with fulfilling the following public policy objectives:

- Monitoring the adequacy of rates to ensure that they are not excessive or unfairly discriminatory;
- Monitoring the adequacy of market structure and performance, and taking steps, if necessary, to restore competition or remedy the problems caused by market instability; and
- Providing aggregate industry experience to assist industry in making informed pricing decisions.

GISA publishes a series of exhibits and reports on the automobile insurance experience and financial information which are compiled from data that has been collected from all licensed automobile insurers by GISA and contains experience from all participating jurisdictions.

GOVERNANCE

GISA has established the following governance structure to fulfill its mandate and carry out its activities:



The structure creates a direct link between the statistical agency, the provider of statistical services to the agency and its stakeholders. It provides provincial and territorial regulators with oversight of the statistical plans and clarifies that the integrity of the data assembled is ratified by a body independent of the industry. In short, this governance structure best serves the industry and the public interest. More details are provided in Appendix A.

STRATEGIC PRIORITIES

The Board approved GISA's Strategic Plan for 2014-17 in June 2014, and the corresponding Implementation Plan in October 2014. The Strategic Plan focused on the following strategic priorities:

- 1) *Improve the harmonized collection and reporting of accurate, timely and relevant data;*
- 2) *Enhance GISA's operational capabilities;*
- 3) *Foster a better understanding of GISA's role; and*
- 4) *Support regulators by monitoring and responding to the evolving marketplace.*

This Strategic Plan was extended to March 2018 by the Board, in October 2016, to enable completion of Data Management strategic initiatives, while supporting a focus on core operational activities and the introduction of the ASP Definition Review.

This year, GISA:

- Met with the Industry Advisory Committee (IAC), Regulators and Rate Board representatives respectively to seek further clarification regarding the 2015 Stakeholder Survey. Key topics, such as exhibit production timeliness and emerging market trends have been discussed at the meetings. The 2015 survey report including a summary of feedback from the IAC, Regulators and Rate Board representative has been published on the GISA website.
- Initiated the ASP Definition Review in October. The review is to conduct a deep and comprehensive analysis of the current ASP definitions, and to develop new standard definitions aligned with today's fast-moving marketplace. An advisory group was specifically established to support the work, which includes Regulators, Rate Boards, GISA's Statistical Service Provider and industry representatives selected from a wide array of insurance companies. The project is currently on-going.

GISA OPERATIONS UPDATES

Data Management

To better understand the data elements used in statistical reports, and to improve data elements transparency, this year, GISA initiated “Transparency of Data Use in Reports” project with regulators to review current and future expected data use. This project has also explored newly introduced data elements, identified outdated data elements, and gathered information on data usage levels from both regulators and industry. The project’s recommendations, including revisiting data element definitions, the removal of outdated data elements, and the enhancement of monitoring of data use by third parties, have been approved. The ASP Definition Review project commenced in October 2016 to implement these recommendations.

Hands-on training was offered to a small group of regulatory staff from Ontario, Alberta and Newfoundland in August 2015. This year, efforts were made to understand the needs of regulators to access non-published, and customized data on GISA Portal. Training sessions were provided to regulators and Rate Boards in April and May 2016.

An analytical tool, referred to as Master Exclusion Matrix, was developed and operationalized in November 2016. The Matrix was designed to assist GISA and its Service Provider by introducing a more efficient way to monitor data exclusions for each class of automobile exhibits and support the identification of companies with high exclusion levels. Based on the analytical results, GISA communicated with each ASP reporting company on their specific exclusion issues in December 2016. GISA received positive feedback from this increased communication with industry.

Completed Information Technology Projects

For Fiscal Year 2016-17, three Information Technology (IT) projects have been completed.

Exhibit Production System (EPS) Consequence Process Integration Phase 1 - The objective of the project was to automate the consequence process for ASP from a highly manual process to a more automated process, which is more time efficient, easier to complete and more accurate. The project is now completed.

Early Warning System Enhancements - The objective of the enhancement project was to enhance the Early Warning System (EWS) by adding the functionality to allow EWS business users to create new Anomaly Rules into production, reducing the time and manual effort required to do so. The project is now completed.

Ontario Automobile Reform 2016 - In August 2015, changes to Ontario's Automobile Insurance regulations were announced, including a Winter Tire Discount and amendment of the Statutory Accident Benefits Schedule with respect to Optional Accident Benefits. This project was initiated to make specific changes to the ASP Ontario collection and reporting requirements. All collection EPS changes were completed and were promoted to production.

Ongoing IT Projects

Financial Information (FI) Enhancement and Annual Balance Reconciliation (ABR) Redevelopment - Last fiscal year, a decision was made to combine FI and ABR collection into an FI-ABR system. The enhanced ABR-FI system will allow users to submit several types of FI submissions (Property & Casualty form with Annual Supplement, Unallocated Loss Adjustment Expenses form and FI Main form) that also include data required for Annual Balance Reconciliation. While the collection module of the ABR-FI system was in production, the deployment of the FI Deficiency Fee System module was delayed to Q1 the next fiscal year as some insurance companies were still submitting data manually. The implementation delay avoided incorrectly charging deficiency fees.

ASP Renewed Environment Investment – Analytical Applications - Started last fiscal year, this the second refresh project to be delivered in the renewed environment. The project objective is to review the components of the analytical environment and ensure the systems utilize appropriate technology, meet with vendor supportability requirements and maintain cost effectiveness. Both Commercial Liability and Automobile Exhibit Production System conversions were completed and deployed to production in March 2017. Conversion of EWS and Error Scoring Framework applications are currently in progress.

In Fiscal Year 2016-17, the GISA Board also approved the following new projects to further support data collection and analysis:

- ProClarity Replacement – ProClarity was a crucial data analysis tool for exhibit production. This project assessed several alternative software and concluded that MS Excel was the most appropriate replacement for ProClarity.
- Submission Management Enhancements – this project will make modifications or enhancements to the GISA portal to create a more efficient process or add functionality that currently does not exist. This enhancement will aid industry users by creating a more efficient and user-friendly submission process.
- Exhibit Production System Enhancements – this project will deliver functionality enhancements to the EPS. The project includes the implementation of strategies identified in the Regulator Access to GISA Data Proof of Concept project, which were deemed to add value to mainstream operations.
- Exhibit Production System Process Automation – this project is intended to deliver enhancements to EPS by replacing manual processes. For example, an automated, alert-based process for validation is to be implemented which would replace the current manual process.
- EPS Consequence Process Integration – Phase 2 – this project will determine the viability and requirements for the linking of EWS anomalies to the EPS system resulting in a more automated manner of generating consequences. The benefit of this project is to increase the accuracy of the EPS exhibits and the expediency of exhibit delivery.

Financial Procedure Review

Commencing in June 2015, GISA began a review of its internal financial procedures. Six procedures were to be reviewed, reorganized and rewritten. GISA engaged its auditor, PwC, to perform the final review of updated financial procedures and advise on the adequacy of existing control procedures and policies, in accordance with Canadian accounting standards for not for profit organizations. In March and June 2015, GISA completed a review and updated the “Capitalization Policy” and “Policy on Investment of GISA’s Assets”. These two policies have been monitored and were updated again in 2016.

GISA also completed the review of “Revenue & Receivable Procedure” in September 2016. The draft procedure was approved by the GISA Board at its October 2016 meeting.

CSAE 3416 Audit

GISA requested the Canadian Standard on Assurance Engagements (CSAE) 3416 Audit to focus on its Statistical Service Provider’s internal control objectives and related control activities required under the ASP and the CLSP, including the relevant business processes, computer processing environments and IT management processes. The readiness of the Financial Information (FI) program was also assessed. The audit will be completed in December 2017.

Future Planning

GISA’s Statistical Service Provider contract was due to expire in March 2018. A working group was established to develop the documentation required to support the procurement of a Statistical Service Provider. During this fiscal year, GISA experienced several staffing changes within its Operational Unit. Having given due consideration to the performance of the current Statistical Service Provider and the status of the GISA Operations unit, the GISA Board approved at its spring meeting that:

- the procurement of a Statistical Service Provider be deferred;
- an operational review of the GISA unit be completed; and
- an extension of the contract with GISA’s current Statistical Service Provider be negotiated.

APPENDIX A:

Board of Directors

GISA is governed by a Board of Directors comprised of nine Member Directors, three Industry Directors and two Public Directors. During the year, GISA's Board met four times to address matters referred to it for decision and to receive progress reports on GISA's strategic initiatives and matters related to its operations.

The Board undertook its annual performance review and competency inventory matrix to examine the Board's effectiveness and make improvements where necessary.

Board Committees

The GISA Board has established the following Committees:

- Executive Committee
- Finance & Audit Committee
- Statistical Plan Committee
- Industry Advisory Committee

Executive Committee

The Executive Committee provides stewardship and strategic management for GISA. Its mandate is to provide ongoing oversight and direction in the operation of the agency.

The Executive Committee:

- provides ongoing direction and advice to GISA Management in implementing decisions of the Board;
- acts as the Nominating Committee for appointments to the Board and its Committees;
- reviews and approves key communication documents and correspondence;
- establishes priorities and approves agenda for Board meetings; and
- makes ongoing decisions as necessary.

During the year, the Committee met four times.

Committee Members

Brian Mills, Chair
Nilam Jetha
Angela Mazerolle
Brigid Murphy

Finance & Audit Committee

The Finance & Audit Committee assists the Board in fulfilling its financial oversight responsibilities. The Committee reviews GISA's financial risks, results, and reporting systems and provides advice and makes recommendations to the Board with respect to:

- external audits;
- internal control and risk management;
- financial performance and planning; and
- any other issues as requested by the Board.

During the year, the Committee met four times.

Committee Members:

Ralph Peterson, Chair
Robert Bradley
Bonnie Lovelace
Angela Mazerolle
Brigid Murphy
William Ngu

Statistical Plan Committee

The Statistical Plan Committee assists the Board in fulfilling its oversight responsibilities pertaining to the collection, analysis, and reporting of statistical and financial information. The Committee oversees, provides advice, and makes recommendations to the Board with respect to:

- GISA's Data Collection, Analysis and Reporting of Statistical Plan Data and Financial Information;
- GISA's Technological Projects and issues; and
- any other issues as requested by the Board.

During the year, the Committee met four times.

Committee Members:

Nilam Jetha, Chair
Brian Mills
John O'Brien
Sylvain Nolet
Barry Cotnam
Del Dyck

Industry Advisory Committee

This newly constituted committee assists the Statistical Plan Committee and GISA in providing advice on technical and business issues pertaining to the mandated statistical plans and other statistical data. The committee serves an important role and is expected to draw upon a wide range of industry expertise.

Committee Members – Representatives from:

Aviva Canada
CAA
Cooperators
Desjardins
Intact

GISA Board and Committee Membership

(As of the period ending March 31, 2017)



Brian Mills
Chair
Member Director
Committees:
Executive
Statistical Plan



Nilam Jetha
Vice-Chair
Member Director
Committees:
Executive
Statistical Plan



Angela Mazerolle,
Vice-Chair
Member Director
Committees:
Executive
Finance and Audit



Robert Bradley
Member Director
Committee:
Finance and Audit



Louise Lavoie
Member Director
Committee:
Finance and Audit



William Ngu
Member Director
Committee:
Finance and Audit

Vacancy
Member Director



John O'Brien
Member Director
Committee:
Statistical Plan



Daniel Young
Member Director
Committee:
Statistical Plan



Brigid Murphy
Industry Director
Travelers Canada
Committees:
Executive
Finance and Audit



Sylvain Nolet
Industry Director
Cooperators
Committee:
Statistical Plan



Bonnie Lovelace
Public Director
Committee:
Finance and Audit



Ralph Peterson
Public Director
Committee:
Finance and Audit

Board Members Biographies

Brian Mills

Brian Mills was appointed Interim CEO and Superintendent of Financial Services, in October 2014. Mr. Mills previously served as FSCO's Deputy Superintendent, Pensions.

Mr. Mills has over 29 years of experience in both the private and public sectors. He began his career in the Ontario Public Service working in policy at several ministries including the Ministry of Financial Institutions. He spent five years as Vice President of Pension Administration at the Ontario Pension Board. Mr. Mills was also a Managing Partner at Towers Perrin, responsible for running the firm's pension and benefit outsourcing business operations in Canada, Europe, Australia, and Latin America. He has an honours degree in Economics from Queen's University.

In addition to his role as Chair of GISA, Mr. Mills is a Vice-Chair of the Canadian Association of Pension Supervisory Authorities, the Canadian Council of Insurance Regulators, and the Mortgage Broker Regulators Council of Canada.

Nilam Jetha

Nilam Jetha is the Assistant Deputy Minister, Financial Sector Regulation and Policy with Alberta Treasury Board and Finance (ATBF). This includes the roles of Superintendent of Pensions, Insurance, and Financial Institutions.

Ms. Jetha has held several positions with ATBF, including Executive Director for the Project Management Office with the Office of the Controller, Director of Budgets and Forecasts; Director of Financial Processes and Reporting and Acting Executive Director of Financial Shared Services.

She holds a Bachelor of Education degree from the University of Toronto and is a certified Project Management Professional from the Project Management Institute

Angela Mazerolle

Angela Mazerolle is the Superintendent of Pensions and the Superintendent of Insurance for the Financial and Consumer Services Commission in New Brunswick. As Superintendent, she is responsible for the administration and enforcement of New Brunswick's *Pension Benefits Act* and *Insurance Act*.

Ms. Mazerolle has been involved for over fourteen years in both the regulation of pension plans and policy development. She took on the Superintendent of Insurance role in January 2013.

In addition to her role as Vice Chair of GISA, Ms. Mazerolle is the Chair of the Canadian Association of Pension Supervisory Authorities. She is also an active member of the Canadian Council of Insurance Regulators, the Canadian Insurance Services Regulatory Organizations, the Joint Forum of Financial Market Regulators, the International Pension & Employee Benefits Lawyers Association, the Canadian Bar Association, and the Law Society of New Brunswick.

Ms. Mazerolle received her Bachelor of Commerce degree (Honours - Economics) from Mount Allison University and her Bachelor of Laws degree from the University of Alberta.

Robert Bradley

Robert Bradley is the Superintendent of Insurance with the Office of the Attorney General for Prince Edward Island. He was previously the Deputy Superintendent of Insurance. As Superintendent, Mr. Bradley serves on the Canadian Council of Insurance Regulators. Mr. Bradley has also held public sector positions with the Office of the Auditor General and in the health administration area. In the private sector, he has held positions with a major accounting firm and a regulated electrical utility.

Mr. Bradley holds a Bachelor of Business Administration from the University of Prince Edward Island and a Chartered Accountant designation which was acquired while employed with the Office of the Auditor General of Prince Edward Island.

Louise Lavoie

Ms. Lavoie joined the Government of the Northwest Territories in 2000. Prior to that she worked in public practice and private sector. The responsibilities of her position are varied, including insurance regulation, insurance procurement on behalf of the broader government, public accounts, tax administration, tax audit, central collections, financial policies and banking, borrowing and investments. Ms. Lavoie has resided in the north for 37 years and it is still her favorite place to explore.

William Ngu

In 1984, William Ngu joined the Nova Scotia government after working in public practice. William has a professional accountant designation and is a Certified Management Accountant.

Mr. Ngu was hired as an examiner of financial institutions traveling the province extensively conducting prudential examinations and at the same time learning about the province's economy, people, and geography.

In 2007, he was Deputy Superintendent / Manager of Credit Unions, Trust & Loan Companies, and Insurance Responsible for Audit and Examinations.

Currently, he is the Acting Nova Scotia Superintendent of Financial Institutions. His areas of responsibilities include the regulatory oversight of insurance, credit unions and the trust and loan companies and the collection of insurance taxes.

John O'Brien

John O'Brien was appointed Superintendent of Insurance on September 8, 2015 with the Financial Services Regulation Division of Service Newfoundland and Labrador. Prior to joining the Department, Mr. O'Brien was a partner with a national accounting firm and he has over 20 years' experience in financial accounting, securities, and regulatory matters. John has a bachelor of Commerce (Hons.) from Memorial University and Fellow Chartered Professional Accountant (FCPA). Mr. O'Brien has served in a number of leadership roles within the firm and the community including as Chair of the Institute Chartered Accountants of Newfoundland and Labrador (2013-14) and Co-Chair CPA Transition Steering Committee.

Brigid Murphy

Brigid Murphy is Vice Chairman of Travelers Canada. She is also a director of Travelers Canada.

Ms. Murphy was most recently the President and Chief Executive Officer of Travelers Canada; she retired in August 2015 to take the Vice Chair role and continues with the organization in an advisory capacity.

Ms. Murphy joined The Dominion in 1996 and held a number of senior management roles before being appointed President in August 2012 followed by President and CEO in January 2013. Following the acquisition of The Dominion by Travelers in 2013, Ms. Murphy assumed the leadership role of Travelers Canada.

Her past directorships include The Dominion of Canada General Insurance Company, Insurance Bureau of Canada, Guardian Insurance Company of Canada, Canadian Group Underwriters, and Oceanic Insurance.

Ms. Murphy was on the Board of Directors of The George Hull Centre for Children and Families for 10 years (chair for seven years), and was a trustee of The George Hull Centre Foundation. She continues to support and advocate for Children's Mental Health.

Ms. Murphy was born in Wexford, Ireland. She currently lives in Toronto.

Sylvain Nolet

Sylvain Nolet has more than twenty years of experience within the Canadian insurance industry. Before joining Co-operators General Insurance Company, he worked for a period of eight years for a large Canadian insurer. Following this, Mr. Nolet worked for a two-year period for a major bank in the UK. He came back to Canada in 2004 and then joined the Co-operators, where he and his team are developing innovative insurance solutions for all P&C lines of business. In 2011, he was promoted to Vice President, P&C Pricing and Segmentation. Over the years he has been involved in various industry committees.

Mr. Nolet's educational accomplishments include a Bachelor Degree in Actuarial Mathematics from Concordia University (1994). He is a Fellow of the Casualty Actuarial Society as well as a member of the Canadian Institute of Actuaries.

Bonnie Lovelace

Bonnie Lovelace is currently Executive Director of the Waugh Family Foundation. She has held several positions in the public and private sectors, including Assistant Deputy Minister of Strategic Services, Senior Financial Officer, CIO, business planner and tax policy analyst for Alberta Finance; Commercial Officer with TD Bank; private Management Consultant; and as a Regional Director in Alberta for the Public Service Commission of Canada. She holds a Bachelor of Commerce (Hons) from the University of Manitoba and an MBA from the University of Alberta.

Ralph Peterson

Ralph Peterson was a partner with PricewaterhouseCoopers. Between 1994 and 1998, he was Managing Partner of the Edmonton office. In 2003, he left public practice to join industry and performed as Vice President, Finance, Corporate Risk & Strategy, and Chief Financial Officer. In 2011, he was appointed Chief Executive Officer of a private equity held steel fabrication company. In 2013, he semi-retired to devote more time to his family and his Corporate Boards and other activities.

His professional qualifications include: Chartered Accountant and Member of both the Alberta and Ontario Institutes, Fellow Chartered Insolvency and Restructuring Professional (FCIRP (Ret)), Institute-Certified Director and member of the Edmonton Chapter Executive of the Institute of Corporate Directors.

APPENDIX B:
Audited Financial Statements

General Insurance Statistical Agency

Financial Statements
March 31, 2017



October 6, 2017

Independent Auditor's Report

To the Members of General Insurance Statistical Agency

We have audited the accompanying financial statements of General Insurance Statistical Agency (GISA), which comprise the statement of financial position as at March 31, 2017 and the statement of operations and net assets, and statement of cash flows for the year then ended, and the related notes, which comprise 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 accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

*PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215*



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of GISA as at March 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

General Insurance Statistical Agency

Statement of Financial Position

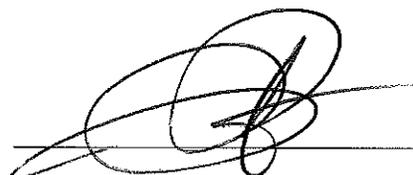
As at March 31, 2017

	2017 \$	2016 \$
Assets		
Current assets		
Cash	1,790,728	1,788,085
Interest receivable	25,113	26,104
Prepaid insurance	5,542	5,542
Accounts receivable		
Due from participating insurers	162,728	225,634
Due from members (note 5)	234,766	214,570
GST/HST receivable	146,385	130,240
Short-term investments (note 6)	2,745,233	2,715,284
	<u>5,110,495</u>	<u>5,105,459</u>
Intangible assets (note 4)		
Custom developed application software	21,995,805	20,660,926
Less: Accumulated amortization	<u>19,340,005</u>	<u>18,317,861</u>
	2,655,800	2,343,065
	<u>7,766,295</u>	<u>7,448,524</u>
Liabilities		
Current liabilities		
Accounts payable (note 7)	85,377	48,058
Due to secretariat service provider (notes 3 and 8)	17,251	56,621
Due to statistical plan service provider (notes 2 and 8)	3,437,564	3,344,158
	3,540,192	3,448,837
Long-term liability due to related party (note 8)	16,667	15,879
Deferred assessment revenue for projects	3,952,020	3,994,556
	7,508,879	7,459,272
Net Assets	<u>257,416</u>	<u>(10,748)</u>
	<u>7,766,295</u>	<u>7,448,524</u>

Commitments (note 9)

Approved by the Board of Directors

 Chair

 Director

The accompanying notes are an integral part of these financial statements.

General Insurance Statistical Agency

Statement of Operations and Net Assets

For the year ended March 31, 2017

	2017 \$	2016 \$
Revenue		
Assessments for Mandated Statistical Plan	8,795,427	7,891,906
Assessment for projects	1,292,044	1,354,000
Deficiency fees	551,528	779,930
Investment income	45,618	49,421
	<hr/> 10,684,617	<hr/> 10,075,257
Expenses		
Production of Mandated Statistical Plan (note 8)	7,984,837	8,095,558
Amortization and project	1,292,044	1,354,000
Salaries and benefits	555,159	655,516
Travel and communication	13,225	4,253
Office and utilities	155,689	159,497
Board and committees	50,909	45,139
Professional services	359,181	225,026
Other charges	5,409	5,988
	<hr/> 10,416,453	<hr/> 10,544,977
Excess (deficiency) of revenue over expenses for the year	268,164	(469,720)
Net assets - Beginning of year	<hr/> (10,748)	<hr/> 458,972
Net assets - End of year	<hr/> 257,416	<hr/> (10,748)

The accompanying notes are an integral part of these financial statements.

General Insurance Statistical Agency

Statement of Cash Flows

For the year ended March 31, 2017

	2017 \$	2016 \$
Cash provided by (used in)		
Operating activities		
Cash receipts from		
Participating insurers for assessments and deficiency fees	10,660,496	9,842,178
Members for GST/HST	1,090,906	1,063,392
Interest received	46,609	52,613
GST/HST		
Refund received	686,654	753,751
Paid	(404,522)	(459,542)
Cash paid to		
Statistical plan service provider for contracted services	(8,854,643)	(9,045,167)
Secretariat service provider for services and expense reimbursement	(951,326)	(1,115,400)
Other suppliers	(332,099)	(301,465)
	<u>1,942,075</u>	<u>790,360</u>
Investing activities		
Redemption of short-term investments	2,715,283	2,681,671
Purchase of short-term investments	(2,745,233)	(2,715,284)
Purchase of intangible assets from statistical plan service provider	(1,909,482)	(1,521,718)
	<u>(1,939,432)</u>	<u>(1,555,331)</u>
Net change in cash during the year	2,643	(764,971)
Cash - Beginning of year	<u>1,788,085</u>	<u>2,553,056</u>
Cash - End of year	<u><u>1,790,728</u></u>	<u><u>1,788,085</u></u>

The accompanying notes are an integral part of these financial statements.

General Insurance Statistical Agency

Notes to Financial Statements

March 31, 2017

1 Purpose of General Insurance Statistical Agency (GISA)

GISA is an inter-jurisdictional association, membership of which is limited to the insurance regulators (members) of the provinces and territories of Canada, whose objectives include:

- to act as a statistical agent on behalf of the participating members in jurisdictions in Canada, where so designated;
- to promote timeliness, integrity, reliability and credibility of statistical data generated by and on behalf of the members;
- to coordinate the statistical data requirements of the members;
- to assist the participating members in the enforcement of insurers' compliance with data filing and requirements;
- to promote the coordination, harmonization and efficiency of data filing requirements for the members; and,
- to discuss and take action on issues of common interests to the members.

GISA was incorporated by letters patent under the Canada Corporations Act on June 28, 2005.

GISA is a not-for-profit association, as described in the Income Tax Act (Canada); therefore, no income taxes are provided in these financial statements.

These financial statements were authorized for issue by the Board of Directors on October 4, 2017.

2 Agreement with statistical plan service provider

GISA has an agreement with a statistical plan service provider for the provision of services, which shall end on March 31, 2018. As good governance practice, GISA embarked upon a competitive Request for Proposal (RFP) for its statistical service provider on May 14, 2012. On September 26, 2012, following the RFP process, the GISA board of directors made a decision to renew the Insurance Bureau of Canada (IBC) as GISA's statistical service provider. The GISA-IBC Service Agreement covers the five-year period from April 1, 2013 to March 31, 2018 with an 18-month transition period after March 31, 2018, if GISA decides to not to continue with IBC as its statistical plan service provider. In May 2017, IBC - GISA Agreement has been extended for two more years until March 31, 2020.

The agreement retains the statistical plan service provider to provide data collection, exhibits production and other supporting services including technology, project management, billing services, etc., as required by GISA.

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3 Agreement with secretariat service provider

Effective January 1, 2006, GISA entered into an agreement with a secretariat service provider. This agreement has been extended for the three-year period from April 1, 2016 to March 31, 2019. Services provided by the secretariat service provider include the establishment and maintenance of the GISA office, financial administration and human resources administration. Certain employees of the Ontario Public Service (OPS) are assigned to GISA. The secretariat service provider bills GISA on a quarterly basis.

4 Basis of presentation and summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) and are in accordance with Canadian generally accepted accounting principles, which require that management make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Actual amounts could differ from these estimates. The significant accounting policies are as follows.

Revenue recognition

The participating insurers are assessed annually billed quarterly in advance for their portion of the estimated costs associated with the production of the statistical plans, the costs for the development of capital assets and for the costs of regular maintenance of the custom developed software that are considered to be non-capital costs, as required by GISA. The programs herein are referred to as the Mandated Statistical Plan (MSP), the GISA Projects.

Assessment revenue for the production of the MSP is billed to the participating insurers based on the approved annual budget. The budget is established to recover GISA's expected operating costs for the year. Revenue is recognized in income in the year services are billed.

Assessment revenue for the Projects represents amounts billed to participating insurers for the development of custom developed application software as well as for the expenses for the regular maintenance of the custom developed software that are considered to be non-capital costs. Assessment revenue for the GISA Projects related to the development of custom software is deferred and recognized over the same period as the amortization of the related capital assets. Assessment revenue for the Projects also represents amounts billed to participating insurers for the expense of non-capitalized other projects and is recognized in income in the year as other project expenses are recorded.

Deficiency fees, billed monthly, are for late and inaccurate submissions that create processing delays and compromise the timeliness and value of the mandated data required to be filed by the participating insurers. The fees are recognized in income as billed.

Interest income from short-term investments is recorded as earned.

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Assessment revenue in excess of actual expenses incurred by GISA in a particular year, including any deficiency fees and investment income, will be applied to reduce annual assessments for the participating insurers in the following year.

Intangible assets

Custom developed application software is recorded at cost, less accumulated amortization. Amortization is calculated on a straight-line basis over three to five years, the estimated useful life of the asset. Effective January 7, 2008, Phase I of the TRP was implemented and all of the Phase II projects were completed by December 2010. The final phase commenced in June 2010 and was completed in 2015. Other IT projects are still in progress and are being recorded in the asset category.

Financial instruments

On initial recognition, financial assets and financial liabilities are measured at fair values and subsequently measured at amortized cost.

Financial assets measured at amortized cost include cash, short-term investments and receivables.

Financial liabilities measured at amortized cost include accounts payable and due to related parties.

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

- **Credit risk**

Credit risk is the risk the counterparty to a financial instrument may fail to discharge an obligation or commitment that it has entered into. GISA is exposed to credit risk relating to the cash, interest receivable, accounts receivable from participating insurers, accounts receivable from members, GST/HST receivable and short-term investment in the total amount of \$5,104,953 (2016 - \$5,099,917). The credit risk exposure is considered to be low.

- **Liquidity risk**

Liquidity risk is the risk an entity may encounter difficulties in meeting cash flow commitments associated with financial instruments. To manage cash flow needs, GISA maintains a portion of assets as short-term investments in cashable guaranteed investment certificates (GICs). GISA believes it has low liquidity risk, given the nature of its accounts payable, cash and short-term investment positions. GISA manages its liquidity risk through a regular budgetary process, timely billings to insurers and regular review of collections and budgets.

- **Market risk**

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

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5 Accounts receivable due from members

Accounts receivable due from members consist of GST/HST charged on services performed by GISA that are outstanding as at year-end.

6 Short-term investments

Short-term investments consist of cashable GICs. As at March 31, 2017, GISA held two cashable GICs with one-year terms in the total amount of \$2,745,233 (2016 - \$2,715,283). The GICs' interest rates are 1.05% (2016 - 1.1%).

7 Accounts payable

Included in accounts payable is \$nil (2016 - \$nil) owing in respect of government remittances for payroll taxes and \$nil (2016 - \$nil) owing in respect of harmonized sales taxes.

8 Related party transactions

Transactions with statistical plan service provider

During the year, the statistical plan service provider billed GISA \$7,984,837 (2016 - \$8,095,558) for the provision of data collection, compilation and reporting services and \$1,604,778 (2016 - \$1,565,876) for the development of the TRP and other technology projects. All transactions with the statistical plan service provider were accounted for at the exchange amounts and were transacted at regular market terms.

Transactions with secretariat service provider

During the year, the secretariat service provider incurred expenditures on behalf of GISA for salaries and benefits, direct operating expenses and certain indirect expenses, including office rent, lighting and heating, IT and website support, in the amount of \$829,844 (2016 - \$807,064). All transactions with the secretariat service provider were accounted for at the exchange amounts and were at regular market terms.

Employees assigned to GISA are entitled to benefits that have been negotiated centrally for OPS employees. The future liability for benefits earned by these employees is included in the estimated liability for all provincial employees and is recognized in the Province of Ontario's consolidated financial statements. Certain of these benefits are accounted for by GISA as follows:

- Defined benefit pension plans

The Province of Ontario provides defined pension benefits to its classified full-time employees through participation in the Public Service Pension Fund and the OPS Employees' Union Pension Fund (the pension plans). GISA is unable to identify its share of the underlying assets and liabilities of these pension plans; therefore, no pension asset or liability has been recorded in these financial statements and defined contribution accounting has been applied. GISA's required contributions to the pension plans for the year ended March 31, 2017 was \$36,541 (2016 - \$42,806) and are included in salaries and benefits expenses.

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- Termination and other benefits

The Province of Ontario provides termination benefits to its OPS employees, subject to service and eligibility requirements, as defined in the employee contracts.

Liabilities are recorded by the Province of Ontario based on the actuarial present value of benefits earned to date. GISA records a proportionate share of termination benefits, based on each employee's years of service with GISA. The amount outstanding of \$16,667 (2016 - \$15,879) for termination benefits are recorded in long-term liability due to related party and due to secretariat service provider.

The amount outstanding of \$15,553 (2016 - \$25,136) for any unused vacation entitlements earned by employees are recorded in due to secretariat service provider.

9 Commitments

The board of directors approved the TRP in February 2006 to be completed by the statistical plan service provider. The TRP Initial is a five-year project developed by the statistical plan service provider to replace core collection, processing and analytical systems for automobile insurance data. Costs are shared on a proportional basis among GISA, the statistical plan service provider and other parties.

In Q3 2010, the GISA board of directors approved the statistical plan service provider's proposal for the final phase of the TRP to upgrade all of the remaining GISA-related systems from the legacy environment. TRP Final Phase, a multi-year project, commenced in Q3 2010 and has been completed in March 2015.

During fiscal years 2016-2017, three projects were completed and started to be amortized. They are Early Warning System Enhancement, EPS Consequence Process Integration - Phase 1 and Ontario Auto Reform 2016. They are all projects continued from last fiscal year.

There are two project change requests submitted in April 2017:

- Annual Balance Reconciliation - The project timeline has been extended from March 2017 to May 2017. The total project budget has been increased by \$30,000 from \$249,731 due to the improvements in design and functionality made during the development of the application to improve the ABR reconciliation process. Project was completed on time in May of 2017.
- FI Enhancement - The timeline has been extended from February 2017 to June 2017. Total project budget has been decreased by \$59,177 from \$414,177 due to SQL licensing no longer being required as the result of infrastructure design change. Additional labour cost was required for the fiscal year to enhance the functionality so as to allow the flexibility in collecting data. Project is delayed and revised completion date is Q2 of 2017.

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In 2016 to 2017, GISA board also approved several IT projects:

- ProClarity Replacement - this project will complete an assessment and recommendation of an analytical tool to replace ProClarity as it will no longer be supported by Microsoft in 2017. ProClarity plays a crucial part in data analysis for exhibit production. The estimated project budget is \$45,130.
- Submission Management Enhancements - this project will make modifications or enhancements to the GISA portal in order to create a more efficient process or add functionality that currently does not exist. This enhancement will aid industry users by creating a more efficient and user-friendly submission process. The estimated project budget is \$131,120.
- EPS Enhancements - this project will deliver functionality enhancements to the Exhibit Production System (EPS), including requests for new functionalities. The project includes the implementation of strategies identified in the Regulator Access to GISA Data Proof of Concept project, which are deemed to add value to mainstream operations. The estimated project budget is \$180,520.
- EPS Process Automation - this project is intended to deliver enhancements to EPS by replacing manual processes and delivering efficiencies. For example, an automated, alert-based process for validation is to be implemented which would replace the current manual process. The estimated project budget is \$75,000.
- EPS Consequence Process Integration - Phase 2 - this project will determine the viability and requirements for the linking of EWS anomalies to the EPS system resulting in a more automated manner of generating consequences. The estimated project budget is \$81,234.

Fiscal year	GISA's share of project costs \$
2017 to 2018	1,365,165
2018 to 2019	550,659
2019 to 2020	118,782

The estimates are based on the fiscal year 2017 to 2018 budget document and are subject to change in the future.