2008-2009 **Annual Report**

OmbudService for Life & Health Insurance

Ombudsman des assurances de personnes

OLHI • OAP

OmbudService for Life & Health Insurance

Ombudsman des assurances de personnes

OLHI • OAP

Table of Contents

About OLHI

The OmbudService for Life & Health Insurance (OLHI) is a national independent complaint resolution and information service for consumers of Canadian life and health insurance products and services, including life, disability, employee health benefits, travel, and insurance investment products such as annuities and segregated funds.

We were established in 2002 as a Not for Profit corporation and operated under the name "Canadian Life and Health Insurance OmbudService" until August 17, 2009. Our Board of Directors approved a name change to the OmbudService for Life & Health Insurance (OLHI) earlier this year to emphasize our role as an independent information and dispute resolution service.

OLHI is a member of the Financial Services OmbudsNetwork (FSON), a Canada wide dispute resolution service supported by Canada's financial services regulators and financial services firms. Our information and complaints handling staff have extensive knowledge of life and health insurance products, services, and practices and are available to promptly respond to consumer concerns, questions or complaints in both official languages, free of charge, during normal business hours and through our website **www.olhi.ca**.

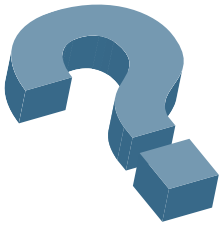
Mount Mitchener photographed by Wally Randall of Parson, BC.

Highlights + Total Activity

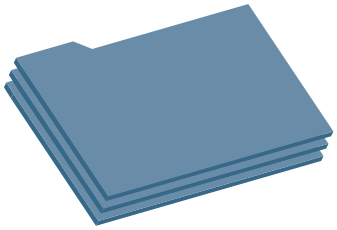
Highlights:

- **Completed First Independent Review of Operations and Three Year Strategic Plan** (see page 12)
- **New Business Name:** OmbudService for Life & Health Insurance (OLHI)/ Ombudsman des assurances de personnes (OAP)
- **New website:** www.olhi.ca (English); www.oapcanada.ca (French)
- **Adopted Protocol for handling of Systemic Complaints** (by Board of Directors June 2008)
- **Written Complaints up by 17%** over last year
- **Disability and Life Insurance** continue to represent the majority of Complaints & Investigations
- **Visitors, Travel, & Extended Health Insurance** continue to represent the majority of information inquiries

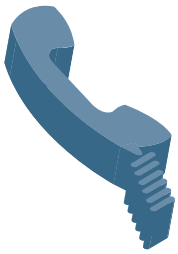
Analysis of Total Activity



Enquiries 31,089



Written Complaints 570



Phone Complaints 1,514

Investigations 18

Message from the Chairman

Bernard Bonin

Chairman, OmbudService for Life & Health Insurance

This has been a year of evolution and exciting developments at our OmbudService.

Our new Executive Director joined us in the midst of our seventh year and during the course of our first ever independent review covering our initial six years of operations.

We have a new name, the OmbudService for Life & Health Insurance (OLHI)/ Ombudsman des assurances de personnes (OAP), selected by the Board to emphasize our role as an independent information and dispute resolution service. We have a new website that clarifies the services we offer and increases consumer accessibility. We have a new format for our Annual Report that includes our audited financial statements.

The most significant development this past year was the conduct and completion of the independent review. The review measured our operations with reference to the Framework for Collaboration ("Framework"), an agreement among the three industry sponsored OmbudServices, the Dispute Resolution Committee of the Joint Forum of Market Regulators, and Finance Canada. The Framework set out principles and guidelines designed to assist OLHI and the other industry sponsored OmbudServices in fulfilling their public interest mandate.

The resulting report confirms that our organization has built a solid foundation in its first six years and calls upon us to move to the "next generation" of service by implementing recommendations designed to enhance our independence, our accessibility and awareness to the public, and the responsiveness and consistency of our procedures.

In accordance with the process mandated by the Framework, the OLHI Board independently considered the Report and prepared a Response. In sum, our Response is a three year plan designed to implement those recommendations within our internal control and to establish a consultation process with stakeholders to discuss the implementation of those recommendations requiring their input and collaboration.

Since our last Board meeting in June, our Executive Director has been moving quickly to carry out those initiatives approved by the Board and within OLHI's purview, such as registration and publication of our new name, development and launch of our new website, and redesign of our Annual Report.

In the coming year, as we focus on those recommendations that require external input and collaboration, we will continue to build on our many strengths, including the support of industry and our Member Companies.

We will continue our history of collaboration with industry and our Member Companies by seeking their feedback and support on those recommendations affecting them and their processes. The first and most important area in which we will seek their support is in connection with proposed amendments to our company By-Laws.

Our Board endorses these proposed By-Law amendments, which also serve to maintain and enhance ongoing accountability and transparency to company stakeholders. These changes are necessary to enshrine OLHI's independence and to align our governance and voting structure with those of our sister OmbudServices. They are key requirements of the Framework and strongly supported by the regulators.

Moreover, we view these proposed changes as an important opportunity for industry and our Member Companies to demonstrate their full and unqualified support for an independent industry sponsored OmbudService in the life and health insurance sector.

In addition to the proposed By-Law amendments, in the coming year OLHI plans to recruit a new board member who clearly represents the consumer constituency and to identify and reach out to representative consumer organizations.

We will continue to enhance awareness and accessibility of our services to the Canadian consumer by completing the initiatives set out in our first formal communications and marketing plan and by monitoring their effectiveness.

On behalf of the entire Board of Directors, we look forward to another year of progress as the OmbudService for Life & Health Insurance continues its evolution towards the "next generation" of service and enhanced relationships with our stakeholders.

Bernard Bonin
Chairman, OLHI

Message from the Executive Director

Holly Nicholson

Executive Director, OmbudService for Life & Health Insurance

A Year of Reflection & Innovation

In May 2008 I had the pleasure of joining the OmbudService with a mandate to reflect upon its first six years of operations, analyze its organizational effectiveness, and to design a three year plan based on the findings of the independent review then in progress. I am happy to report that in the last year, with the support of the Board, our dedicated staff, and our stakeholders, we have achieved or exceeded those goals.

We started off this fiscal year by implementing a protocol to identify and process "systemic complaints", defined as those that may affect more than one consumer. The protocol was developed in consultation with Member Companies, through the industry association, and now forms part of the complaint handling process contained in our Terms of Reference. The development and implementation of this systemic protocol satisfies a key requirement of the Framework and I am pleased to say we were the first of the industry sponsored OmbudServices to implement such a protocol.

One of our key innovations this year was the introduction of a new system that permits our complaint and investigation data to be compiled and reported more efficiently. With the enhanced reporting capabilities of this system, we have been able to produce additional data for this year's Annual Report, including our "Total Activity" and the number of files opened for written complaints.

Much of our operational work this year has focused on the preparation of our three year Strategic Plan and the various initiatives arising from the independent review. I am happy to confirm that many of those internal initiatives have been launched or even completed.

Our new website is a key tool for enhancing the awareness of our organization, offering a complete and "user friendly" explanation of the services we provide, a description of our complaint handling process, and the capability to track and record the volume and nature of public interactions on the site. It also serves to enhance public accessibility by offering the capability to access information and submit questions and complaints 24/7. Our website also contains the Report on the Independent Review and our Response and remains an important forum to communicate with our stakeholders.

We have increased our self sufficiency and independence by taking over the day to day administration of many of our key functions, including financial management and IT services. In the area of policies and procedures we have harmonized existing processes in our two offices, added personnel with formal dispute resolution experience, and arranged additional training for our staff.

The statistics contained in this year's Annual Report reaffirm the vital role OLHI plays as an independent intermediary between Canadian consumers and their life and health insurers. Demand for our written complaint services grew 17% over last year, investigation cases have also increased, and we continue to receive more than 30,000 calls annually. The many initiatives launched this year are designed to support this important work, which is our "raison d'etre".

Looking Forward

Having focused on internal initiatives this past year, the coming year offers the opportunity to commence working with our stakeholders to identify priorities, time frames, and methods to implement those recommendations requiring external collaboration.

To be sure, the comprehensive assessment of our operations has left us with much work to do in the next few years. However, I am bolstered by the past year's accomplishments and the firm conviction that these initiatives support a service that fulfills an important public need.

I look forward to the coming year as we move ever closer to achieving our mandate of providing more consumers with access to independent, cost free information and dispute resolution services in the Canadian life and health insurance sector.

Holly Nicholson
Executive Director & General Counsel, OLHI

OLHI Standards

OLHI has committed to abide by a voluntary code of service standards that guide the work and activities of its qualified professional staff. OLHI's promise to consumers includes service in accordance with the following standards:

Accessibility

OLHI provides convenient ease of contact for consumers through our national toll-free telephone number (1-888-295-8112), mail, email (info@olhi.ca), facsimile (416-777-9750) and website (www.olhi.ca). Our services are offered in both English and French and are provided at no cost whatsoever to consumers.

Timeliness

OLHI will respond promptly to consumer enquiries and complaints. Most telephone enquiries are answered immediately by an attendant and any telephone, fax, or email messages will be returned promptly.

Courtesy

Consumers contacting OLHI will be treated courteously, professionally and with respect.

Clarity

OLHI provides consumers with clear and succinct information by telephone or in writing. Our aim is to ensure the consumer has a full and complete understanding of the issues and the positions of each party.

Accuracy

All information collected by OLHI relevant to a complaint or enquiry will be accurate and as complete and up-to-date as necessary for the purpose of assisting with the resolution of the enquiry or complaint.

Fairness & Impartiality

OLHI provides unbiased and impartial assistance with consumer complaints and enquiries. OLHI is not an advocate for either the consumer or the life and health insurance company.

Consistency

OLHI processes complaints in accordance with its mandate and terms of reference and strives to treat similar cases in a similar fashion.

Knowledge

The information provided to consumers contacting OLHI will reflect a thorough knowledge and understanding of the subject. OLHI's staff have the skills and specialized knowledge of life and health insurance products, services, and practices necessary to address consumer enquiries and complaints.

Privacy/Confidentiality

Any information collected by OLHI will remain confidential and proprietary to OLHI in accordance with OLHI's Privacy Statement.

Independence & Objectivity

OLHI is a non-profit corporation independent of government and industry. It is governed by a Board of Directors, the majority of whom are Independent Directors with no ties to the life and health insurance industry.

Complaint Handling Process

Step One

A consumer contacts OLHI about a complaint. The OLHI Complaints Counsellor assesses whether the consumer has completed the dispute resolution process with his or her life and health insurance company. If not, the complaints Counsellor explains the company's internal dispute resolution process and provides the consumer with guidance on the nature and type of information required to process the complaint through the company's internal dispute resolution process. A "final position letter" will be issued by the insurance company when this process has been completed.

Step Two

A consumer who has received a final position letter from a life and health insurance company that is an OLHI Member Company and who is not satisfied with the result, may access OLHI's independent cost free complaints resolution process.

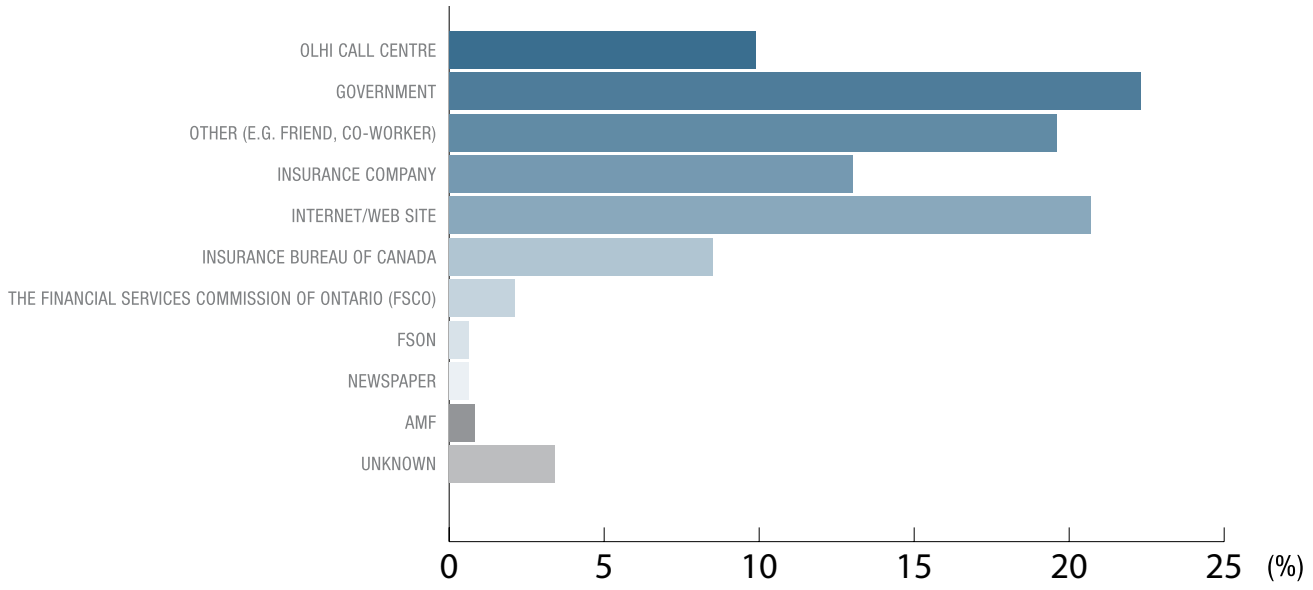
At this stage an experienced Complaints Counsellor reviews the complaint from an independent perspective, collects all relevant facts and information, and advises the consumer how the complaint might be resolved. With OLHI's assistance, this may involve providing additional information to the consumer's life and health insurer or communicating with the insurer.

Step Three

If the complaint is not resolved at Step Two, at the discretion of OLHI it may be referred to an OmbudService Officer ("Officer") for investigation and conciliation. The Officer works with the consumer and the Member Company to attempt a voluntary resolution of the complaint. The Officer contacts both parties to collect any necessary additional information and then assesses the complaint to try to find some common ground between the parties.

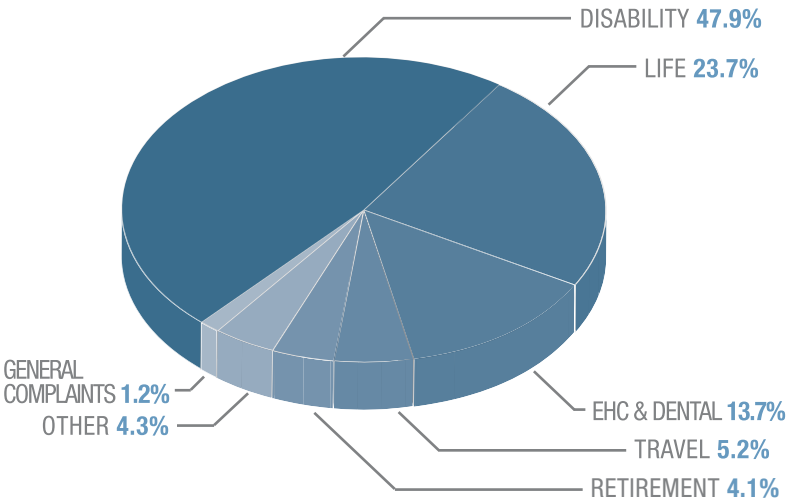
Where warranted, a complaint may be referred for a further review. This review results in a non binding settlement recommendation to the consumer and the Member Company.

Complaints By Source



Complaint Statistics

Complaints By Product



TOTAL **2,084**

Overview

This fiscal year OLHI received 2,084 complaints. Case files were opened for 570 written complaints, representing a 17% increase over last year and continuation of a three year upward trend.

The increase in written complaints demonstrates that OLHI is consistently receiving a higher proportion of more challenging complaints.

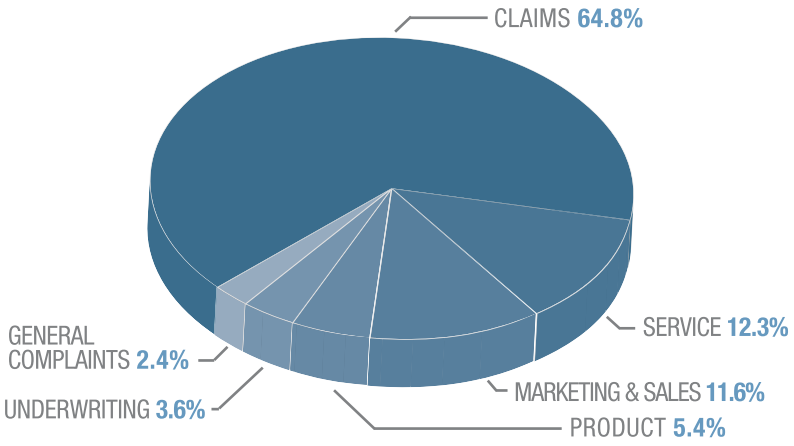
The majority of complaints continue to originate in central Canada. Consistent with past years, most complaints relate to disability and life products and originate with the claims function.

Service complaints continued a three year decline, whereas those arising from the marketing & sales function have increased steadily the last three years.

Complaints By Province

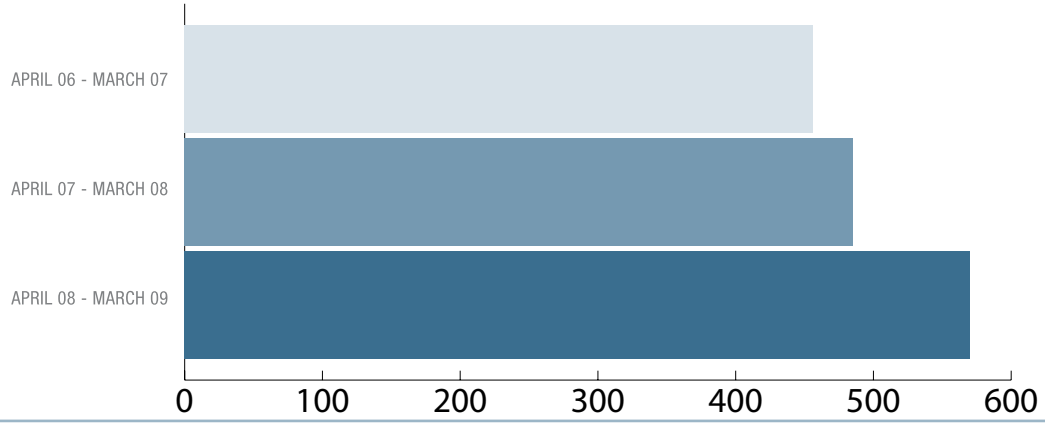
ON	876
QC	791
BC	150
AB	124
NS	39
NB	19
SK	13
MB	33
NL	8
PE	8
Territories (3)	3
US & Foreign	17
Unknown	3
Total	2,084

Complaints By Company Function



TOTAL **2,084**

Volume of Written Complaints



Who's on First?

When Mr. G purchased a trailer, he enrolled in the group creditor insurance plan offered by the dealership. His paperwork confirmed he had requested both life and disability insurance in connection with the financing on his trailer.

He subsequently became disabled and contacted the dealership about submitting a disability claim to cover his loan payments while he was unable to work. It was then that he learned the loan on his trailer carried life insurance only, despite the paperwork he had in his possession.

Mr. G confronted the dealership representative about the problem with his coverage. The representative admitted responsibility and confirmed he had made a mistake. At one point, the dealer even offered to pay the disability premium on Mr. G's behalf, but subsequently reneged on the offer.

By the time he called OLHI, Mr. G had made numerous attempts to resolve the problem on his own, to no avail. He was very frustrated, particularly because it was not clear with whom he should be dealing. Should he pursue his complaint with the dealership, the insurer's third party administrator, or the insurance company itself? On the face of it, it appeared that he had been disadvantaged as a result of the actions of the dealership, not the insurer or its administrator. However, additional fact finding would be required to determine the best course of action to resolve the situation.

As a first step, an OLHI Complaints Counsellor called the third party administrator, whose role it is to administer the insurance plan on behalf of the insurer. It was confirmed that only a life insurance certificate had been issued for Mr. G and that he had no disability coverage in place. At this point, our Complaints Counsellor became concerned that even if Mr. G or the dealership would agree to pay the premium for the disability insurance, the insurer would not agree to entertain Mr. G's disability claim. Accordingly, our Complaints Counsellor wrote to the insurer's Consumer Complaints Officer, apprising him of the situation and enquiring whether the insurer would consider Mr. G's disability claim if it received payment of the premium.

The insurer's representative advised OLHI that it was conducting an investigation into the matter. They had already spoken with the dealership and were in the process of contacting Mr. G to obtain his side of the story. Our Complaints Counsellor subsequently followed up and inquired, once again, if the insurer would accept responsibility for the claim if its' investigation showed that the dealership was at fault and the premium was subsequently paid. She was advised that the insurer's Complaints Officer would confer with senior management.

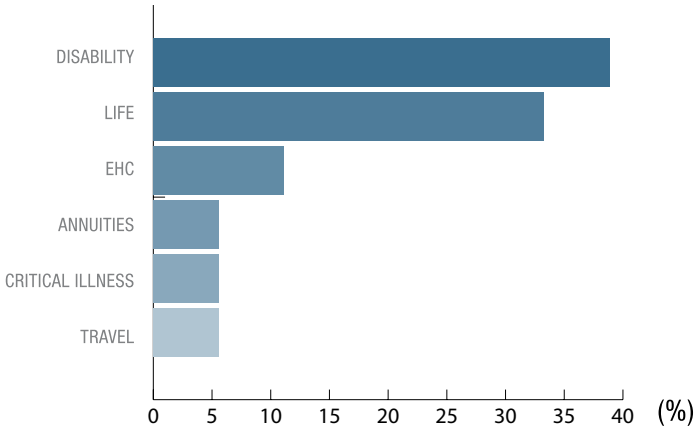
Eventually, a settlement was reached whereby the dealership agreed to pay one half of the disability premium, Mr. G agreed to pay the other half, and the insurer agreed it would consider the disability claim upon receipt of the full premium. Mr. G expressed his gratitude for OLHI's assistance in concluding a settlement that ensured his disability claim would be considered, thus satisfying his original expectation that he was insured in the event of disability.

> ***" Mr. G had made numerous attempts to resolve the problem on his own, to no avail "***

Disclaimer: *Names, places and facts have been modified in the above example in order to protect the privacy of the individuals involved.*

Investigation Statistics

Investigations By Product

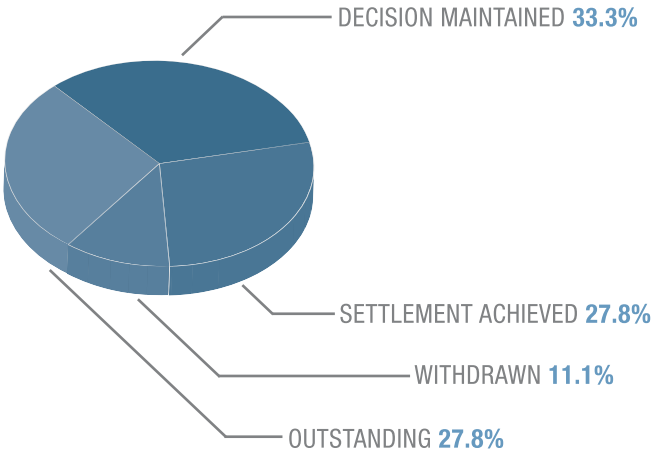


Overview

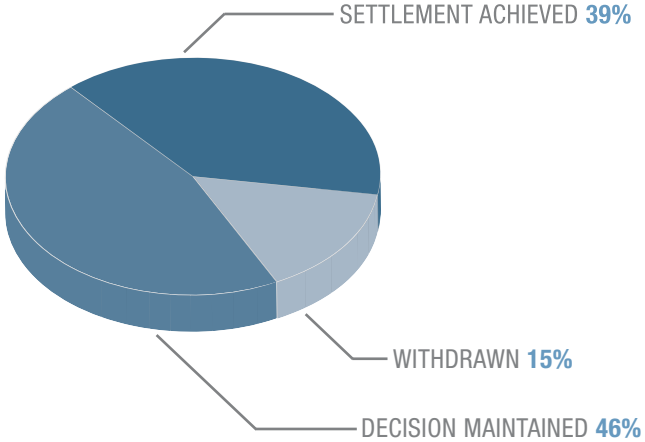
OLHI initiated eighteen (18) investigations, an increase from 7 last year.

- Consistent with prior years, the majority of investigations pertain to disability claims, followed by life claims, and investigations pertaining to marketing & sales.
- 72% of investigations were resolved within the year. Of these, investigators were successful in effecting a settlement in 39% of the cases.
- Commencing this 2008/09 fiscal year, OLHI commenced recording investigations on a fiscal versus calendar year basis to align our statistical reporting methods with those for complaints.
- We also commenced recording investigation metrics on the basis of total cases opened during the year. This will permit us to better assess the demand for these services and to provide a baseline measurement for a key service metric, the length of time to complete an investigation.

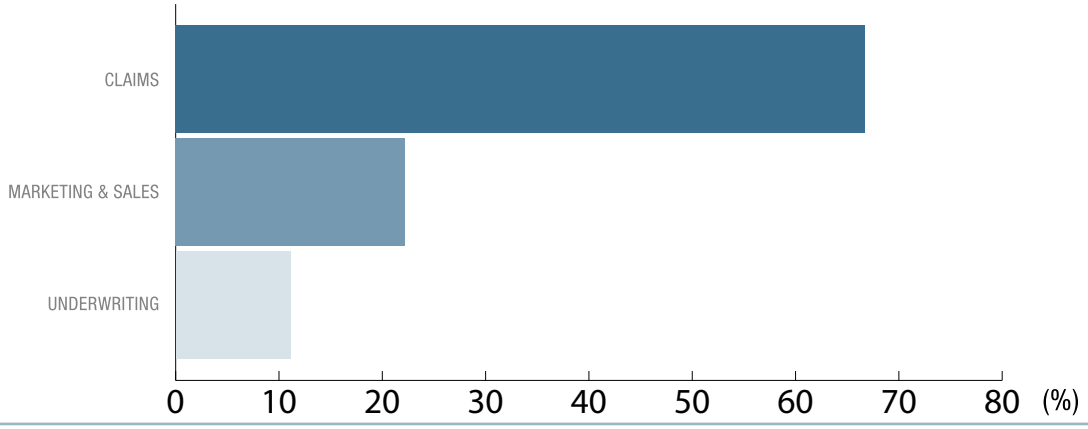
Outcome By Cases Opened



Outcome By Cases Completed



Investigations By Company Function



Re-opening the Lines of Communication

Ms M called OLHI to seek assistance with reinstatement of her disability benefits. Initial discussions with one of our Complaints Counsellors revealed that she had received long-term disability benefits for a period well over two years. Payments were stopped on the basis that she was not cooperating with the rehabilitation program arranged by her insurance company, as evidenced by several missed treatment sessions. There was also an underlying suspicion by the insurance company that Ms M may have been "malingering". Accordingly, the complaint was referred to one of our OmbudService Officers for a more detailed examination.

As is the norm, Ms M's group disability plan provided benefits for a 24 month period upon satisfactory proof that she was unable to perform the duties of her own pre-disability occupation. To qualify for benefits after that period, she was required to provide satisfactory evidence that she was unable to perform any occupation for which she was "reasonably suited" by education, training or experience.

The OmbudService Officer assigned to the case noted that the insurer had continued to accept Ms M's disability beyond the initial 24 month period, but had apparently become concerned about the potential duration of the claim due to Ms M's relatively young age. As a result, Ms M's insurer prescribed a rehabilitation program with a view to assessing her ability to return to the work force.

Our Officer spoke at length with the insured and determined that this case would best be served by his independent review of the insurer's claim file. The insurer readily agreed.

Through the course of his investigation and analysis, our Officer noted that there were conflicting issues and points of view. The insurer's concern about the claim was perfectly understandable. To its credit, the insurance company had continued the claim well beyond the 24 month initial period and had decided to invest in Ms M's rehabilitation. On the other hand, our Officer's review suggested that the design of the insurer's rehabilitation program may have been ill suited to Ms M's disability.

He was also concerned about the insurer's deeply engrained suspicion of malingering, which did not seem to be firmly grounded in the facts. Specifically, a conclusion of malingering was not supported by the observations of the attending physician nor by Ms M's willing participation in various other alternative treatments designed to alleviate her disability.

Upon conclusion of his review, the Officer prepared a detailed written submission to the insurer. He acknowledged the insurer's support of the claim and decision to invest in Ms M's rehabilitation. On the other hand, he pointed out that Ms M's disability under the policy was not in dispute and that her inability to consistently attend all rehabilitation sessions was likely explained by the unsuitability of the rehabilitation program, rather than a lack of desire to "cooperate" with a suitable program. With the benefit of having reviewed this complaint from an independent perspective, he also suggested that the insurer's suspicion of malingering was not supported by the facts.

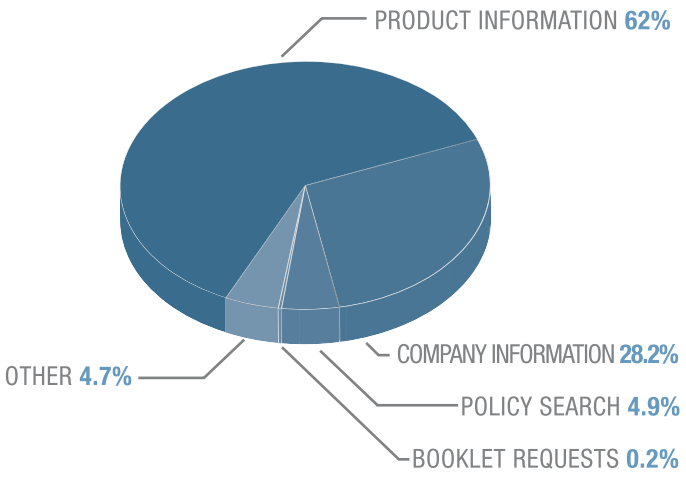
> ***" There was also an underlying suspicion...that Ms M may have been 'malingering' "***

The insurance company agreed to consider our Officer's perspective and quickly responded with an offer that resolved the complaint to the satisfaction of both parties. In sum, the insurer agreed to reinstate Ms M's claim retroactively on the understanding that she would follow a new rehabilitation program suitable for her medical condition, developed in consultation with her attending physician. Both parties were satisfied with the result and we understand that Ms M is now successfully following her new rehabilitation program.

Disclaimer: *Names, places and facts have been modified in the above example in order to protect the privacy of the individuals involved.*

Enquiry Statistics

Why did they call?



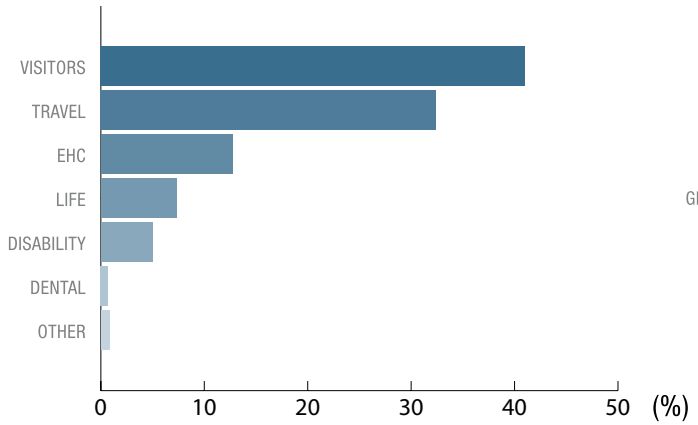
Overview

OLHI provides Canadian consumers with general information on life and health insurance products and services through our national toll-free call centers in Toronto and Montreal. In addition, we distribute numerous consumer brochures and assist consumers searching for a lost life insurance policy.

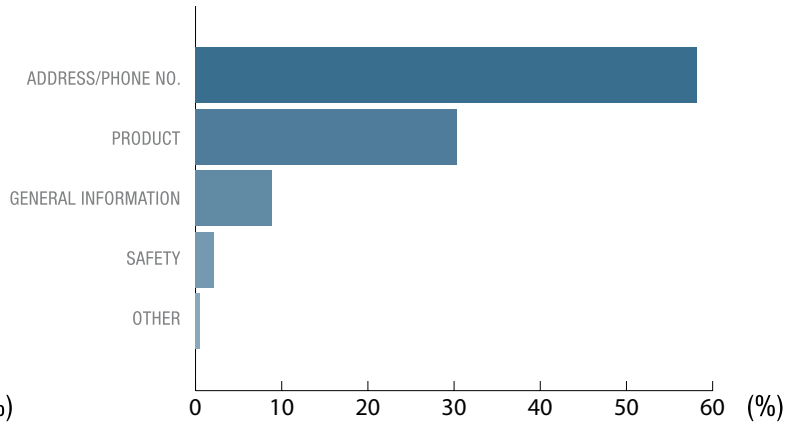
During our 2009 fiscal year, OLHI's information service answered 31,089 calls covering 35,000 topics pertaining to life and health insurance. The majority of these calls were requests for information on travel, visitors, and employee health insurance. We also received 1,736 life policy search requests.

Since August 2009, our newly redesigned English and French websites offer an online question form, thus expanding the accessibility of our consumer information services to 24/7.

Analysis of Product Enquiries



Analysis of Company Enquiries



Where did they call from?

Ontario	14,284	45.9%
Quebec	13,278	42.7%
Prairie Provinces	1,392	4.5%
BC	922	3.0%
Atlantic Provinces	644	2.1%
US & Foreign	549	1.7%
Territories (3)	20	0.1%
Total	31,089	100%

Two Plans, No Payments

Mr. R e-mailed OLHI because he was experiencing difficulty with the administration of his extended health care claims. He had an individual health insurance plan with Company A and he was also covered under his spouse's group insurance plan with Company B.

For many years he had submitted his health claims first to his individual plan, Company A, and then filed claims under his spouse's group plan, Company B, for any residual expenses not covered by the individual plan. However, he was now being told by Company A to first submit his claims to his wife's group plan. Mr. R. complied with this directive but Company B also refused to take responsibility as first payer. When he advised Company A of Company B's response, Company A told him to sort the problem out himself.

As background, the health and dental benefits industry has developed a Coordination of Benefits (COB) Guideline that describes the order in which benefits are determined and how to coordinate health care or dental payments from all available group plans. Although there is no guideline prescribing the order in which benefits are determined for individual plans, there is a general consensus in the industry that group plans should be first payers. Company A was relying on this unwritten rule when it asked Mr. R to file his claims with his wife's group plan first.

The situation was further complicated by the fact that the group carrier, Company B, was not an OLHI member company and thus our Counsellor was unable to open up a dialogue with Company B on Mr. R's behalf. By way of explanation, although all federally incorporated life and health insurers are required to belong to an independent complaint resolution service and most choose OLHI due to our expertise in the field, provincially incorporated life and health insurers are not subject to this requirement, although many do choose to become OLHI members.

In an effort to work out a solution, OLHI's Counsellor wrote to Company A's Complaints Officer pointing out that it did not appear fair that Mr. R should be disadvantaged or expected to sort out the problem himself, but OLHI could not approach Company B as it was a non member insurance company. Our Counsellor suggested that that Company A should contact Company B directly on behalf of its policyholder to bring about out a mutually agreeable resolution.

That same day, Company A responded. It agreed with our Counsellor that Mr. R, as their policyholder, should not be disadvantaged by these circumstances or required to sort through the issue himself. Company A further confirmed that it would resume responsibility as the first payer of his claims, in recognition of the problems he

> *" he was experiencing difficulty with the administration of his extended health care claims "*

was encountering with Company B. Mr. R was understandably pleased that OLHI was able to have facilitated a settlement that ensured both insurance companies would resume administration and payment of his health benefits claims, as opposed to neither processing and paying his expenses.

Disclaimer: *Names, places and facts have been modified in the above example in order to protect the privacy of the individuals involved.*

Independent Review

During the course of this fiscal year an independent review of our OmbudService was initiated and completed.

The purpose of the independent review was to measure our operations with reference to the guidelines contained within the Framework for Collaboration ("Framework"), an agreement among the three industry sponsored OmbudServices who are members of the Financial Services OmbudsNetwork ("FSON"), including OLHI, the Dispute Resolution Committee of the Joint Forum of Financial Market Regulators, and Finance Canada.

The Framework sets out principles and guidelines that are designed to assist the FSON members in achieving their public interest mandate. The seven guidelines are as follows:

1) **Independence**
2) **Accessibility**
3) **Scope of Services**
4) **Fairness**
5) **Methods & Remedies**
6) **Accountability & Transparency; and**
7) **Third Party Review**

The review was conducted by Leslie H Macleod & Associates, a firm specializing in alternative dispute resolution process, practice, and design, in accordance with a Work Plan approved by our Board of Directors. The Work Plan included interviews with stakeholders (including Member Company representatives), reviews of our governing documents (including By-Laws, Terms of Reference, and Board Minutes), review of our complaint handling practices and procedures, staff interviews, and a confidential review of consumer complaint and investigation files. As is readily apparent, the scope of the review was comprehensive and covered all aspects of our operations.

The Report resulting from the review found that OLHI was in compliance with many of the standards endorsed by it and by the regulators. It highlighted the many strengths of our organization, including the support of our Member Companies and industry, the dedication of the Board, management and staff, and our demonstrated efforts in undertaking measures designed to comply with the Framework.

As might be expected from such a thorough review, the Report identified areas of improvement as well as recommendations designed to assist OLHI in achieving its public interest mandate. The review identified the following three main areas to address:

1) **a stronger assertion and protection of OLHI's independence;**
2) **an increased awareness of & accessibility to OLHI's services among Canadian consumers; and**
3) **a series of improvements to policies & procedures.**

In accordance with the process mandated by the Framework, the OLHI Board independently considered the Report and prepared a Response. Our Response, in sum, is a three year Strategic Plan designed to implement those recommendations within OLHI's internal control and to establish a consultation process with stakeholders to discuss the implementation of those recommendations requiring their input and collaboration.

Year One of our Strategic Plan focuses on the implementation of a number of key recommendations within the three priority areas identified in the Report, with an emphasis on those that are within OLHI's internal control. Year Two will focus on the completion of those key internal initiatives, as well as commencing the process of working with our stakeholders to identify priorities, time frames, and methods to implement those initiatives requiring external collaboration. Year Three of our Strategic Plan will focus on completion of the remaining internal and external recommendations.

KPMG LLP
Chartered Accountants
Suite 3300 Commerce Court West
PO Box 31 Stn Commerce Court
Toronto ON M5L 1B2
Canada

Telephone (416) 777-8500
Fax (416) 777-8818
Internet www.kpmg.ca

AUDITORS' REPORT

To the Members of Canadian Life and Health Insurance OmbudService

We have audited the balance sheet of the Canadian Life and Health Insurance OmbudService as at March 31, 2009 and the statements of revenue and expenses and changes in the operating fund balance and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Canada Corporations Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

Toronto, Canada
May 8, 2009

Financial Statements

Balance Sheet

As at March 31, 2009, with comparative figures for 2008

Assets

Current assets:	2009	2008
Cash and cash equivalents (note 2)	$ 614,688	$ 541,066
Accounts receivable	72	5,385
Deposits	18,080	8,456
	632,840	554,907
Capital assets (note 3)	34,818	71,016
	$ 667,658	**$ 625,923**

Liabilities and Fund Balance

Current liabilities:		
Accounts payable and accrued liabilities	$ 71,472	$ 78,487
Deferred lease inducement	2,862	6,869
	74,334	85,356
Deferred lease inducement	-	2,862
Fund balance:		
Operating Fund:		
Invested in capital assets	34,818	71,016
Unrestricted	558,506	466,689
	593,324	537,705
Commitments (note 5)		
	$667,658	**$625,923**

See accompanying notes to financial statements.

Statement of Revenue and Expenses and Changes in the Operating Fund Balance

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008
Revenue:		
General assessment fees	$ 1,485,000	$ 1,266,105
Investment	12,417	17,673
	1,497,417	1,283,778
Expenses:		
Staff costs and adjudicative services	776,680	600,185
Board of Directors fees	121,979	110,811
Board meetings and travel	39,304	34,089
Staff meetings and travel	16,131	7,030
Rent	89,699	91,687
Management fees (note 4)	77,490	88,830
Information technology	69,761	70,954
Amortization of capital assets	37,880	40,578
Telecommunications	25,744	25,643
Professional fees	102,135	22,137
FSON-related costs	17,412	17,689
Supplies and services	19,987	16,404
Insurance	10,833	12,742
Translation	7,587	12,057
Facilities fees – Toronto	5,320	2,095
Communications	6,179	4,676
Recruitment	16,734	41,146
Consumer survey	-	12,174
Training and development	943	509
Expenses before the under-noted item	1,441,798	1,211,436
FSON Membership fee refund	-	(19,793)
	1,441,798	1,191,643
Excess of revenue over expenses	55,619	92,135
Operating Fund balance, beginning of year	537,705	445,570
Operating Fund balance, end of year	**$ 593,324**	**$ 537,705**

See accompanying notes to financial statements.

Financial Statements

Statement of Cash Flows

Year ended March 31, 2009, with comparative figures for 2008

Cash provided by (used in):

	2009	2008
Operating activities:		
Excess of revenue over expenses	$ 55,619	$ 92,135
Items not affecting cash:		
Amortization of capital assets	37,880	40,578
Amortization of lease inducement	(6,869)	(6,869)
Change in non-cash balances relating to operations:		
Accounts receivable)	5,314	(3,041)
Recoverable expenditures and deposits	(9,624)	-
Accounts payable and accrued liabilities	(7,015)	18,983
	75,305	141,786
Investing activities:		
Additions to capital assets	(1,683)	(27,809)
Increase in cash and cash equivalents	73,622	113,977
Cash and cash equivalents, beginning of year	541,066	427,089
Cash and cash equivalents, end of year	$ 614,688	$ 541,066

See accompanying notes to financial statements.

Notes to Financial Statements

Year ended March 31, 2009

The Canadian Life and Health Insurance OmbudService ("CLHIO") is a not-for-profit organization incorporated under Part II of the Canada Corporations Act, established to assist consumers with concerns and complaints about life and health insurance products and services in Canada. CLHIO is exempt from income taxes under the Income Tax Act (Canada), provided certain requirements of the Act are met.

1. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

(a) Financial instruments:

Financial instruments are classified into one of the following five categories: Held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are to be measured in the balance sheet at fair value except for loans and receivable, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value depend on their initial classification as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net income. The CLHIO has classified its short-term investments as held-for-trading and are measured at fair value, and changes in fair value are recognized in net income.

The Canadian Institute of Chartered Accountants ("CICA") issued two new CICA Handbook sections - 3862 "Financial Instruments – Disclosures"; and 3863 "Financial Instruments – Presentation". These sections revise and enhance the current disclosure requirements of CICA Handbook section 3861 "Financial Instruments – disclosure and Presentation".

On October 15, 2008, The Canadian Accounting Standards Board decided that not-for-profit organizations may choose to continue to apply Section 3861 in place of adopting 3862 and 3863. Accordingly, the Association has opted to continue to apply the requirements of Section 3861.

(b) Fund accounting:
These financial statements follow the restricted fund method of accounting. The operating fund reports unrestricted resources.

(c) Revenue recognition:
General assessments are recognized as revenue of the operating fund in the year received or receivable.

(d) Capital assets:
Capital assets are carried at cost less accumulated amortization. Office furniture and equipment are amortized on the declining balance basis at the annual rate of 20%. Computer equipment is amortized on a straight-line basis over four years. Leasehold improvements are amortized on a straight-line basis over the remaining lease term.

(e) Lease inducement:
Inducements received from the landlord with respect to leased premises are deferred and amortized over the lease term on a straight-line basis. Amortization is deducted from rent expense in the Statement of Revenue and Expenses.

(f) Measurement uncertainty:
The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

2. Cash and cash equivalents:

Cash and cash equivalents consist of the cash balance with the bank and short-term investments which consist of bankers' acceptances. Cash and cash equivalents comprise the following balance sheet amounts:

	2009		2008	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash	$ 214,861	$ 214,861	$ 52,216	$ 52,216
Short-term investments	399,827	399,827	488,850	488,850
	$ 614,688	$ 614,688	$ 541,066	$ 541,066

The short-term investments have an aggregate principal amount of $399,827 (2008 - $488,850) and consist of bankers acceptances with effective interest rates from 0.40% to 3.63% (2008 - 1.90% to 3.63%). Interest is receivable at maturity.

3. Capital assets:

	Cost	Accumulated amortization	2009 Net book value	2008 Net book value
Office furniture	$ 17,687	$ 11,315	$ 6,372	$ 7,965
Office equipment	11,216	6,861	4,355	5,444
Computer equipment	29,492	14,325	15,167	27,263
Leasehold improvements	78,537	69,613	8,924	30,344
	$ 136,932	$ 102,114	$ 34,818	$ 71,016

4. Transactions with Canadian Life and Health Insurance Association Inc. (CLHIA):

During the year, CLHIA provided management services to CLHIO consisting mainly of administrative and information technology services, as well as financial services which amounted to $137,235 (2008 – $154,252) including the applicable taxes.

5. Commitments:

The CLHIO rents office premises in Toronto and Montreal. On March 12, 2009 the organization entered into a new agreement for its Toronto premises as the current lease is due to expire on August 31, 2009. Future minimum annual rentals under the new and existing leases are as follows:

Year ending March 31	Office premises
2010	$ 37,245
2011	44,191
2012	44,191
2013	44,191
2014	27,649
2015 and thereafter	160,916

Member Companies

All life and health insurance companies regulated by the Canadian federal or provincial governments are eligible to become OLHI members. Life and health insurance companies that are members of OLHI are called "Member Companies". Clients of Member Companies have access to OLHI's national independent dispute resolution service.

We are pleased to provide you with the following list of Member Companies as of September 22,2009:

Acadia Life
ACE INA Life Insurance
Actra Fraternal Benefit Society
Aetna Life Insurance Company
Allianz Life Insurance Company of North America
American Bankers Insurance Company of Florida
American Bankers Life Assurance Company of Florida
American Health and Life Insurance Company
Assumption Mutual Life Insurance Company
Assurant Life of Canada
Assurant Solutions
AXA Assurances Inc.
Blue Cross Life Insurance Company of Canada
BMO Life Assurance Company
BMO Life Insurance Company
Canadian Premier Life Insurance Company
Canassurance Hospital Service Association
Canassurance Insurance Company
CIGNA Life Insurance Company of Canada
Co-operators General Insurance Company
Co-operators Life Insurance Company
Combined Insurance Company of America
CompCorp Life Insurance Company
Connecticut General Life Insurance Company
CT Financial Assurance Company
CUMIS Life Insurance Company
CUNA Mutual Insurance Society
Desjardins Financial Security Life Assurance Company
FaithLife Financial
First North American Insurance Company
Foresters
General American Life Insurance Company
Gerber Life Insurance Company
GMS Insurance Inc.
Green Shield Canada
Group Medical Services
Groupe Promutuel
Hartford Life Insurance Company
Household Life Insurance Company
Industrial Alliance Insurance and Financial Services Inc.
Industrial Alliance Pacific Insurance and Financial Services
John Hancock Life Insurance Company
Knights of Columbus
L'Alternative, compagnie d'assurance sur la vie
L'Entraide Assurance Mutual Company
La Capitale Civil Service Insurer Inc.
La Capitale Insurance and Financial Services Inc.
Legacy General Insurance Company
Life Insurance Company of North America
London Life Insurance Company
LS Mutual Life Insurance Company
Lutheran Life Insurance Society of Canada
Manulife Canada Ltd.
Manulife Financial
MD Life Insurance Company
Medavie Blue Cross
MetLife Canada
Metropolitan Life Insurance Company
Munich Reinsurance Company
National Bank Life Insurance Company
New York Life Insurance Company
Optimum Reassurance Inc.
Partner Reinsurance Company Ltd.
PartnerRe SA
Penncorp Life Insurance Company
Primerica Life Insurance Company of Canada
Principal Life Insurance Company
Promutuel Vie Inc.
RBC General Insurance Company
RBC Insurance Company of Canada
RBC Life Insurance Company
Reassure America Life Insurance Company
Reliable Life Insurance Company
RGA Life Reinsurance Company of Canada
SCOR Global Life
Scotia Life Insurance Company
SSQ Financial Group
SSQ, Life Insurance Company Inc.
Standard Life Assurance Limited
Standard Life Trust Company
State Farm International Life Insurance Company Ltd.
Stonebridge Life Insurance Company
Sun Life Assurance Company of Canada
Sun Life Insurance (Canada) Limited
Swiss Re Life & Health Canada
Swiss Reinsurance Company
TD Life Insurance Company
Teachers Life Insurance Society (Fraternal)
The Canada Life Assurance Company
The Canada Life Insurance Company of Canada
The Empire Life Insurance Company
The Equitable Life Insurance Company of Canada
The Excellence Life Insurance Company
The Great-West Life Assurance Company
The Independent Order of Foresters
The International Life Insurance Company
The Manufacturers Life Insurance Company
The Standard Life Assurance Company (2006)
The Standard Life Assurance Company of Canada
The Union Life, A Mutual Assurance Company / UL Mutual
The Wawanesa Life Insurance Company
TIC Travel Insurance Coordinators Ltd.
Transamerica Life Canada
Triton Insurance Company
Union of Canada Life Insurance
Unity Life of Canada
Western Life Assurance Company

OLHI Locations + Board Members

LOCATIONS

OmbudService for Life & Health Insurance
401 Bay Street, PO Box 7
Toronto, Ontario
M5H 2Y4

Ombudsman des assurances de personnes
1001, boul. de Maisonneuve O. Bureau 640
Montreal, Quebec
H3A 3C8

MEMBERS OF THE 2008-2009 BOARD OF DIRECTORS

Chairman
Bernard Bonin *
Former Senior Deputy Governor of the Bank of Canada

Independent Directors
Lea Algar **
Chair, General Insurance OmbudService, and former Ontario Insurance Ombudsman

Dr. Janice MacKinnon *
Professor, University of Saskatchewan and former Minister of Finance for Saskatchewan

Yves Rabeau **
Professor of Economics, Université du Québec à Montréal (UQAM)

Reginald Richard **
Former Superintendent of Insurance for New Brunswick

Peter Maddaugh, Q.C. *
Professor of Law, University of Victoria and former Partner, Torys LLP

Industry Directors
Claude Garcia **
Corporate Director, and former President, Standard Life Assurance Company

Christopher McElvaine *
Director of Foresters, and former President, The Empire Life Insurance Company

* Member of Governance Committee
** Member of Standards Committee