

**CSIO
CEPA**

CENTRE FOR STUDY OF INSURANCE OPERATIONS
CENTRE D'ÉTUDE DE LA PRATIQUE D'ASSURANCE

**THE CENTRE
FOR STUDY
OF INSURANCE
OPERATIONS**

APRIL 22, 2004

The Dominion of Canada General Insurance Co.
165 University Avenue, 4th floor
Toronto, Ontario



**2003
ANNUAL
REPORT**



OUR MISSION

CSIO is a national association of insurers and independent insurance brokers dedicated to achieving a competitive advantage for the independent broker distribution channel and dedicated to achieving excellence in the delivery of value-added electronic business solutions.

We take this opportunity to thank everyone who participated in CSIO projects, work groups and meetings in 2003. Without your commitment and contribution, the successes of the past year would not have been possible.



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Ginette Bergeron, Coordinator, Standards & Administration
Daphne Horn, Standards Specialist
Ted Langdon, Operations Manager
Vance MacLeod, Senior Portal Business Analyst
Gail Nye, Portal Help Desk Coordinator
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2003 Year in Review

2003 was a year of review, restructuring, renewal and resolve at the Centre for Study of Insurance Operations (CSIO).

Review

The year began with the Board hiring Deloitte & Touche to conduct a strategic and operations review of the portal business case and the actual project structure. Deloitte & Touche gained input from most of CSIO stakeholders, including Board members, management, staff, suppliers, insurers and brokers. In summary, their report to the Board indicated:

- the continued market need for the portal with the Phase 2 functionality being a critical component. Phase 2 includes single sign on function for brokers and the ability to submit new business to the insurer;
- a joint venture or outsourcing solution was required to acquire technology capability;
- the CSIO is primarily a Standards Organization and its strategic direction should be to focus on its core competencies: Insurance standards and the business functionality of the portal;
- improved governance was required at the Board level

Restructure

This assessment phase was followed by a multi-pronged approach to restructure the portal operations.

CSIO created and issued an RFP for the technology solution. Some 17 companies were screened and evaluated culminating with the selection of IBM to provide full IT services to the CSIO. IBM began full services in November 2003 and are now effectively operating as CSIO's technology provider.

Additionally, a new governance model was adapted by the Board. This model comprises of 3 Board sub-committees to provide direct governance over the Portal business, Standards, and general CSIO operations. These sub-committees are intended to provide more hands on direction and control of the CSIO's operations. It will ensure alignment of the management of CSIO with the Board's strategies.

Thus, by the end of 2003, the above changes combined with new management resulted in a restructured CSIO.

Renewal

The funding insurers, along with our Broker partners committed to new funding while the insurers further committed to having their Ontario rates implemented by January 2004, and to development work for Phase 2 (single sign-on and submit new business) by March 2005.

Our broker partners delivered a critical element of the new business plan. Across Canada, via the various provincial broker associations, the brokers showed very strong commitment to using the portal; in Ontario over 300 brokers have pre-registered demonstrating the depth of commitment to the industry portal solution.

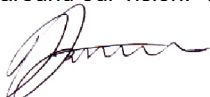
The CSIO proceeded to put the portal into production in January 2004 and began testing broker management system connectivity in February 2004.

Understandably, overshadowed by the Portal project at this time, CSIO's standards work continues to support the Canadian broker based insurance industry. CSIO has sustained development and maintenance activities in the three primary areas of standards for the benefit of its stakeholders: Standard Forms, EDI and XML. This work is described in the Annual Report.

In closing, we wish to thank Bruce King of King Insurance for having served on the Board of Directors in 2003. We also wish to welcome Sheldon Wasylenko of Rayner Agencies Ltd. as our newest Board member. We also wish to extend a heartfelt thanks to all of those who volunteered their time on our committees, the Board and most of all to our own dedicated CSIO staff.

Resolve

Overall, we are very pleased with the repositioning and progress of CSIO in 2003. More importantly our industry has truly come together around our vision. With all stakeholders pulling in the same direction our future has never looked brighter.



Mr. Robert Fitzgerald
Chairman

CSIO OPERATIONAL REPORT

CSIO INSURANCE PORTAL

In 2003 we established a new and improved business plan, chose an outsourcing partner, and effectively restarted the project.

As part of the business plan, we conducted an in depth review of the portal project. The portal application and rating software were deemed to be working and ready for production. The major areas requiring improvement were: hosting service, connectivity to broker management systems and processes for project management and application change control.

A significant achievement was the selection of IBM as CSIO's IT outsourcer. From July through December, we went through a very intense process spanning RFP creation and issue, evaluations, selection to short list, due diligence and contract negotiations. We have worked with IBM to put a governance process in place and IBM began work on our infrastructure and application code in November 2003. We now have the technical depth and breadth to deliver a high quality portal service to the Canadian insurance industry.

In October 2003, we essentially re-started the project.

Our activity with the insurers increased significantly with renewed vigor and by the end of the year most of the participating insurers had signed off their Ontario auto and hab rates. We were production ready for January 2004.

IBM worked diligently to rebuild our production environment with backup and security procedures in order for CSIO to be production ready. Production stress testing was conducted, some bugs were fixed, and the software and hardware infrastructure was fine tuned. Two CSIO personnel were transferred to IBM and are now part of our IBM team. We now have a professional and robust production environment combined with the ability to react to problems and change. New project management processes were put in place to facilitate our work and to enhance our ability to report to the Board Portal sub-committee and to the Portal Project Steering committee.

By year end, the portal team was ready for the challenge of live connectivity testing with each broker management system across a wide variety of brokerages.

The business plan work with brokers and insurers reaffirmed the strong need for the portal. The portal will offer a major advantage to the brokers as e-business becomes more prevalent within the independent broker channel. More and more insurers require their brokers to conduct their business electronically. Also, the IBAC surveys of brokers across Canada showed overwhelming support for the portal solution. They recognize the opportunity for an industry owned and controlled solution.

Phase I of the portal will deliver a streamlined rating service to allow distribution of company rates through a common user interface, where companies can place and update their rates in a format accessible to all brokers regardless of management systems.

Phase I will also allow brokers to upload client information from their broker management system to obtain quotes. Brokers will also be able to create or change client data directly on the portal should point-of-sale workflow be desirable. The selected quote and its supporting underwriting data can then be downloaded back to their broker system. Printing standard CSIO application forms directly from the portal is also possible.

CSIO is planning to begin a province-by-province roll-out of the first phase of the portal early in 2004.

The real value proposition for the brokers is in Phase 2, targeted for early 2005. This phase includes single sign-on and submit new business. The brokers indicate tremendous efficiencies can be gained at this point.

CSIONet AND CSIO HELP DESK

In 2003, we continued with our successful support of CSIONet. More and more brokers switched over to the VPN Gateway Connection which in turn saved them time and money as the downloads and uploads were accomplished faster.

The Help Desk website was updated in regards to the current CSIONet services offerings and the brokers are now able to order any type of connection via the web interface. Now instead of taking up to 2 weeks to have the brokers connected to the service of their choice, it now only takes approximately 48 hours. And as a courtesy, when the brokers upgrade to the VPN Gateway connection, the dial-up account is kept for an additional 30 days, just in case there are technical issues.

CSIO OPERATIONAL REPORT

CSIONet AND CSIO HELP DESK *continued*

We are now able to use the VPN Gateway Connection for the following Windows operating systems: Windows 98, Windows NT 4, Windows 2000, Windows 2000 Pro, Windows XP, Windows XP Pro, Citrix Server, Windows Terminal Server and Windows 2003.

A NEW LOOK FOR THE CSIO INSURANCE PORTAL WEBSITE

We have enhanced the www.csioinsuranceportal.com website. You will find our website to be more user friendly, more interactive and loaded with much more information. The website will provide you with up to date information on the portal, training & hints, registration information and much more.

NEW STANDARDS MEMBERS

CSIO welcomed 2 new member companies, Guarantee Company of North America and York Fire & Casualty Insurance Company to the standards setting process.

EDI STANDARDS

CSIO EDI Standards are considered mature and functional since they have been implemented many times over. In order to assist our users in deriving the maximum benefits, it is imperative that the Standards be kept current in all aspects. Therefore, in 2003 three Interim Standards Updates have been released. The Payment Plan Standards have also been revised to bring them in line with current business requirements for underwriting process.

In co-operation with RIBO, CSIO launched its first ever Broker EDI training. A new session entitled: "Demystifying EDI" and offering 5.5 hours of management credit towards a Broker's RIBO license, was designed and packaged into a one day seminar designed exclusively for Insurance Brokers who are interested in the benefits of using EDI by acquiring a general knowledge of CSIO EDI Standards. Two sessions were held due to the demand. In 2004, CSIO is planning to extend this seminar across Canada. Regular EDI education continued for the membership with the holding of our bi-annual "Standards Implementation Workshop".

XML STANDARDS

The CSIO XML Standard took on new substance in 2003 as the Automobile and Habitational messages were streamlined under one XML message root. In addition, steps were taken to absorb all of the EDI maintenance and EDI update changes that were implemented during the time of the Portal development from 2000 onwards. This resulted in the third quarter delivery of XML Business Message Specification, release 2.0.0. Time was also spent incorporating additional messages to 'round-out' the cycle of transactions that typically can occur during the life of a Personal Lines policy (e.g. cancellation, reinstatement, etc.). This work will appear in the upcoming 2004 annual release of the CSIO Standards (manuals).

Three XML training seminars were offered during the year in which some 40 participants learned to work more closely with the CSIO XML Standards.

INTERNATIONAL STANDARDS

CSIO hosted a UN/CEFACT meeting at our office in Toronto, wherein Insurance Standards Association experts from such countries such as Belgium, Germany, Netherlands, United Kingdom and the United States attended. CSIO's participation in this international forum provides a unique window of opportunity to leverage inputs from other communities around the world who are also developing property and casualty messages.

CSIO was granted standing on ACORD's Message Review Board (MRB). This is an important and valuable role as it gives CSIO a vote in the message review process at ACORD. In addition to the MRB, by participating in ACORD subcommittees and working groups, CSIO gives the Canadian insurance industry a unique opportunity to access standards materials, processes, experts and methodologies. It also allows CSIO to offer Canadian perspectives and inputs to the ACORD standards development process.

CSIO continued to collaborate with ACORD in standards development work on XML. An exchange of Canadian/US standards user requirements involving Personal Lines new business data elements took place during the year. CSIO shared its expertise and input with ACORD's agriculture working group resulting in the release of a comprehensive Farm XML message set by ACORD.

CSIO OPERATIONAL REPORT

ON-LINE STANDARDS

The entire suite of CSIO Standards Manuals (both EDI and XML) was made available on-line on our Website through a controlled and secure password-accessible environment for authorized CSIO representatives. The new process allows for quicker access to the standards, shortens turnaround time for new releases and saves on overall publication costs.

STANDARD TERMINOLOGY

During 2003, CSIO continued to update and improve the Terminology library to help to reduce inconsistencies and misunderstandings within the industry. This library contains over 5000 items and provides an English-French translation of Insurance and Technology terms that are used commonly throughout the industry. This library is currently used for implementations such as in the development of the Portal, Forms, Web Screens and various other documents.

STANDARD FORMS

The demand for electronic, fillable standard forms from all our members is as strong as ever. During the last year, we released two new electronic forms including the Solid Fuel Heating Questionnaire and the Commercial General Liability Application. We updated various existing forms, such as the revised Ontario Application for Automobile Insurance - Owners Form and the Payment Plan Authorization form. With the newest additions, the total number of forms now available on-line is 39.

In conjunction with IBC, CSIO also spearheaded the development of a new section entitled "Disclosure/Consent" on our forms. This resulted in the updating of a number of the CSIO forms in order to comply with the new Federal Privacy Act (PIPEDA), which came into effect January 1, 2004.

BACKGROUND

In 1981, CSIO was created by the broker driven P&C insurance industry to improve the efficiencies of the industry. CSIO has now gained global admiration as it attained the most successful implementation of industry wide Personal Lines EDI in the world. CSIO's design of Standard forms, its development of networks, such as ICEnet and CSIONet, and its extensive work on XML, further enhanced the industry's efficiency.

CSIO continues to embrace its vision of delivering new products and services to improve the competitive advantage of the independent broker distribution channel within the industry. We maintain our commitment to playing a key role as the industry's only forum where brokers and their company partners could formulate action plans for the benefit of the industry and the consumer.

CSIO GOVERNANCE 2003

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Janet Babcock
Alister Campbell
Danny Craig
Brian Flemming
Bruce King
Mathieu Lamy
Bill Stinson
Jean Vincent
Grace Webster
Mark Zemp

Chairman
Vice-Chairman

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P. Morin, Courtier en assurances inc., Quebec
The Dominion of Canada General Insurance Co.
ING Canada
Craig, McDonald, Reddon Insurance (Ontario)
Steers Insurance Ltd.
King Insurance (Manitoba)
AXA Canada Inc.
The Economical Insurance Group
L'Union Canadienne, Compagnie d'assurances
Royal & SunAlliance
Ridgeview Insurance Ltd. 1993

CSIO MANAGEMENT

David Patrick

Interim CEO

CSIO

CSIO COMMITTEES

BOARD PORTAL SUB-COMMITTEE

Robert Fitzgerald
Janet Babcock
Alister Campbell
Danny Craig
Grace Webster

Aviva Canada Ltd.
Dominion of Canada
ING Canada
Craig, McDonald, Reddon Insurance (Ontario)
Royal & SunAlliance

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G. Cheong, Courtier d'assurances inc.
ING Groupe Commerce
J. Gérard Fortin & Associés Assurances Inc.
G. Proulx & Associés Assurances Inc.
Soly Chabot Ranger.
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Aviva, Compagnie d'assurances du Canada
Assurance Concordia Inc.
AXA Canada Tech inc.
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CSIO COMPANY MEMBERS 2003

A growing partnership

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Aviva Insurance Company of Canada

Elite Insurance Company

Pilot Insurance Company

Scottish & York Insurance Co. Ltd.

Traders General Insurance Company

AXA Canada Inc.

Anglo Canada General Insurance Company

AXA Assurances Inc.

AXA Insurance (Canada)

AXA Pacific Insurance Company

AXA Assurances agricoles inc.

Insurance Corp. of Newfoundland Ltd.

C.A.M.I.C.

Bay of Quinte Mutual Ins. Co.

Dufferin Mutual Ins. Company

Farmers' Mutual Ins. Co. (Lindsay)

Grenville Mutual Ins. Co.

Germania Farmers' Mutual Fire Ins. Company

Gore Mutual Insurance

Halwell Mutual Ins. Co.

Hamilton Twp. Farmers' Mutual Fire Ins. Co.

Howick Mutual Ins. Co.

Kent & Essex Mutual Ins. Co.

Lambton Mutual Ins. Company

Peel Mutual Ins. Co.

Portage La Prairie Mutual Ins. Company

Saskatchewan Mutual Ins. Co.

Red River Valley Mutual Insurance Company

The North Waterloo Farmer's Mutual Insurance Company

Trillium Mutual Insurance Co.

West Wawanosh Mutual Ins. Co.

Canadian Northern Shield

The Citadel Assurance

Citadel Assurance

L'Unique, Compagnie d'Assurances générales

The Dominion of Canada General Insurance Co.

The Economical Insurance Group

Economical Insurance

Federation Insurance

Langdon Insurance

Missisquoi Insurance

Perth Insurance

Waterloo Insurance

The Guarantee Company of North America

ING Canada

ING Insurance

ING Novex

ING Western Union

Nordic

Lombard Canada

L'Union Canadienne, Compagnie d'Assurances

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Optimum Assurance Agricole Inc.

Optimum Frontier Insurance Company

Optimum Société d'Assurance Inc.

Optimum West Insurance Company

Peace Hills General Insurance Company

Pembridge Insurance Company

Royal & SunAlliance

SGI Canada

The Sovereign General Insurance Company

Wawanosa Mutual Insurance Company

York Fire & Casualty Insurance Company

Insurance Brokers Association of Canada (IBAC)

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A growing partnership

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Basis 100
CIM-data Ltd.
Compu-Quote Inc.
Custom Software Solutions Inc.
Informco
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Logiciels Deltek Inc.
Mutual Concept Computer Group Inc.
Onramp Network Services Inc.
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tec4 systems inc.
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