



## **SUMMARY OF THE CORPORATE PLAN 2010/2011 TO 2014/2015**

*Savings Protection Canadians Can Count On*

Including a Summary of the 2010/2011  
Operating and Capital Budgets, and Borrowing Plan

April 2010

**Canada** 



## **Our Mandate**

CDIC's mandate is to provide insurance against the loss of all or part of deposits and to promote and otherwise contribute to the stability of the financial system in Canada, for the benefit of those with deposits in CDIC member institutions while minimizing the Corporation's exposure to loss.

## **Our Values**

- Excellence and Professionalism
- Integrity and Trustworthiness
- Communication and Teamwork
- Respect and Fairness

CDIC's employees uphold these values and continually strive to meet the highest business and ethical standards in all aspects of their work.

## **For More Information About CDIC**

You can reach CDIC by e-mail, phone, fax or letter. We are committed to promoting awareness of and providing information about deposit insurance and about our work.

### **Head Office**

Canada Deposit Insurance Corporation  
50 O'Connor Street, 17th Floor  
P.O. Box 2340, Station D  
Ottawa, Ontario  
K1P 5W5

### **Toronto Office**

Canada Deposit Insurance Corporation  
1200-79 Wellington Street West  
P.O. Box 156  
Toronto, Ontario  
M5K 1H1

Toll-free telephone service:  
1-800-461-CDIC (2342)  
Fax: (613) 996-6095  
Website: [www.cdic.ca](http://www.cdic.ca)  
E-mail: [info@cdic.ca](mailto:info@cdic.ca)

Catalogue Number: CC392-1/2010E-PDF  
ISBN: 978-1-100-14962-2

- 2. Promoting Depositor Awareness**—Our awareness efforts will build on our initiatives from past years. We will focus on at least maintaining last year's targets of awareness of CDIC and of the \$100,000 deposit insurance ceiling among both the general public and those in the 50+ age group. CDIC's new Long-Term Public Awareness Strategy and Plan, introduced in 2009/2010, includes television ads and a strong Internet presence.
- 3. Sustaining Efficient Governance and Operational Capacity**—We will continue to reflect in our activities the importance of our employees, the information they need to perform their duties and the technology they require to use that information effectively. Our outdated data centre (Ottawa) will be replaced. Efforts will also focus on monitoring, assessing and mitigating our risks, and on the transition to the new International Financial Reporting Standards. Our international efforts and collaboration will continue with both the International Association of Deposit Insurers and individual countries to enhance deposit insurance systems.

## Financial Highlights

For 2010/2011, CDIC projects net income after income taxes of \$193 million, based on total revenue of \$211 million (consisting of \$180 million in premium revenue and interest income of \$31 million), projected net operating expenses of \$33 million, recoveries of amounts previously written off of \$14 million, and an income tax refund of \$1 million. All of CDIC's premium revenue, as well as the excess of interest revenue over operating expenses net of tax, will increase the amount of *ex ante* funding. Capital expenditures are projected to be \$2.25 million, the majority of which will be directed at necessary leasehold improvements. Additional highlights appear in the following table.

## Forecast Financial Highlights

(\$ millions)

	2010 Forecast	2011 Plan	2012 Plan	2013 Plan	2014 Plan	2015 Plan
<b>Balance Sheet—as at March 31</b>						
Investments	1,951	2,148	2,353	2,568	2,795	3,036
Provision for insurance losses <sup>a</sup>	800	800	800	800	800	800
Retained earnings	1,159	1,352	1,555	1,770	1,997	2,238
<b>Revenue and Expenses—for the Year Ending March 31</b>						
Premium revenue	198	180	202	212	222	233
Interest on investments	32	31	35	39	42	46
Net operating expenses	(31)	(33)	(33)	(34)	(34)	(34)
Net income before recoveries and income tax	199	178	204	217	230	245
Recovery of amounts previously written off	–	14	–	–	–	–
Income tax recovery (expense)	–	1	(1)	(2)	(3)	(4)
<b>Net Income</b>	<b>199</b>	<b>193</b>	<b>203</b>	<b>215</b>	<b>227</b>	<b>241</b>
<b>Ex Ante Funding<sup>b</sup></b>						
Level—\$ millions	1,959	2,152	2,355	2,570	2,797	3,038
Level—basis points of insured deposits	33	34	36	37	38	39

<sup>a</sup>For financial statement reporting purposes, the provision for insurance losses is calculated each fiscal year.

<sup>b</sup>The *ex ante* funding level is represented by the aggregate of the Corporation's retained earnings and its provision for insurance losses as reported in its financial statements. The target range for the fund is set at between 40 and 50 basis points of insured deposits.

## CDIC's Five-Year Plan at a Glance

### Our Operating Environment

- Economic recovery in Canada is being supported by both monetary and fiscal policies, as well as by other factors, such as improving financial conditions, higher commodity prices, and rebounding business and consumer confidence. However, the high Canadian dollar, high unemployment rates and restructuring in key industrial sectors present barriers to growth.
- CDIC's membership demonstrated resilience during the economic downturn, with member profitability increasing slightly in 2009 due to a strong second half of the year. Consumer debt, however, continues to be a concern, and the possibility of a significant, prolonged decline in Canadian real estate prices is the greatest threat to members.
- Close to 80% of Canadians believe that Canada's banks are stable and secure compared to others around the world. This belief is reflected in the growth of CDIC insured deposits which were up 15% in 2009 over 2008 levels, and stood at \$590 billion as at April 30, 2009.
- CDIC has new powers to contribute to the stability of Canada's financial system as the result of amendments to the *CDIC Act* which came into force on July 1, 2009. Among them is CDIC's ability to establish a "bridge bank" to preserve the critical infrastructure of a non-viable member. In addition, CDIC's borrowing limit was increased to \$15 billion, with annual adjustments based on the growth in insured deposits.

### Key Assumptions and Forecasts

- No failures of member institutions.
- No significant change in the number of CDIC member institutions.
- The target range for the amount of *ex ante* funding remains at between 40 and 50 basis points of insured deposits. This translates into funding of approximately \$2.4 to \$3.0 billion based on levels of insured deposits as at April 30, 2009.
- The premium revenue projection is based on an increase over 2008 differential premium year rates of one third for each of the first two years of the planning period. When combined with the increase in 2009, such an increase will result in a doubling of the differential premium rates (over those of 2008) for the 2011 premium assessment year, and for the balance of the planning period.

#### 2010 Premium Rates

Category 1 (best rated)	2.3 basis points of insured deposits
Category 2	4.6 basis points of insured deposits
Category 3	9.3 basis points of insured deposits
Category 4 (worst rated)	18.5 basis points of insured deposits

### Highlights of Plans to Support Our Three Corporate Strategies

- 1. Strengthening Core Expertise and Readiness**—CDIC will focus significant effort on continuing to increase our expertise and capacity for both payout and non-payout resolutions. Our work will see us achieving and maintaining readiness for depositor payout in the event that a member institution fails, or that two or more members fail concurrently. A key focus will be on performing a payout simulation for up to one million depositors. We will continue updating our systems, we will operationalize our new powers and we will continue to work closely with our partners in the federal financial safety net.





# Contents

<b>1 Introduction to CDIC</b>	2
Who We Are	3
What We Do	3
Our Members	4
Our Board of Directors and Officers	4
<b>2 CDIC's Five-Year Plan</b>	6
Operating Environment	7
Significant Risks and Key Planning Assumptions	10
Corporate Strategies and Scorecard for the Planning Period	13
<b>3 Financial and Resource Plans</b>	22
Highlights of the Five-Year Financial Plan	24
<i>Ex Ante</i> Funding	27
Operating Budget—2010/2011	29
Capital Budget—2010/2011	29
Accounting Issues	30
Borrowing Plan	30
Human Resource Requirements	31
<b>4 Performance Against Past Plans</b>	32
Highlights of CDIC's Past Performance— 2009/2010 to 2013/2014	33
CDIC Corporate Scorecard— 2009/2010 to 2013/2014	34
Past Financial Performance— 2008/2009 and 2009/2010	36

---



# *Introduction to CDIC*

*Savings Protection Canadians Can Count On*

## Who We Are

The Canada Deposit Insurance Corporation (CDIC) was established in 1967 by the *Canada Deposit Insurance Corporation Act* (the *CDIC Act*). The Corporation is an agent of Her Majesty in right of Canada and is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act*. The Corporation reports to Parliament through the Minister of Finance.

## What We Do

CDIC provides insurance against the loss of part or all of deposits held by depositors in Canadian financial institutions that are CDIC members, and promotes and otherwise contributes to the stability of the financial system in Canada, and we do so in a way that minimizes CDIC's exposure to loss.

### **CDIC provides deposit insurance protection**

Under the *CDIC Act* the maximum basic protection for eligible deposits is \$100,000 per depositor (principal and interest combined) in each member institution. We provide separate protection for joint deposits, deposits held in trust, mortgage tax accounts, and deposits held in Registered Retirement Savings Plans (RRSPs) and in Registered Retirement Income Funds (RRIFs) in accordance with the *CDIC Act*. Further, the Government has now added eligible deposits in Tax-Free Savings Accounts (TFSAs) as a separate category of deposits insurable by CDIC. In the event of a failure, we reimburse insured depositors, and make claims and recover on assets from the estates of failed member institutions.

### History of Premium Rate Changes (shown as basis points of insured deposits)

1967	3.3
1986	10.0
1993	12.5
1994	16.7
1999	Differential Premiums System
1999/2000 to 2000/2001	Category 1—4.2 Category 2—8.3 Category 3—16.7 Category 4—16.7
2001/2002	Category 1—4.2 Category 2—8.3 Category 3—16.7 Category 4—33.3
2002/2003 to 2004/2005	Category 1—2.1 Category 2—4.2 Category 3—8.3 Category 4—16.7
2005/2006 to 2008/2009	Category 1—1.4 Category 2—2.8 Category 3—5.6 Category 4—11.1
2009/2010	Category 1—1.9 Category 2—3.7 Category 3—7.4 Category 4—14.8



### ***CDIC manages deposit insurance risk***

Managing risk is a vital and ongoing function that supports our work. We conduct regular risk assessments of our members and monitor their performance and results through reports and information provided by regulatory authorities, financial information from members, as well as market data and broader indicators of the economy and overall environment. We rely on the Office of the Superintendent of Financial Institutions (OSFI) and the Autorité des marchés financiers (AMF), the supervisor of our sole provincially incorporated member institution, to conduct annual examinations of member institutions on our behalf. Under certain circumstances, we carry out special and/or preparatory examinations of troubled member institutions and work closely with the supervisor to determine an appropriate course of action.

### ***CDIC sets and collects premiums from member institutions***

CDIC is funded by premiums that are assessed on insured deposits at our member institutions each year. Based on our differential premiums structure, we assign each member to one of four premium rate categories. In 2009/2010, the rate for each category ranged from 1.9 to 14.8 basis points of insured deposits. Rates for 2010/2011 will range from 2.3 to 18.5 basis points of insured deposits.

## **Our Members**

CDIC membership is limited to banks, federally-incorporated trust or loan companies, provincially-incorporated trust or loan companies, and retail associations to which the *Cooperative Credit Associations Act* applies. At the end of 2009, 83 institutions were members of CDIC. The last time a member institution failed was in 1996. In total, there have been 43 member failures since 1967.

## **Our Board of Directors and Officers**

The CDIC Board of Directors consists of the Chairperson, five private sector Directors and five *ex officio* Directors: the Governor of the Bank of Canada, the Deputy Minister of Finance, the Commissioner of the Financial Consumer Agency of Canada, the Superintendent of Financial Institutions, and a Deputy Superintendent or an officer of OSFI.

CDIC's officers are independent of the Board of Directors. Led by the President and CEO, the officers translate Board direction into action and manage the Corporation's day-to-day operations. The officers are also responsible for supporting the Board in fulfilling its governance responsibilities.



## CDIC Board of Directors

(as at December 31, 2009)

### Bryan P. Davies

Chair of the Board  
Canada Deposit Insurance Corporation

### Les Cannam

Chartered Accountant  
Saskatoon

### Mark Carney

Governor of the Bank of Canada  
(*ex officio*)

### Julie Dickson

Superintendent of Financial Institutions  
(*ex officio*)

### Pierre Duguay

Deputy Governor, Bank of Canada  
(*alternate for the Governor of the Bank of Canada*)

### Michael Horgan

Deputy Minister of Finance  
(*ex officio*)

### Nancy Lockhart

Business Executive  
Toronto

### John McFarlane

Lawyer  
Halifax

### Ursula Menke

Commissioner  
Financial Consumer Agency of Canada  
(*ex officio*)

### Ted Price

Assistant Superintendent, Supervision Sector  
Office of the Superintendent of Financial Institutions  
(*ex officio*)

### Éric Pronovost

Chartered Accountant  
Trois-Rivières

### Jeremy Rudin

Assistant Deputy Minister  
Financial Sector Policy Branch  
Department of Finance, Canada  
(*alternate for the Deputy Minister of Finance*)

### Shelley M. Tratch

Lawyer  
Vancouver

## CDIC Officers

(as at December 31, 2009)

### Guy L. Saint-Pierre

President and Chief Executive Officer

### Michèle Bourque

Executive Vice-President  
Insurance and Risk Assessment

### M. Claudia Morrow

Vice-President, Corporate Affairs  
General Counsel and Corporate Secretary

### Thomas J. Vice

Vice-President, Finance and Administration, and  
Chief Financial Officer

A scenic view of a paved road winding through a snowy mountain landscape under a clear blue sky. The road is dark asphalt with a white center line and yellow edge lines, leading towards the horizon. The mountains are covered in snow, with some rocky peaks visible. The sky is a clear, deep blue.

# *CDIC's Five-Year Plan*

*Savings Protection Canadians Can Count On*

CDIC develops and maintains a five-year strategic plan. Our plan sets out the activities and initiatives that will enable us to fulfill our mandate. Each year, we review our statutory objects and supporting corporate strategies, taking into consideration the operating environment of CDIC and our membership. We consider the risks CDIC faces and, if necessary, adjust the assumptions on which our plan is based.

Highlights of our strategies and the activities and initiatives that we will undertake over the period 2010/2011 to 2014/2015 are set out below. The financial plan for completing our work is included in Part 3.

## **Operating Environment**

In order to stay on top of matters and risks that may affect depositors, CDIC continuously assesses issues related to the economy and our members' operating environment, as well as key consumer and regulatory matters and international issues. Key issues that have been considered in developing this Plan are:

### ***Economic Environment***

Recent indicators point to the start of a recovery in many economies, a shift supported by the efforts of governments around the world to stimulate and stabilize global financial markets—efforts that are expected to be maintained until the recovery is secured.

The beginnings of Canada's economic recovery have been supported by both monetary and fiscal policies, with other factors—such as improving financial conditions, higher commodity prices, and rebounding business and consumer confidence—also contributing to the recovery of economic activity. Nevertheless, barriers to growth persist and include a stronger Canadian dollar, high unemployment rates and ongoing restructuring in key industrial sectors. Although it remains very low, the Bank of Canada projects inflation will return to 2% by the latter part of 2011. Factors beyond our borders are also slowing Canada's recovery, such as vulnerable international financial markets and a weak U.S. economy. In light of these competing factors, the Bank of Canada forecasts are for the Canadian economy to grow by 3.0% in 2010 and 3.3% in 2011 (after contracting by 2.4% in 2009).

Throughout the recent economic turmoil, there have been no bank failures in Canada, nor have Canadian banks required any direct capital infusion from government. The situation is very different in the U.S., where the Federal Deposit Insurance Corporation (FDIC) is implementing a number of costly and never-before-used options to shore up its deposit insurance fund which has borne the cost of more than 140 failures in 2009. Overall, the Canadian financial system remains sound and the Canadian economy appears to be on the road to recovery. The key economic risk over the planning period is that this recovery loses momentum—a possibility if problems in the U.S. housing and financial sectors persist or worsen.

## **Membership Environment**

Operating results for CDIC membership as a whole demonstrate the resilience of our members throughout the economic downturn. At the same time, based on CDIC's experience in previous recessions, there remains a possibility of further deterioration before there is an overall improvement in membership conditions.

For our membership as a whole, profitability in 2009 increased slightly, due to a strong second half of the year, despite some members experiencing deteriorating credit quality and higher provisions for loan losses. Measures of earnings (such as return on average assets) and asset quality for some members are expected to continue to decline until mid- to late 2010. Consumer debt continues to be an area of concern, with both large and small CDIC members facing threats of rising loan defaults in Canada as asset impairment does not typically peak until one to two years after the peak of a recession. Consumer bankruptcy rates have also been on the rise. Although the Canadian real estate correction to date has been mild and short in duration relative to that experienced by the U.S., the possibility of a significant and prolonged decline in Canadian real estate prices is the greatest threat to CDIC membership.

The shift to International Financial Reporting Standards (IFRS) will particularly affect some members, as many off balance sheet securitized assets will be brought back onto the financial institutions' balance sheets, affecting the capitalization of these members.

## **Consumer Environment**

There are clear indications that Canadians remain relatively confident about the future, with most expecting the economy to improve in 2010. Nevertheless, consumer savings levels still reflect the "wait and see" behaviour of 2008/2009, with personal savings deposits in Canadian chartered banks up 14% over the previous year. Similarly, growth in CDIC insured deposits was up 15% over 2008 levels, and stood at \$590 billion as at April 30, 2009. Looking ahead, indications are that Canadians will continue to put their money into savings accounts and other less risky deposit products, highlighting the importance of CDIC deposit insurance to Canadians.

The economic turmoil has led consumers to learn more about financial matters, especially strategies for protecting their money. With more than half of Canadians searching for government-related information online (a proportion that is expected to increase), CDIC's Internet presence is more important than ever. Consumers may still want to talk directly with financial advisors, even if only to clarify or confirm information they have found through the Internet; therefore CDIC's outreach efforts with financial advisors and other stakeholders remain essential.

CDIC will continue to gear its public awareness messages to the general public, with an emphasis on those aged 50 years and older, the group holding most deposits and likely to be most adversely affected by a failure.



## Legislative Environment

In response to a growing international consensus that some aspects of the recent financial crisis could have been prevented if regulators had had a better view of the financial system as a whole, and better knowledge about some types of financial institutions that were not regulated, Canada's financial safety net agencies, including CDIC, are working to address Canada's G20 commitments in this area.

On July 1, 2009, amendments to the *CDIC Act* under Bill C-10 came into force. The amendments provide CDIC with a range of additional powers to enhance the stability of Canada's financial system. These powers enable CDIC to establish a bridge institution (a "bridge bank") as a resolution tool to preserve the critical infrastructure of a non-viable member institution. The amendments allow the Minister to provide CDIC's Board broader scope of action when systemic concerns arise, to resolve a failure without regard for the Corporation's object of minimizing its exposure to loss. The Minister is also permitted to direct CDIC to undertake specific actions to prevent adverse effects on financial stability. CDIC now has the authority to hold shares in its member institutions, subject to ministerial approval, and has greater flexibility in the timing of preparatory examinations. In addition, the Corporation's borrowing limit was increased to \$15 billion, with annual adjustments based on the growth in insured deposits. Tax-Free Savings Accounts (TFSAs) were also designated as a separate category of deposits insurable by CDIC.

A number of federal financial institution statutes, among them the *Bank Act*, the *Trust and Loan Companies Act* and the *Insurance Companies Act*, are to be reviewed and re-enacted by 2012. CDIC is looking at potential amendments to the *CDIC Act*, including possibly simplifying coverage and clarifying certain provisions regarding trust deposits.

## Corporate Environment

Of key importance among a range of issues related to CDIC's internal operations over the coming years is the considerable work required to increase and maintain readiness for intervention in the event of the failure of a larger institution or concurrent failures of two or more institutions.

The following changes in CDIC's operating environment will also have a significant impact on CDIC:

- CDIC's additional powers under Bill C-10—working through the implications of these powers and developing the necessary plans to make them operational will require sizeable effort across the Corporation.
- The transition to IFRS—we are required to prepare IFRS compliant financial statements for the year ended March 31, 2012, with interim disclosures required in both 2010 and 2011.

CDIC's Ottawa office will be undergoing renovations to accommodate, among other things, a replacement of the 20-year-old data centre.

In addition, a new CDIC President and CEO will be appointed early in the planning period.

## Significant Risks and Key Planning Assumptions

### Overview of Our Significant Risks

CDIC's risks are subject to sound governance and management. CDIC's Board of Directors has formalized its risk governance responsibilities in its Board Charter. These are to:

- understand the significant risks to which CDIC is exposed
- establish appropriate and prudent risk management policies for those risks and review these policies on a regular basis
- obtain reasonable assurance, through annual or more frequent reviews, that CDIC has an effective Enterprise Risk Management (ERM) process and that risk management policies are being adhered to

Management's ERM process and results are subject to validation by CDIC's Audit and Consulting Services.

CDIC faces exposure to four categories of risk that stem from its statutory objects and the conduct of its affairs: insurance risk, operational risk, financial risk and reputation risk.

### Insurance Risk

In relative terms, insurance risk is CDIC's most significant risk. The failure of a member institution, the worst-case scenario from an insurance risk perspective, has the potential for a major impact on CDIC given the high costs of resolution and the substantial resources required to handle a failure. Within insurance risk, intervention risk continues to be viewed as "cautionary" due to two principal factors: (i) given the difficult economic environment in which our member institutions operate, CDIC faces an increased possibility of being called on to conduct one or more interventions at a time when it is in the midst of a multi-year effort to increase its resolution capacity; and (ii) although the Government provided CDIC with additional resolution powers in 2009, time and resources are still required to fully operationalize these important new powers.

### Operational Risk

With the exception of people risk, CDIC's operational risks are assessed as acceptable at this time. Although we continue to enhance our intervention capabilities and capacity and test them through simulations, our approach is to operate with only a core level of employees, some of whom perform multiple intervention roles that require specialized knowledge. We are taking steps to mitigate this risk. For example, new employees were hired recently and are being trained and are receiving hands-on intervention simulation experience. Stand-by agreements have been put in place to engage service providers to ensure that we continue to have access to adequate and ready resources needed to fulfill our mandate.

## Financial Risk

CDIC's financial risks (liquidity, market and credit risk) continue to be acceptable and stable. The management of these risks is governed by conservative Board financial risk policies, designed to ensure that funds can be available quickly and without material compromise to their value. Management has taken steps to put in place appropriate practices and controls in order to ensure adherence to these policies. In addition to having the appropriate segregation of duties, oversight of the Corporation's treasury strategy is provided by a Risk Management Unit and an Asset/Liability Committee (ALCO), which reflects a cross-section of CDIC's personnel. All investments meet or exceed the Minister of Finance's *Financial Risk Management Guidelines for Crown Corporations*.

Uncertainties in capital markets during 2008/2009 and 2009/2010 have caused a move toward less risky investments. In turn, this has increased demand for the types of assets in which CDIC invests, thereby somewhat increasing the market value of CDIC's current portfolio and the value at which it is carried on CDIC's financial statements. At the same time, the move to less risky investments has contributed to a reduction in yields on new investments going forward. The portfolio is of high quality and relatively short term in nature which protects its value.

## Reputation Risk

CDIC's reputation risk is presently assessed as acceptable. Although public attention to CDIC has generally been positive over recent years, CDIC is aware that it faces a greater possibility of being called on to conduct one or more interventions at a time when expectations are for faster payments of insured deposits. CDIC has not had recent experience in dealing with an actual failure although we continue to perform simulations, developing and upgrading our skills and capacity for a payout.

## Assessment and Monitoring of Risk

CDIC management is currently in the process of finalizing its annual assessment of risk and will present a full updated report on CDIC's management of its significant risks to the Board of Directors early in 2010. In addition, in order to provide further assurance as to the integrity of its systems and controls, CDIC is implementing a program of regular review of internal controls over financial reporting, based on risk-based cyclical testing and annual reporting. The testing of CDIC's internal controls over financial reporting is coordinated with the work of CDIC's Audit and Consulting Services group and, as appropriate, with the ERM process.

## Key Planning Assumptions

The strategies, plans and supporting resource budgets outlined in this Summary are based on the following planning assumptions:

1. There will be no significant changes to CDIC's statutory objects or the elements of deposit insurance during the planning period.
2. Although risk in the Canadian financial system has been higher in the past few years, the working assumption supporting CDIC's Corporate Plan is that no failures of CDIC member institutions will occur during the planning period. While the overall financial system in Canada remains strong, previous experience suggests that, from time to time and particularly during difficult economic times, individual member institutions will face viability or solvency problems that require intervention by CDIC. The timing and circumstances surrounding such events are difficult to predict, as are the associated internal resource implications. The Corporation can handle a payment of insured deposits of \$1.9 billion with existing resources. Payouts or resolution activities involving more than this amount would require CDIC to obtain additional funding through its authorized borrowing capacity.
3. The total number of CDIC member institutions will not change significantly during the planning period.
4. Growth in insured deposits is expected to moderate from the 15% experienced last year to 7% in the first year, and to 5% annually throughout the remainder of the planning period.
5. The target range for the amount of *ex ante* funding is assumed to remain at between 40 and 50 basis points of insured deposits. This translates into a range of approximately \$2.4 to \$3.0 billion based on levels of insured deposits as at April 30, 2009. In view of the impact that changes in the annual rate of growth in insured deposits have on *ex ante* funding and the time projected to reach the bottom of the target range, the Corporation will review its progress towards the target range for *ex ante* funding regularly during the planning period.

CDIC estimates that, based on the planning assumptions, the *ex ante* fund will reach the bottom of the target funding range in 2015/2016, one year later than forecast in the 2009/2010 to 2013/2014 Corporate Plan. This is primarily due to the interaction of three variables: a projected annual rate of growth of insured deposits as described at Planning Assumption 4, above; an average investment yield of 1.57% during the planning period (see Planning Assumption 7, next page); and an increase in premium rates as outlined in Planning Assumption 6, below.

6. The premium revenue projection is based on an increase over 2008 differential premium year rates of one third for each of the first two years of the planning period as presented in the table below. When combined with the increase in 2009, such an increase will result in a doubling of the differential premium rates (over those of 2008) for the 2011 premium assessment year, and for the balance of the planning period. These rates would still be at historically relatively low levels.



### Assumption for Increased Differential Premium Rates (Rounded to One Decimal Point) over the Planning Period by Fiscal Year (Premium Year)<sup>a</sup>

	Premium Rates (Basis Points of Insured Deposits)					
	2009/2010 (2009) <sup>b</sup>	2010/2011 (2010) <sup>c</sup>	2011/2012 (2011) <sup>d</sup>	2012/2013 (2012)	2013/2014 (2013)	2014/2015 (2014)
<b>Category 1</b>	1.9	2.3	2.8	2.8	2.8	2.8
<b>Category 2</b>	3.7	4.6	5.6	5.6	5.6	5.6
<b>Category 3</b>	7.4	9.3	11.1	11.1	11.1	11.1
<b>Category 4</b>	14.8	18.5	22.2	22.2	22.2	22.2

<sup>a</sup> The membership premium year is May 1st to April 30th.

<sup>b</sup> Rates for all premium categories increased by 33 1/3% over 2008 rates.

<sup>c</sup> Rates for all premium categories increase by 66 2/3% over 2008 rates.

<sup>d</sup> Rates for all premium categories increase by 100% over 2008 rates and remain unchanged for the remainder of the planning period.

7. CDIC assumes an average yield on cash and investments of 1.57%, derived from the yield curve as at the end of 2009, and applying a weighting of these rates to CDIC's actual investment portfolio and its existing maturity structure.
8. CDIC will not receive government appropriations during the planning period.

## Corporate Strategies and Scorecard for the Planning Period

After giving consideration to the current operating environment, as well as to CDIC's significant risks, the Corporation determined that the existing three corporate strategies will continue to guide CDIC's activities over the planning period April 1, 2010, to March 31, 2015:

- Strengthening Core Expertise and Readiness
- Promoting Depositor Awareness
- Sustaining Efficient Governance and Operational Capacity

Highlights of the initiatives and strategic plans that support each corporate strategy are presented below, followed by a Corporate Scorecard that sets out performance indicators for key initiatives. The financial and resource budgets that support plans and initiatives are included in Part 3 of this Summary.



### Strengthening Core Expertise and Readiness

CDIC's work over the planning period will continue to focus on key aspects of readiness, including monitoring the risk in our membership, and expanding our payout and non-payout resolution capacity.

## **Membership Risk Monitoring**

It is crucial for CDIC to promptly identify and respond to potential membership risks. The Corporation continuously monitors the economic and financial environment, tracking emerging issues and risks that may affect our members. We also monitor the risk profile and financial performance of individual members and of the membership as a whole. In doing so, we rely primarily on supervisory information from the Office of the Superintendent of Financial Institutions (OSFI) and regulatory filings from our members.

CDIC will participate in the redesign and replacement of the Tri-Agency Data Sharing System (TDS), a system that was initially developed and funded jointly by the Bank of Canada, OSFI and CDIC in 1999 to collect and share financial information from financial institutions. The financial and resource plans presented as Part 3 of this document do not reflect CDIC's share of costs that may be associated with this initiative as the total costs of the project have not yet been fully determined.

Our work with OSFI to update the *Strategic Alliance Agreement*, designed to ensure continued coordination of effort and smooth information sharing between the two organizations, will be completed by 2012 and will include coordination mechanisms for CDIC's new bridge bank resolution powers.

## **Intervention and Resolution**

CDIC must maintain a state of readiness to intervene quickly in the affairs of a troubled member institution, be prepared with appropriate tools to fulfill our mandate and be well coordinated with our partners in the financial safety net. Our methodologies and systems are designed to handle the failure of various types and sizes of members, as well as implementing various forms of failure resolution.

In support of our intervention processes, CDIC maintains current technology and ensures ongoing employee training. We will continue work on updating our valuation model, a key tool for assessing options for failure resolutions. In 2010/2011, we will complete a plan for the model's redesign, with the goal of expanding its use in handling the more complex balance sheets that are typical of larger member institutions, and to support the model's integration into CDIC's member risk assessment process.

**Readiness for payout resolutions:** Enhancing CDIC's capacity for making a payment in support of a larger member institution failure is a high-priority, multi-year and Corporate-wide initiative. To date, we have successfully conducted simulations of increasingly larger payouts (up to 500,000 depositors with 1,200,000 accounts) and over the planning period we will build on these accomplishments. For example, we will conduct payout simulations for up to one million depositors. We will also continue to invest in secure remote access capabilities for the payout system, and evolve our information portal to handle large-scale team communication, collaboration, document handling and storage. Another initiative underway will improve the speed with which we can load and use member institution deposit data in the event of a failure, information crucial for making quick insurance payments to depositors should a member fail.

**Readiness for non-payout resolutions:** CDIC is able to facilitate the acquisition of a failed institution by a healthy institution, for example, by providing financial assistance through a loan or guarantee. Non-payout resolutions form an important part of our capacity to protect depositors and contribute to the stability of Canada's financial system. In 2010/2011, CDIC will improve non-payout intervention readiness by enhancing and testing its special examination methodology, and by collecting and analyzing additional information from higher risk members.

Among the new powers CDIC received in 2009/2010 is the power to form a bridge bank institution as a means to preserve institutional value and financial stability in the system in the event that a member is no longer viable. An international best practice, bridge bank resolution has the advantage of minimizing disruption of services to customers of the failed bank while preserving its franchise value to offset the cost of the failure. CDIC is taking steps to operationalize its new bridge bank powers, including working with other federal agencies to develop the regulatory and operational framework to support this work.

### ***Crisis Communication***

Being prepared to effectively communicate with depositors and others in the event of a failure is of paramount importance. We will continue to update a website that would be activated in the event of a member failure and to regularly enhance and test our crisis communication systems and materials.

### ***Ensuring Adequate Funding Is Available***

In view of the importance of funding where the Corporation is called upon to intervene with respect to a failing member institution, CDIC will conduct ongoing assessments of the sufficiency of its funding sources. Work will include rigorous analyses of our *ex ante* funding methodology and its impact on premium rate decisions. We will also work closely with the Department of Finance to coordinate the logistics of accessing our newly increased borrowing capacity.

### ***Other Plans***

Among other readiness activities, CDIC will prepare for the 2012 federal financial legislative review process by developing policy proposals in a number of areas, including insurance coverage, and on issues related to trust deposits. Other ongoing research to support readiness includes investigating options for managing CDIC's insurance fund.

As part of an ongoing review of its by-laws, in 2010/2011 CDIC will complete a comprehensive review of its *Joint and Trust Account Disclosure By-law*, with a view to increasing its effectiveness; and continue to review the *Differential Premiums By-law* (which assigns members to different premium categories), in the context of the Basel II capital adequacy measures and for any implications arising from the transition to IFRS. Other by-laws will be reviewed and amended on an ongoing basis as a result of any statutory changes.

The following corporate key performance indicators will help CDIC monitor its progress on the above key initiatives and activities.

Corporate Strategy: Strengthening Core Expertise and Readiness	
PLANNED INITIATIVES 2010/2011 TO 2014/2015	KEY PERFORMANCE INDICATORS
Review <i>Strategic Alliance Agreement</i> with OSFI.	Updated <i>CDIC/OSFI Strategic Alliance Agreement</i> (including bridge bank considerations) in place by March 31, 2012.
Assess the risk posed by all member institutions at least annually.	An annual review of each member institution is conducted and appropriately documented.
Continue to increase CDIC's payout capacity to address the failure of a member institution with a large number of depositors.	Achieved and tested payout for 750,000 depositors completed by March 31, 2011, and one million depositors by March 31, 2012.
Operationalize CDIC's new bridge bank powers.	Completion of the bridge bank implementation project by March 31, 2011.
Examine CDIC's financial position, funding adequacy and funding options for a resolution—including under a bridge bank.	Funding analysis completed by March 31, 2011.
	Provisioning methodology review completed by March 31, 2011.
	Maximum total funding adequacy determination and documentation of all funding options completed by March 31, 2011.



## Promoting Depositor Awareness

CDIC's corporate strategy of promoting depositor awareness is carried out through a range of targeted and multi-year activities intended to increase depositors' awareness and understanding of CDIC deposit insurance, including the \$100,000 deposit insurance limit, and the types of financial products that are covered or not covered by CDIC.

### **Long-Term Public Awareness Strategy and Plan**

Public awareness of CDIC and deposit insurance remains a priority, given the current economic environment. We are implementing the first year of our Long-Term Public Awareness Strategy and Plan (developed in 2009/2010). A television advertising campaign will continue to be a major component of our plan and will be supplemented with print, Internet advertising and search-engine marketing.



Our efforts will be aimed at the general public, with an emphasis on the 50+ age group, given this segment's greater vulnerability (they are closer to retirement and the amount and type of products they own could put them at greater risk for loss in the event of a failure with less ability to recover from loss). We will focus on informing the public about CDIC, deposit insurance and the coverage limit, and on promoting confidence in CDIC and Canada's financial system. Our campaign will continue to have a strong call to action aimed at driving the public to learn more from their financial institution, as well as through CDIC's website and call centre.

Building on our results of last year (as at March 2009), with public awareness of CDIC among the general population reaching 54% and unaided awareness of the \$100,000 limit reaching 26%, our target for 2010/2011 is to exceed 54% awareness of CDIC and 26% unaided awareness of the \$100,000 limit.

For the 50+ age group, building on our results of last year (as at March 2009) with public awareness of CDIC reaching 62% and unaided awareness of the \$100,000 limit reaching 31%, our target for this group for 2010/2011 is to reach 65% awareness of CDIC and maintain at least the 2009/2010 unaided awareness level of the \$100,000 limit.

### Outreach

Working with our partners is key to our communication and outreach activities. Our partners include, among others, the Autorité des marchés financiers (AMF), the Registered Deposit Brokers Association, and other financial and consumer associations.

### Other Plans

Other planned activities include the continued production of matte stories to be distributed to newspapers, online publications and radio stations across Canada, and CDIC's participation in consumer shows targeting the 50+ age group.

Key performance indicators that will be tracked are set out below.

Corporate Strategy: Promoting Depositor Awareness	
PLANNED INITIATIVES 2010/2011 TO 2014/2015	KEY PERFORMANCE INDICATORS
Implementation of the Long-Term Public Awareness Strategy and Plan developed in 2009/2010.	For the general population: exceed 54% total awareness of CDIC and 26% of unaided awareness of the \$100,000 coverage limit.
	For the 50+ age group: reach 65% awareness of CDIC and maintain a 31% unaided awareness of the \$100,000 coverage limit.
	Conduct public opinion poll research on a quarterly basis during the planned period to ascertain results.



## **Sustaining Efficient Governance and Operational Capacity**

CDIC maintains sound overall governance and strong operational capacity as a foundation for all of its work. As an organization, CDIC keeps abreast of best practices and applies those considered appropriate for the Corporation.

### ***Employee Support***

CDIC will implement its new Human Resources Strategy and Plan (HRSP) in 2010/2011, focusing on its commitment to excellence in its employees and as an employer. The new plan will support CDIC in meeting a number of challenges, such as: recruitment and retention in view of anticipated retirements and normal turnover; training and development to maintain key core competencies; and evolving competitive compensation and benefits practices. It also builds on many of the initiatives commenced through our existing HRSP.

Employees are CDIC's key resource and we recognize that satisfied and motivated employees are vital to our ability to achieve our goals. CDIC will continue to monitor and assess employee satisfaction and engagement through regular surveys, and will take appropriate action to address any barriers to a productive work force.

### ***Improving Infrastructure and Operations***

In 2010/2011, CDIC will complete renovations to its Ottawa offices, including construction of a new data centre. The renovations will emphasize energy efficiency, conservation, and use of renewable and reusable materials wherever possible. With our Toronto office lease set to expire in the fall of 2011, we will also negotiate a new lease for that office early in the planning period.

Our business continuity management program will focus on maintaining fully operational business continuity plans for each area of the Corporation, and on keeping our pandemic preparedness plans up-to-date. These plans will continue to utilize CDIC's secure remote access solution—which allows employees to work remotely from home or other locations where they can access a computer with an Internet link. We will complete our virtualization technology at our primary and backup data sites, allowing the Corporation to recover its operations more quickly at either site when faced with a business disruption. Key business continuity and pandemic planning information will be regularly shared throughout the planning period with the Bank of Canada, the Financial Consumer Agency of Canada (FCAC) and OSFI.

### ***Strengthening Information Systems***

CDIC's Information Systems Strategic Plan (ISSP) reflects the importance of up-to-date technology, knowledgeable personnel and applying sound technical practices in the use of information collected and used by the Corporation. The five-year ISSP supports our investments in technology, people and processes to add long-term value to the Corporation. Revised annually, the ISSP aligns with our Corporate Plan and keeps us current in an evolving technology environment, contributing to our capacity to intervene in the event of a member failure. The ISSP calls upon us to continue to invest in applications that support our mandate and position us as a leader in deposit insurance with a focus on reducing reliance on paper and enhancing security.

CDIC continually invests in its technical infrastructure and IS support framework to stay in line with industry best practices and to maintain flexibility in meeting the high security standards needed to protect our information assets.

### ***Financial Reporting***

CDIC will continue its transition from Canadian Generally Accepted Accounting Principles (GAAP) to International Financial Reporting Standards (IFRS), a significant initiative for the Corporation. CDIC will prepare its statement of financial position under the IFRS for the first time as at April 1, 2010. The transition will also see us prepare our March 31, 2011, financial statements under both GAAP and IFRS, an exercise that will require us to track transactions throughout the year to ensure that all data captured is IFRS compliant. The Corporation is required to present IFRS compliant financial statements for the year ended March 31, 2012.

CDIC will need to address its methodology for determining the appropriate provision for insurance losses. The review will ensure that CDIC's provisioning methodology is compliant with IFRS and that it reflects issues identified during recent stakeholder consultations. Transition to IFRS will also call for a range of other work, including amending our accounting policies and upgrading our accounting and treasury systems.

Recently passed legislation requires CDIC to produce and make public quarterly financial reports (including a Management's Discussion and Analysis (MD&A) report) commencing in 2011. CDIC management, in consultation with the Office of the Auditor General, is considering alternatives for the review of such reports prior to public disclosure.



### ***Assessing Corporate Risks and Controls***

CDIC will continue its annual Enterprise Risk Management (ERM) process, the outputs from which provide the information needed to review and update risk policies, as well as to focus the Corporation's plans and resources in the future. We will also continue our risk-based cyclical review of internal controls over financial reporting. We will report publicly on the management of our significant corporate risks and on our review of internal controls over financial reporting through the MD&A section of our Annual Report.

### ***Working with Stakeholders and International Collaboration***

CDIC has committed to updating the International Association of Deposit Insurers (IADI) guidance document on differential premium systems and will chair the IADI sub-committee responsible for this project. Our CEO will continue to serve on the IADI Executive Council. Work in 2010/2011 will include implementing the *Core Principles for Effective Deposit Insurance* developed by IADI and working closely with the Cross-Border Bank Resolution Group of the Basel Committee on Banking Supervision. We will also continue providing support and assistance to countries developing and/or enhancing deposit insurance systems, taking into account the availability of CDIC personnel.



The key performance indicators to be tracked are set out in the table below.

Corporate Strategy: Sustaining Efficient Governance and Operational Capacity	
PLANNED INITIATIVES 2010/2011 TO 2014/2015	KEY PERFORMANCE INDICATORS
Conduct annual assessments of CDIC's significant corporate risks, review and update CDIC's Board and management risk policies as necessary, and provide regular reports to stakeholders about the management of CDIC's significant corporate risks.	Significant risks are assessed at least annually. Appropriate risk management initiatives are undertaken on a timely basis to ensure exposure is within acceptable levels.  Annual ERM attestation included in the Annual Report.
Manage transition to International Financial Reporting Standards (IFRS).	Transition to IFRS completed and financial statements audited for the fiscal year ended March 31, 2012.
Monitor employee satisfaction to ensure that there are no impediments to a productive and motivated work force.	Over the planning period, achieve employee satisfaction rates above 75% as measured by the bi-annual employee surveys.
Maintain CDIC's Business Continuity Management Program in a fully current and ready state.	Business Continuity Plan (BCP) and Pandemic Preparedness Plan (PPP) test exercises conducted at least annually with results and any follow-up actions reported to the Audit Committee on an annual basis.
	An appropriate emergency back-up site is ready and available at all times.
Conduct annual assessments under CDIC's Internal Control Over Financial Reporting Review program, incorporating coordination with CDIC's ERM program and the work of CDIC's Audit and Consulting Services Department. Provide (through the MD&A section of CDIC's Annual Report) regular reports to stakeholders about the state of CDIC's internal controls over financial reporting.	Internal controls are regularly reviewed in accordance with CDIC's Internal Control Over Financial Reporting Review program (consistent with Treasury Board Secretariat (TBS) Guidelines) and the results of this work are reported each year in CDIC's Annual Report.
	No significant internal control deficiencies are reported.
Implement appropriate procedures to support a quarterly reporting regime (subject to government approval).	Quarterly reporting requirements being fully met pursuant to Treasury Board guidance for CDIC's 2011/2012 fiscal year.

A wide-angle photograph of a dirt road with deep tire tracks, receding into the distance. The road is flanked by green fields. In the background, there are rolling hills and a utility pole on the right. The sky is filled with soft, grey clouds, suggesting an overcast day.

# *Financial and Resource Plans*

*Savings Protection Canadians Can Count On*

CDIC's five-year financial plan for 2010/2011 to 2014/2015 is based on the planning assumptions summarized in Part 2, and reflects the resources required to carry out the strategies and related initiatives planned for the period described in Part 2.

CDIC will maintain a stable financial position throughout the planning period. Our operating environment, however, is rapidly evolving and the intervention risk the Corporation faces remains at cautionary levels. In addition, new reporting requirements (such as IFRS and quarterly financial reporting) will become a reality for the Corporation during the planning period. CDIC recognizes, however, the need to exercise fiscal constraint whenever possible, even in the face of a challenging operating environment. The Corporation's financial and resource plans reflect the need to be fiscally prudent while continuing to address the growing demands anticipated over the planning horizon.

The Corporation will continue to manage its operations and costs effectively by regularly reviewing activities and initiatives within the broader context of our changing environment. CDIC will also manage its business plans to focus resources on the most important initiatives.

CDIC's operating budget does not allow for significant contingencies. Whenever possible, costs for unplanned activities are absorbed within the existing operating budget. If CDIC is required to intervene in the affairs of a member institution, or if new initiatives need to be undertaken during the planning period that cannot be absorbed by revising priorities within the existing budget, Board approval will be requested for additional resources and budget.

The Corporation's *Pro Forma* Consolidated Balance Sheet, Statement of Income and Retained Earnings, and Statement of Cash Flows are presented as Figures 1, 2 and 3, respectively.

It should be noted that premium rates are fixed annually by the Minister of Finance after considering recommendations from CDIC's Board of Directors which take into consideration the Corporation's financial condition, the economic and financial environment, the risk profile of its membership, and the actual and projected level of *ex ante* funding relative to the target range. Accordingly, actual retained earnings levels and premium revenue for the planning period may vary from the figures presented in this Plan.

## Highlights of the Five-Year Financial Plan

The **premium revenue** for the fiscal years 2010/2011 to 2014/2015 is based on premium rates increasing by one third over 2008 rates in each of 2010 and 2011.

Over the five-year planning period:

- **Premium revenue** is forecast to total \$1,049 million over the five-year planning period (Figure 2). **Interest income on investments** is forecast to total \$193 million, and **net operating expenses** are budgeted at \$168 million over the same period.
- The adequacy of provision for losses is assessed on an annual basis and, if necessary, adjustments are recorded. For the purposes of this Plan, the **provision for insurance losses** is forecast to remain at \$800 million throughout the planning period (Figure 1).
- **Cash and investments** are planned to be \$2.149 billion as at March 31, 2011, and are expected to increase to \$3.037 billion by the end of the planning period at March 31, 2015 (Figure 1).
- **Retained earnings** of \$1.352 billion are planned as at March 31, 2011, and are expected to grow to \$2.238 billion by the end of the planning period at March 31, 2015 (Figure 1).

The Corporation is subject to federal income tax and is required to pay income taxes on its taxable income.<sup>1</sup> The total income tax expense over the five-year planning horizon is forecast to be \$9 million (Figure 2).

---

<sup>1</sup> Under the provisions of the *Income Tax Act*, the Corporation's premium revenue is not taxable. As such, the Corporation's source of taxable income is its interest revenue on cash and investments. From this amount, allowable expenditures are deducted in order to arrive at its net income for tax purposes.



**Figure 1:** *Pro Forma* Consolidated Balance Sheet  
as at March 31  
(\$ millions)

	2009 Actual	2010 Plan		Forecast				
			2010	2011	2012	2013	2014	2015
<b>ASSETS</b>								
Cash	-	1	1	1	1	1	1	1
Investments	1,770	1,872	1,951	2,148	2,353	2,568	2,795	3,036
Accounts receivable	2	1	-	-	-	-	-	-
Income tax overpayment	5	4	6	-	-	-	-	-
Capital assets	2	2	2	5	5	5	5	5
	1,779	1,880	1,960	2,154	2,359	2,574	2,801	3,042
Future income tax asset	-	1	1	-	-	-	-	-
	1,779	1,881	1,961	2,154	2,359	2,574	2,801	3,042
<b>LIABILITIES</b>								
Accounts payable	4	3	2	2	2	2	2	2
Income tax payable	-	-	-	-	2	2	2	2
Future tax liability	4	-	-	-	-	-	-	-
Provision for insurance losses	800	650	800	800	800	800	800	800
	808	653	802	802	804	804	804	804
<b>EQUITY</b>								
Retained earnings	960	1,228	1,159	1,352	1,555	1,770	1,997	2,238
Accumulated other comprehensive income	11	-	-	-	-	-	-	-
	971	1,228	1,159	1,352	1,555	1,770	1,997	2,238
	1,779	1,881	1,961	2,154	2,359	2,574	2,801	3,042

**Figure 2:** *Pro Forma* Consolidated Statement of Income and Retained Earnings  
for the Year Ending March 31  
(\$ millions)

	2009 Actual	2010 Plan		Forecast				
			2010	2011	2012	2013	2014	2015
<b>REVENUE</b>								
Premiums	92	102	198	180	202	212	222	233
Interest on investments	54	36	32	31	35	39	42	46
Other revenue	–	–	–	–	–	–	–	–
	146	138	230	211	237	251	264	279
<b>EXPENSES</b>								
<b>Operating expenses</b>								
Salaries and other personnel costs	12	15	14	15	15	16	16	16
Professional fees	3	6	6	6	6	5	5	5
General expenses	2	3	4	4	4	4	4	4
Public awareness	3	4	4	4	4	4	4	4
Premises	4	4	3	3	3	4	4	4
Data processing costs	2	1	1	2	2	2	2	2
Total operating expenses	26	33	32	34	34	35	35	35
Less cost recovery (FCAC and OSFI) <sup>a</sup>	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Net operating expenses <sup>b</sup>	25	32	31	33	33	34	34	34
Adjustment to provision for insurance losses	150	–	–	–	–	–	–	–
	175	32	31	33	33	34	34	34
<b>Net income (loss) before recoveries and income tax</b>	(29)	106	199	178	204	217	230	245
Recovery of amounts previously written off	1	14	–	14	–	–	–	–
Income tax recovery (expense)	(9)	(2)	–	1	(1)	(2)	(3)	(4)
<b>Net income (loss)</b>	(37)	118	199	193	203	215	227	241
Retained earnings, beginning of year	997	1,110	960	1,159	1,352	1,555	1,770	1,997
Retained earnings, end of year	960	1,228	1,159	1,352	1,555	1,770	1,997	2,238

<sup>a</sup>CDIC provides call centre services to the Financial Consumer Agency of Canada (FCAC) and the Office of the Superintendent of Financial Institutions (OSFI) on a cost-recovery basis. These costs are included in the relevant expense categories.

<sup>b</sup>Expense estimates for fiscal years 2011/2012 through to 2014/2015 are subject to further development and will be dependent on specific plans developed for those years.

It should be noted that the *Pro Forma* Consolidated Statement of Comprehensive Income reports on the potential impact on net income as a result of changes in market value of the Corporation's investment portfolio. Such changes would be dependent on future changes in interest rates and market activity. CDIC does not forecast future interest rates and, as a result, a *Pro Forma* Consolidated Statement of Comprehensive Income has not been included in this Financial Plan as it would not provide any material information to the reader.



**Figure 3:** *Pro Forma* Consolidated Statement of Cash Flows  
for the Year Ending March 31  
(\$ millions)

	2009 Actual	2010 Plan		Forecast				
			2010	2011	2012	2013	2014	2015
<b>OPERATING ACTIVITIES</b>								
Premium revenue received	92	102	198	180	202	212	222	233
Claims recovered	–	–	–	–	–	–	–	–
Interest revenue received	56	36	32	31	35	39	42	46
Recovery of amounts previously written off	–	14	–	14	–	–	–	–
Other amounts received	1	–	–	–	–	–	–	–
Payment of income taxes	(15)	(4)	(3)	6	1	(1)	(3)	(3)
Payments to suppliers and employees	(25)	(31)	(33)	(32)	(33)	(33)	(32)	(33)
Capital assets purchased	–	(1)	(1)	(4)	(1)	(1)	(1)	(1)
Cash flows from operating activities	109	116	193	195	204	216	228	242
<b>INVESTING ACTIVITIES</b>								
Net cash flows from (used) in investing activities	(109)	(116)	(192)	(195)	(204)	(216)	(228)	(242)
<b>CASH</b>								
Increase during the year	–	–	1	–	–	–	–	–
Balance, beginning of year	–	–	–	1	1	1	1	1
<b>Balance, end of year</b>	–	–	1	1	1	1	1	1

## Ex Ante Funding

CDIC recognizes the importance of appropriate financial resources for the proper functioning of a sound deposit insurance system. There must be a high degree of confidence that the resources available to CDIC will be sufficient to address the risks to which it is exposed.

In 2003/2004, the Board of Directors resolved that CDIC, as a matter of prudence, ought to have an amount of advance funding available for possible deposit insurance losses.

The amount of *ex ante* funding considered prudent was derived from assessing the results of hypothetical member failure situations using a Monte Carlo simulation technique. The simulation carefully considered the insured deposits at each member institution, rating agency data with respect to failure probabilities associated with individual member institutions, CDIC's historical loss experience on failed member institutions, and the potential that failure situations may be correlated. By running large numbers of

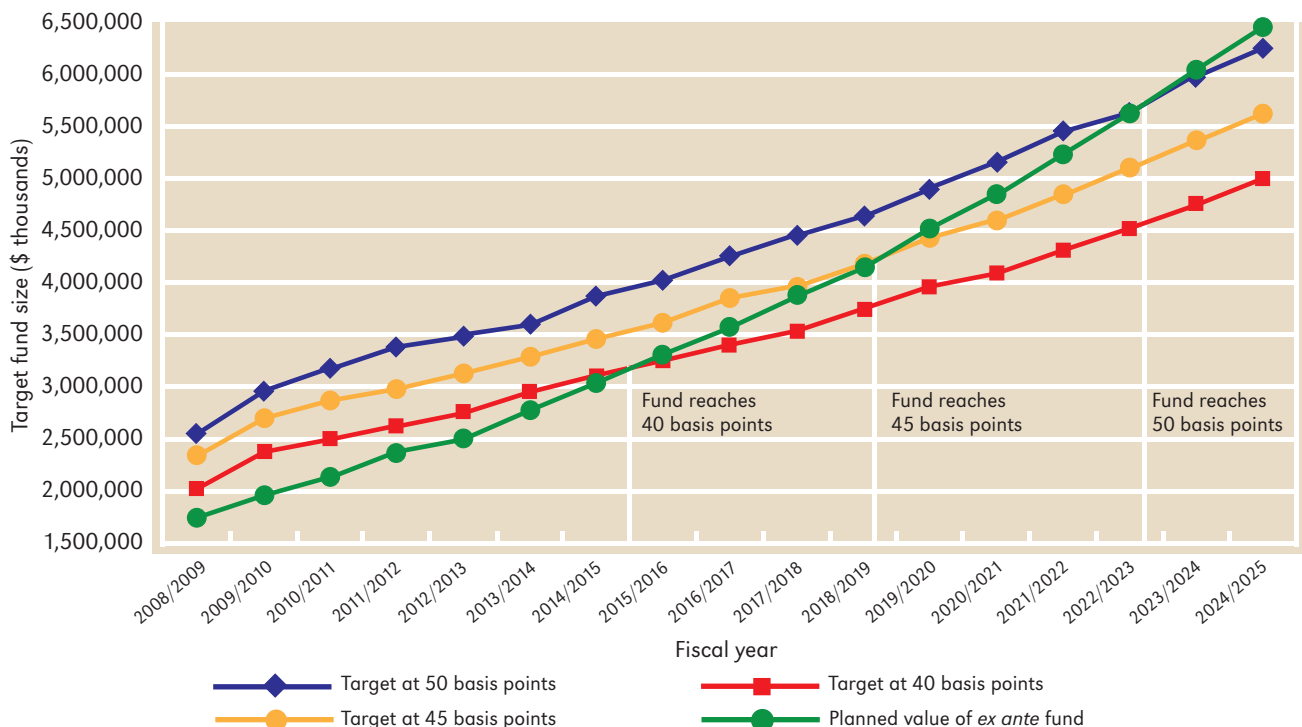
iterations, the Monte Carlo technique provided an approximation of the range of potential loss scenarios that may be experienced by CDIC. The results of the simulation were assessed for reasonableness against the level of insured deposits in CDIC's portfolio of member institutions.

After careful consideration of this analysis, CDIC's Board of Directors established its *ex ante* funding target at 40 to 50 basis points of insured deposits. Such a level is considered appropriate to allow CDIC to effectively discharge its mandate on an expeditious basis. It was further decided that the amount of *ex ante* funding would be represented by the aggregate of both the retained earnings and the provision for insurance losses as reported in CDIC's financial statements. CDIC plans to again assess its funding methodology in light of recent initiatives undertaken by G20 countries.

The target for the amount of *ex ante* funding currently translates into a range of approximately \$2.4 billion to \$3.0 billion, based on levels of insured deposits as at April 30, 2009. As at September 30, 2009, the level of *ex ante* funding was \$1.9 billion or 33 basis points of insured deposits.

Based on the assumption that premium rates will increase by one third from 2008 levels in each of the 2010 and 2011 premium years, resulting in a doubling of the differential premiums rates (over those of 2008) for the 2011 and subsequent premium assessment years, the bottom of the range is forecast to be reached in fiscal year 2015/2016 (see Figure 4). This is one year later than what was forecast in CDIC's 2009/2010 to 2013/2014 Corporate Plan, and is a result of significant increases in insured deposits and lower-than-expected yields on investments.

**Figure 4:** *Ex Ante* Funding Progression—Fund Growth Towards Target



## Operating Budget—2010/2011

A summary of the operating budget is set out in Figure 5.

**Figure 5:** Operating Budget  
(\$ millions)

	2009 Actual	2010 Plan	2010 Revised Budget	2010 Forecast	2011 Budget
<b>REVENUE</b>					
Premiums	92.3	101.8	101.8	197.8	180.5
Interest income	53.9	36.1	36.1	31.8	30.6
Other revenue	0.1	–	–	–	–
	146.3	137.9	137.9	229.6	211.1
<b>OPERATING EXPENSES</b>					
Salaries and other personnel costs	12.6	15.0	15.0	13.8	14.7
Professional fees	3.1	5.9	6.7	6.3	6.6
Premises	2.5	3.0	3.0	2.9	3.2
Public awareness	3.6	4.0	4.0	4.0	4.0
General expenses	2.8	3.7	3.7	3.8	3.7
Data processing	1.7	1.5	1.5	1.5	1.7
Total operating expenses	26.3	33.1	33.9	32.3	33.9
Less cost recovery (FCAC, OSFI, AMF)	(0.9)	(1.0)	(1.0)	(1.0)	(1.0)
Net operating expenses	25.4	32.1	32.9	31.3	32.9
Adjustment to provisions	150.0	–	–	–	–
	175.4	32.1	32.9	31.3	32.9
<b>Net income (loss) before recoveries and income tax</b>	(29.1)	105.8	105.0	198.3	178.2
Recovery of amounts previously written off	0.5	13.8	13.8	–	13.8
Income tax recovery (expense)	(8.5)	(1.6)	(1.6)	0.5	0.5
<b>Net income (loss)</b>	(37.1)	118.0	117.2	198.8	192.5

## Capital Budget—2010/2011

The budget for capital expenditures in 2010/2011 is \$2.25 million. The capital budget is summarized in Figure 6.

**Figure 6:** Capital Budget  
(\$ thousands)

	2009 Actual	2010 Plan	2010 Forecast	2011 Plan
Furniture and equipment	143	100	100	100
Computer hardware	671	650	650	650
Data centre	–	1,500	1,500	–
Leasehold improvements	–	–	–	1,500
<b>Total</b>	<b>814</b>	<b>2,250</b>	<b>2,250</b>	<b>2,250</b>

Data centre enhancements and leasehold improvements represent the largest components of the capital budget.

## Accounting Issues

The Corporation's financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP).

CDIC's conversion to International Financial Reporting Standards (IFRS) from GAAP is being completed in five phases: diagnostic; detailed scoping; drafting policies and procedures; implementation and review; and full adoption of IFRS. The diagnostic phase has been completed, and CDIC is currently in the detailed scoping and drafting policies and procedures phases of the conversion project. Of note, many of the standards that will affect CDIC are subject to change before the implementation date. CDIC is completing position papers on each of the relevant IFRS. CDIC will be required to report under IFRS for the year ended March 31, 2012, with IFRS compliant comparatives for the year ended March 31, 2011, and an opening statement of financial position as at April 1, 2010.

On another front, in December 2009, Bill C-51 was given Royal Assent, requiring, among other things, Crown corporations to file quarterly financial reports. The coming into force date is April 1, 2011, with the first quarterly report required for the period ended June 30, 2011. The quarterly reports will be prepared in the form and manner provided for by the Treasury Board.

## Borrowing Plan

As at December 31, 2009, CDIC had no debt outstanding.

Pursuant to section 10.1(1) of the *CDIC Act*, at the Corporation's request, the Minister of Finance can make loans to CDIC from the Consolidated Revenue Fund (CRF) on such terms and conditions that the Minister may establish. The *CDIC Act* also provides that CDIC can borrow by means other than the CRF. Total principal indebtedness from all sources is not to exceed \$15 billion (which amount is adjusted annually based on insured deposit growth, and therefore increases to approximately \$17 billion at January 1, 2010), or such greater amount as may be authorized by Parliament under an appropriation act. The *CDIC Act* also allows the Minister to charge CDIC a credit enhancement fee in respect of any borrowings.

CDIC's working assumption is that no borrowing will be required. However, if an intervention were required (or if a member institution were to fail), available funding options include: divestiture of the investment portfolio; borrowing from the CRF; or borrowing from capital markets.

Funding of an intervention would require a case by case analysis to determine optimal funding strategies. CDIC's investment portfolio may or may not be used as a first call on liquidity depending on the circumstances. Future liquidity requirements and asset-liability matching would need to be considered, among other things, in the development of funding strategies. Nevertheless, the need for capital preservation and potential liquidity requirements imply that the investment portfolio is positioned toward low-risk and highly liquid instruments.

CDIC has in place credit facilities with its banker for up to \$10 million for cash management purposes. The Corporation does not anticipate drawing on its credit facility over the planning period.

Significant financial risks that arise from transacting and holding financial instruments include credit, liquidity and market risks. Formal policies are in place for all significant financial risks to which CDIC is exposed. The policies are reviewed, at least annually, in order to ensure that they continue to be appropriate and prudent.

## Human Resource Requirements

The Corporation anticipates no significant changes to the overall person-year count during the period. Figure 7 reflects the person-years for the planning period.

**Figure 7:** Human Resource Requirements  
(person-years)

	2009/2010 Approved Plan	2010/2011 to 2014/2015 (Proposed)
Corporate Total	101	101
Less: Assigned to FCAC and OSFI	(5)	(5)
<b>Total</b>	<b>96</b>	<b>96</b>

CDIC operates with a core of expert employees, augmenting them as necessary to deal with specific challenges—either by mobilizing a larger work force (directly through outsourcing or indirectly through liquidators or receivers), or through workout or wind-down arrangements. The latter may include contract personnel, consultants, insolvency and legal professionals, and other service providers as necessary.



# *Performance Against Past Plans*

*Savings Protection Canadians Can Count On*



## Highlights of CDIC's Past Performance—2009/2010 to 2013/2014

CDIC's *Corporate Plan 2009/2010 to 2013/2014* identified three corporate strategies that reflect the Corporation's assessment of its operating environment and risks, and that support our business objects:

- Strengthening Core Expertise and Readiness
- Promoting Depositor Awareness
- Sustaining Efficient Governance and Operational Capacity

CDIC's performance to date against these strategies is summarized in the following Corporate Scorecard. The Scorecard shows that CDIC's progress against all but two of these key performance indicators is proceeding as planned and that the Corporation expects to achieve the majority of its key performance targets for 2009/2010.

The two indicators not proceeding as planned are:

- With respect to the timing of the implementation of a plan to obtain information on deposit systems and data from all members by March 31, 2010—this significant initiative was intended to be a multi-phase plan that will continue to evolve over the planning period. It has been excluded from the planned initiatives and performance indicators for the planning period as presented in this Corporate Plan pending CDIC Board approval of changes that would be required by member institutions.
- Although power and climate problems have been temporarily addressed in the existing Ottawa data centre, construction of the new long-term data centre has been delayed from the end of 2009 until the spring of 2010.

## CDIC Corporate Scorecard—2009/2010 to 2013/2014

**CDIC Objects:** Provide deposit insurance and contribute to the stability of the financial system, for the benefit of depositors, and while minimizing the Corporation's exposure to loss.

Corporate Strategies	Planned Key Initiatives	Key Performance Indicators
<b>Strengthening Core Expertise and Readiness</b>  CDIC must stay alert to developments that affect the Corporation and its membership. The Corporation must also ensure that it has the ability to anticipate and react to events and to manage insurance risk. CDIC will focus on solidifying expertise in our core operation areas of insurance, risk monitoring, intervention and resolution.	<b>Membership Risk Monitoring</b>	
	<ul style="list-style-type: none"> <li>Review <i>Strategic Alliance Agreement</i> with OSFI.</li> <li>Ensure employee training in support of changes reported by member institutions respecting Basel II and International Financial Reporting Standards (IFRS).</li> </ul>	<ul style="list-style-type: none"> <li>Updated <i>CDIC/OSFI Strategic Alliance Agreement</i> in place by the end of the planning period. ▲</li> <li>Training programs ongoing throughout the planning period. ▲</li> </ul>
	<b>Readiness for Payout</b>	
	<ul style="list-style-type: none"> <li>Continue to increase CDIC's payout capacity to address the failure of a member institution with a large number of depositors.</li> <li>Undertake work to facilitate the collection, review and validation of member institution deposit data and system information to support a quicker insurance determination in the event of failure.</li> </ul>	<ul style="list-style-type: none"> <li>Achievement of annual Large Capacity Enhancement Project milestones for each year as evidenced by CDIC's ability to conduct a large payout simulation—through March 2012. ▲</li> <li>Implementation of a plan to obtain information on deposit systems and data from all members—by March 2010. ▼</li> </ul>
	<b>Readiness for Non-Payout Resolutions</b>	
	<ul style="list-style-type: none"> <li>Review and update the valuation model.</li> <li>Ensure all employees are trained on non-payout resolutions and key intervention tools.</li> </ul>	<ul style="list-style-type: none"> <li>Valuation model reviewed and updated as necessary during the planning period. ▲</li> <li>Risk managers involved in intervention up-to-date on the use of current non-payout strategies, special examination methodologies and the valuation model via ongoing training program. ▲</li> </ul>
	<b>Communications</b>	
	<ul style="list-style-type: none"> <li>Update and maintain a cloaked website for depositors that would be activated upon the failure of a member institution.</li> </ul>	<ul style="list-style-type: none"> <li>Cloaked website upgrades completed by the end of the planning period. ▲</li> </ul>
	<b>Insurance Program and Powers</b>	
	<ul style="list-style-type: none"> <li>Amendments if needed to CDIC differential premiums system to reflect Basel II data and IFRS transition.</li> </ul>	<ul style="list-style-type: none"> <li>Consultation with members completed and appropriate amendments made to the differential premiums system for the 2012 premium year. ▲</li> </ul>

**Legend:** ▲ Planned progress on schedule and within budget.  
 ▼ Slippage in terms of time to completion, and/or budget variances.  
 ● Cancelled or deferred.

## CDIC Corporate Scorecard—2009/2010 to 2013/2014

**CDIC Objects:** Provide deposit insurance and contribute to the stability of the financial system, for the benefit of depositors, and while minimizing the Corporation's exposure to loss.

Corporate Strategies	Planned Key Initiatives	Key Performance Indicators
<p><b>Promoting Depositor Awareness</b></p> <p>CDIC must work to increase public awareness of deposit insurance and of its benefits and limits. Through our targeted, long-term strategy, CDIC will carry out public awareness initiatives that build on past years’ initiatives.</p>	<ul style="list-style-type: none"><li>• Implementation of an expanded long-term public awareness strategy and plan.</li><li>• Increase outreach to other government and private partners as appropriate to enhance awareness of CDIC deposit insurance.</li><li>• Monitor the public awareness strategy and plan to determine its effectiveness and make adjustments if necessary.</li></ul>	<ul style="list-style-type: none"><li>• 55% awareness of CDIC and 30% awareness of the \$100,000 deposit insurance coverage limit. ▲</li><li>• Increased outreach initiatives undertaken with partners. ▲</li><li>• Conduct public opinion poll research as required during the planning period. ▲</li></ul>
<p><b>Sustaining Efficient Governance and Operational Capacity</b></p> <p>To maintain the public’s confidence, CDIC must demonstrate that it is fulfilling its mandate in an efficient and effective manner. To achieve this objective, CDIC will take steps to manage its significant risks, maintain sound governance and continue to work actively with all its key stakeholders. Such stakeholders include member institutions, the depositing public, employees, Financial Institutions Supervisory Committee (FISC) members, regulators, parliamentarians, other deposit insurers in Canada and around the world, and relevant international organizations with an interest in deposit insurance issues.</p>	<p><b>Governance</b></p> <ul style="list-style-type: none"><li>• Continue to conduct annual assessments of CDIC’s significant corporate risks, review and update CDIC’s Board and management risk policies as necessary, and provide (through the MD&amp;A section of CDIC’s Annual Report) regular reports to stakeholders about the management of CDIC’s significant corporate risks.</li><li>• Negotiate new lease for the Toronto CDIC office (existing lease expires in 2011).</li><li>• Complete enhancements to the Ottawa office data centre.</li><li>• Manage transition to International Financial Reporting Standards (IFRS).</li><li>• Continue to implement Information Systems Strategic Plan (ISSP).</li><li>• Develop a new Human Resources Strategy and Plan (HRSP).</li><li>• Monitor employee satisfaction to ensure that there are no impediments to a productive and motivated work force.</li></ul>	
	<ul style="list-style-type: none"><li>• Significant risks are assessed at least annually. Risk management initiatives are undertaken on a timely basis to ensure exposure is within acceptable levels.  Annual ERM attestation included in the Annual Report. ▲</li><li>• New long-term lease for Toronto office in place by 2011. Premises satisfy CDIC’s human resource and operational requirements. ▲</li><li>• Ottawa office data centre enhancements addressing all space, power and climate control issues completed by the end of 2009. ▼</li><li>• Transition to IFRS completed and audited by the end of the planning period. ▲</li><li>• Initiatives specified in the ISSP implemented in accordance with timelines set out in that Plan. ▲</li><li>• A new HRSP is designed and implemented by the end of the planning period. ▲</li><li>• An employee survey to be undertaken and the survey results analyzed and addressed during the planning period. ▲</li></ul>	

**Legend:** ▲ Planned progress on schedule and within budget.  
▼ Slippage in terms of time to completion, and/or budget variances.  
● Cancelled or deferred.

## CDIC Corporate Scorecard—2009/2010 to 2013/2014

**CDIC Objects:** Provide deposit insurance and contribute to the stability of the financial system, for the benefit of depositors, and while minimizing the Corporation's exposure to loss.

Corporate Strategies	Planned Key Initiatives	Key Performance Indicators
<b>Sustaining Efficient Governance and Operational Capacity</b>  To maintain the public's confidence, CDIC must demonstrate that it is fulfilling its mandate in an efficient and effective manner. To achieve this objective, CDIC will take steps to manage its significant risks, maintain sound governance and continue to work actively with all its key stakeholders. Such stakeholders include member institutions, the depositing public, employees, Financial Institutions Supervisory Committee (FISC) members, regulators, parliamentarians, other deposit insurers in Canada and around the world, and relevant international organizations with an interest in deposit insurance issues.	<b>Governance</b>	
	<ul style="list-style-type: none"> <li>Maintain CDIC's Business Continuity Management Program in a fully current and ready state.</li> </ul>	<ul style="list-style-type: none"> <li>All 2008/2009 Business Impact Analysis (BIA) issues addressed during the planning period. Successful all-employee secure remote access (SRA) testing completed by March 31, 2010. Pandemic Preparedness Plan (PPP) completed by March 31, 2010. ▲</li> </ul>
	<b>Regulatory, Legislative and Other Requirements</b>	
	<ul style="list-style-type: none"> <li>Complete implementation of CDIC's Internal Control Review program, incorporating coordination with CDIC's ERM process and the work of CDIC's Audit and Consulting Services Department.</li> </ul>	<ul style="list-style-type: none"> <li>Internal Control Review annual reporting regime in place consistent with Treasury Board Secretariat (TBS) guidelines. ▲</li> </ul>
	<b>Stakeholder Initiatives</b>	
	<ul style="list-style-type: none"> <li>Annual reporting of CDIC plans and progress to parliamentarians and all interested stakeholders through publications such as the Annual Report and Summary of the Corporate Plan.</li> </ul>	<ul style="list-style-type: none"> <li>CDIC Annual Report and Summary of the Corporate Plan tabled in both houses of Parliament and available on CDIC's website each year. ▲</li> </ul>

**Legend:** ▲ Planned progress on schedule and within budget.  
 ▼ Slippage in terms of time to completion, and/or budget variances.  
 ● Cancelled or deferred.

## Past Financial Performance—2008/2009 and 2009/2010

The Consolidated Balance Sheet and Consolidated Statement of Income and Retained Earnings providing the progression of the 2008/2009 and 2009/2010 Plans are presented as Figure 8 and Figure 9.

Effective April 1, 2005, CDIC adopted Accounting Guideline 15 (AcG-15), *Consolidation of Variable Interest Entities issued by the Canadian Institute of Chartered Accountants*, which required that Adelaide Capital Corporation (ACC) be consolidated with CDIC. The impact of the consolidation of ACC on CDIC's March 31, 2009, financial statements was an increase in assets of \$1.3 million and no increase in liabilities, as well as an increase in total revenue of \$48 thousand and an increase in total expenses of \$265 thousand. As a result, the impact on the Corporation's retained earnings is \$1.3 million.

Highlights of CDIC's financial performance for 2008/2009 and 2009/2010 against Plan are set out in the following figures and related descriptions.

**Figure 8:** Consolidated Balance Sheet  
Progression of 2008/2009 and 2009/2010 Plans  
as at March 31  
(\$ millions)

	2009 Plan	2009 Actual	2010 Plan	2010 Forecast
<b>ASSETS</b>				
Cash	-	-	1	1
Investments	1,758	1,770	1,872	1,951
Accounts receivable	-	2	1	-
Income tax overpayment	-	5	4	6
	1,758	1,777	1,878	1,958
Capital assets	2	2	2	2
	2	2	2	2
Future income tax asset	1	-	1	1
	1,761	1,779	1,881	1,961
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	4	4	3	2
Income tax payable	1	-	-	-
Future income tax liability	-	4	-	-
Provision for insurance losses	600	800	650	800
	605	808	653	802
<b>EQUITY</b>				
Retained earnings	1,156	960	1,228	1,159
Accumulated other comprehensive income	-	11	-	-
	1,761	1,779	1,881	1,961

**Figure 9:** Consolidated Statement of Income and Retained Earnings  
Progression of 2008/2009 and 2009/2010 Plans  
for the Year Ending March 31  
(\$ millions)

	2009 Plan	2009 Actual	2010 Plan	2010 Forecast
<b>REVENUE</b>				
Premiums	70	92	102	198
Interest on investments	65	54	36	32
Other revenue	–	–	–	–
	135	146	138	230
<b>EXPENSES</b>				
Net operating expenses	25	25	32	31
Adjustment to provision for insurance losses	–	150	–	–
	25	175	32	31
<b>Net income (loss) before recoveries and income tax</b>	110	(29)	106	199
Recovery of amounts previously written off	–	1	14	–
Income tax expense	(13)	(9)	(2)	–
<b>Net income (loss)</b>	97	(37)	118	199
Retained earnings, beginning of year	1,059	997	1,110	960
Retained earnings, end of year	1,156	960	1,228	1,159



## Commentary

### *2008/2009 Actual to Plan*

- The Corporation recorded a **net loss** of \$37 million for the year ended March 31, 2009, compared to a planned net income of \$97 million. This negative variance is due primarily to a combination of three factors: an adjustment to CDIC's provision for insurance losses of \$150 million to reflect increasing risk in CDIC's members; lower-than-planned interest on investments reflective of the significant decline in market interest rates during the period; and higher-than-expected revenue.
- **Premium revenue** was \$92 million, or \$22 million higher than planned. This difference is the result of higher-than-expected insured deposits combined with the movement of certain members between differential premium categories.
- **Interest on investments** was \$54 million, \$11 million lower than planned due to a significantly lower interest rate environment.
- **Recoveries of amounts previously written off** were \$1 million higher than planned due to unanticipated recoveries from certain estates.
- **Net operating expenses** were the same as those planned.
- The **provision for insurance losses** at the end of 2008/2009 was \$800 million, \$200 million higher than estimated in the Plan. The higher provision for insurance losses is the result of two adjustments: one increase of \$50 million during the 2007/2008 fiscal year that occurred subsequent to the finalization of the 2008/2009 Corporate Plan (and therefore not reflected in the planned balance), and an additional increase of \$150 million in the 2008/2009 fiscal year. Both increases reflected management's view of heightening insurance risks based on data suggesting that the risks in the Canadian financial environment were growing as a result of escalating strains in global credit markets.
- **Retained earnings** were \$196 million lower than planned. This variance primarily reflects an increase in CDIC's provision for insurance losses.



### **2009/2010 Forecast to Plan**

- **Net income** is forecast to be \$199 million, or \$81 million higher than planned, due to higher-than-planned premium revenue.
- **Premium revenue** is expected to exceed Plan by \$96 million due to a higher-than-planned increase in insured deposits and the movement of members between differential premium categories.
- **Interest on investments** is forecast to be below Plan by \$4 million. This is the result of lower-than-expected yields on higher-than-expected investments arising from higher premium revenue as described above.
- **Net operating expenses** are expected to be in line with planned expenses.
- **Recovery of amounts previously written off** is forecast to be \$14 million less than Plan due to delays in recoveries that are subject to litigation.
- The **provision for insurance losses** is expected to remain at \$800 million, \$150 million higher than Plan as a result of elevated insurance risks.